

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures surged to a four month high on Tuesday, catapulted by promising results for a vaccine against COVID-19 and by a European Union stimulus deal. Also supporting the market, were expectations that U.S. crude oil and refined product inventories likely fell last week. The expiring August WTI contract rose to a session high of \$42.40, a gain of \$1.59, or 3.8%, before paring gains to settle at \$41.96 a barrel, up \$1.15, or 2.8%. This was the highest settlement for a spot contract since March 5. September WTI, which is not the spot month contract, settled at \$41.92 a barrel, up \$1, or 2.4%. Brent for September delivery added \$1.04, or 2.4%, to settle at \$44.32 a barrel. This was the highest level Brent traded since March 6. August RBOB added 4.2% to \$1.2797 a gallon. August heating oil rose 3.6% to \$1.28 a gallon—the highest since early March.

Market Outlook: To the delight of bulls, WTI finally broke out of the sideways trading pattern that began to form in the beginning of June. Although this breach spread euphoria across the marketplace, the higher move is up against some strong price containing fundamentals. U.S. production is showing few signs of coming back, as the number of U.S. oil drilling rigs continues to fall, but this is being offset by a lack of demand due to the coronavirus pandemic, which is adding pressure ahead of the return of supply from OPEC+ as their production cuts begin to decrease. Unless the virus starts to come under control, this market will continue to struggle to the upside. That being said, from a technical standpoint, we would like to see WTI hold above \$40.75, the 50% retracement provide by the April low of \$7.15 and the December high of \$74.34. Below this level, support is set at \$40.85, the current 10-day moving average and below that at \$37.84, the 50-day moving average. Resistance is set at \$44.36 and \$46.19.

Fundamental News: The Hibernia Management and Development Co said the Hibernia oil platform in Canada was shut after a leakage of drilling and production fluids. The company said a sheen was observed 2.5 kilometers or 1.55 miles from the 220,000 bpd platform and all personnel are safe, adding that the Canada-Newfoundland and Labrador Offshore Petroleum Board has been notified.

Russia's Rosneft will limit output at its RN-Sakhalinmorneftegaz subsidiary as part of OPEC+ production cuts.

Iraq's crude oil exports have increased so far in July, suggesting the country is still undershooting its pledge in an OPEC-led supply cut deal. Southern Iraq exports in the first 20 days of July averaged 2.7 million bpd, unchanged from June's official figures for exports from southern Iraq. The July figures imply Iraq is still some way from fulfilling its pledges and is exporting far more than a July loading program indicated. Meanwhile, northern exports are at least 450,000 bpd, which would be up from 370,000 bpd in June. The increase in northern shipments means Iraq's exports are up by 80,000 bpd so far in July.

Euroilstock reported that European refinery output in June increased by 1.7% on the month to 8.792 million bpd, reflecting a slow recovery in fuel demand as governments eased lockdowns. Refinery output was down 14.9% on the year. Euroilstock reported that gasoline output in June increased by 5.5% on the month but fell by 22.1% on the year to 1.864 million bpd, while middle distillates output increased by 1.5% on the month but fell by 13.2% on the year to 4.628 million bpd and fuel oil output fell by 5.5% on the month and by 17.7% on the year to 813,000 bpd. Refinery crude intake increased by 1.2% on the month but fell by 12.8% on the year to 8.539 million bpd.

The U.S. National Hurricane Center said a low pressure system midway between the west coast of Africa and the Lesser Antilles has a 80% chance of becoming a cyclone in the next 48 hours. Another system located over parts of Cuba has a 30% chance of strengthening into a cyclone.

Early Market Call - as of 8:35 AM EDT

WTI - Sep \$41.28, down 63 cents

RBOB - Aug \$1.2641, down 1.56 cents

HO - Aug \$1.2601, down 1.99 cents

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-20	1.2800	0.0445	-0.0592
Sep-20	1.2896	0.0430	-0.0537
Oct-20	1.3016	0.0412	-0.0502
Nov-20	1.3152	0.0398	-0.0482
Dec-20	1.3275	0.0387	-0.0471
Jan-21	1.3400	0.0375	-0.0457
Feb-21	1.3492	0.0360	-0.0442
Mar-21	1.3532	0.0348	-0.0422
Apr-21	1.3526	0.0336	-0.0403
May-21	1.3557	0.0322	-0.0381
Jun-21	1.3607	0.0310	-0.0356
Jul-21	1.3719	0.0300	-0.0335
Aug-21	1.3829	0.0292	-0.0319
Sep-21	1.3927	0.0287	-0.0307
Oct-21	1.4024	0.0282	-0.0299
Nov-21	1.4122	0.0279	-0.0292
Dec-21	1.4201	0.0275	-0.0282

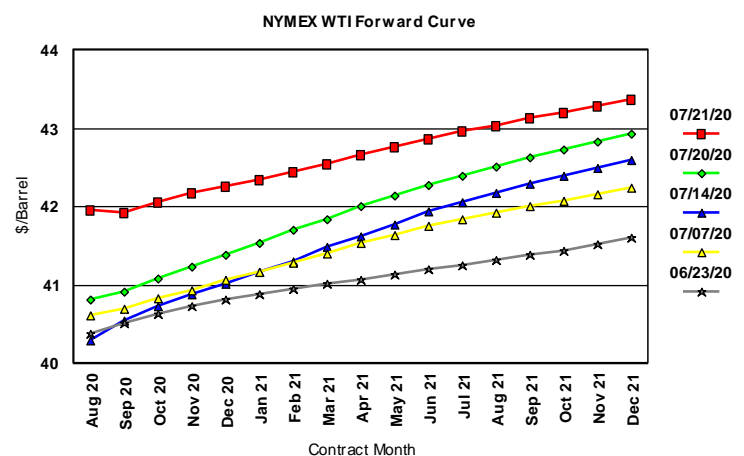
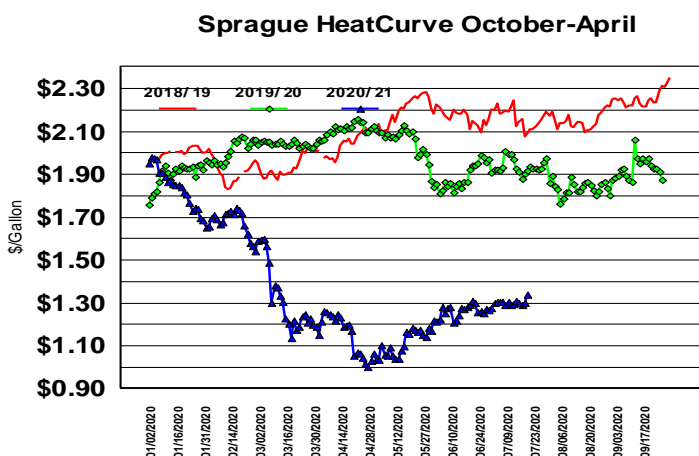
Sprague Heat Weighted Strip October -April 20/2021		Close	Change
Crude - WTI	Aug Brent-WTI Spread \$2.40	\$41.9200	\$1.0000
Crude - Brent		\$44.3200	\$1.0400
Natural Gas		\$1.6750	\$0.0340
Gasoline		\$1.2797	\$0.0512

API Report for the Week Ending July 17, 2019

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Up 7.5 million barrels	Down 2 million barrels
Cushing, OK Crude Stocks	Up 716,000 barrels	Up 1.2 million barrels
Gasoline Stocks	Down 2 million barrels	Down 1.2 million barrels
Distillate Stocks	Down 1.4 million barrels	Down 600,000 barrels
Refinery Runs	Up 54,000 bpd	Up 0.5%
Crude Imports	Down 825,000 bpd	

Sprague HeatCurve October-April

WTI Forward Curve



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