

## Market Commentary

**Recap:** The oil market finished the final trading day of the second quarter mixed. Crude oil which had moved higher throughout the morning on the coat tails of a stronger equity market, decoupled in the afternoon and finished the day down 43 cents in WTI futures, with the Brent contract settling off 56 cent per barrel. But crude oil still finished the month up 12.4% and up nearly 95% for the quarter. Meanwhile product values finished the day up over 1-2 cents per gallon as energy traders expect global energy product demand will continue to recover despite the recent news reports of escalating virus outbreaks in the American South and Western states.

The WTI market posted its smallest daily trading range since April 16<sup>th</sup>, and coupled with the modest volume recorded today, these events could be suggesting that traders may be getting an early start on the holiday weekend. Thus without a major surprise in the weekly inventory numbers we would expect to see August WTI remaining mired in the trading range of \$37.00 - \$40.50 which has been recorded over the past week.

With the September Brent -WTI Spread pushing to a new near time high today we would feel that the RBOB -WTI crack spread should probably be bought on any pull back toward the \$10.00 support level established over the past couple of months with a target of \$14.00 - \$15.00 per barrel.

**Fundamental News:** The EIA reported that U.S. total oil demand in April fell by 27% or 5.421 million bpd to 14.691 million bpd. It reported that distillates demand in April fell by 11.9% or 475,000 bpd to 3.505 million bpd, while gasoline demand fell by 37.4% or 3.503 million bpd to 5.853 million bpd. Total U.S. refined oil product exports in April fell to 2.737 million bpd from 3.378 million bpd in March. The EIA also reported that U.S. crude oil production in April fell by 669,000 bpd to 12.061 million bpd. Oil production in Texas fell by 234,000 bpd, 195,000 bpd in North Dakota and by 16,000 bpd in the federal waters in the Gulf of Mexico. U.S. crude oil exports fell to 3.077 million bpd in April from 3.557 million bpd in March.

Separately, the EIA reported that U.S. total domestic crude oil shipments by rail stood at 288,000 bpd in April. Canadian shipments of crude by rail to the U.S. totaled 222,000 bpd in April.

Four OPEC+ sources stated that OPEC and Russia are not discussing an extension of the record oil output cuts into August and will likely ease their cuts. The production cuts will most likely be eased to 7.7 million bpd until December from a 9.7 million bpd that was extended into July.

OPEC's oil output fell to the lowest level in two decades in June as Saudi Arabia and other Gulf Arab members made larger cuts. OPEC produced 22.62 million bpd on average in June, down 1.92 million bpd from May's revised level. In June, OPEC+ delivered 6.523 million bpd of the pledged reduction, equal to 107% compliance. Compliance in May was revised up to 77%. The largest decline in supply came from Saudi Arabia, almost 1 million bpd below its OPEC+ quota. The UAE and Kuwait also delivered extra voluntary cuts. OPEC supply also fell because Iraq and Nigeria made larger cuts in June.

ConocoPhillips will bring back some of the curtailed production in July as oil prices have recovered from their historic lows. It also said it expects second -quarter production to be in line with a year earlier and about 5% below first quarter 2020 levels

**Early Market Call - as of 8:30 AM EDT**

WTI - Aug \$39.32, up 5 cents  
 RBOB - July \$1.2120, up 1.05 cents  
 HO - July \$1.1859, down 6 points

## All NYMEX | Prior Settlements

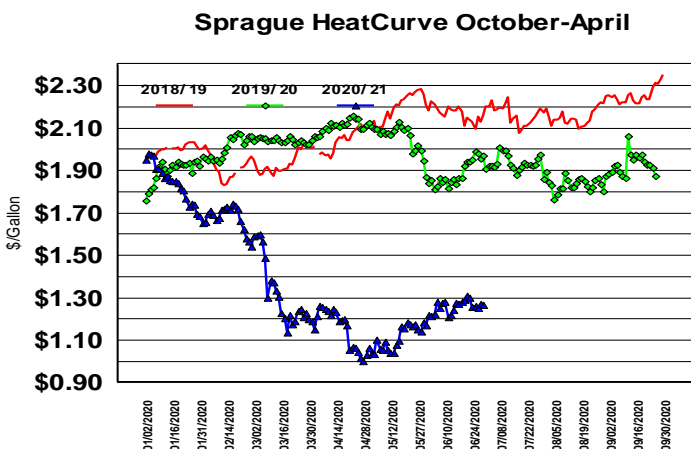
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-20	1.1781	0.0127	0.0249
Aug-20	1.1865	0.0090	0.0290
Sep-20	1.2036	0.0045	0.0327
Oct-20	1.2221	0.0007	0.0341
Nov-20	1.2392	-0.0018	0.0346
Dec-20	1.2526	-0.0036	0.0350
Jan-21	1.2660	-0.0049	0.0354
Feb-21	1.2764	-0.0063	0.0356
Mar-21	1.2831	-0.0074	0.0351
Apr-21	1.2843	-0.0082	0.0348
May-21	1.2886	-0.0087	0.0334
Jun-21	1.2949	-0.0089	0.0317
Jul-21	1.3073	-0.0091	0.0308
Aug-21	1.3189	-0.0091	0.0301
Sep-21	1.3291	-0.0094	0.0292
Oct-21	1.3391	-0.0094	0.0285
Nov-21	1.3486	-0.0095	0.0275

Sprague Heat Weighted Strip October -April 20/2021			\$1.2636
		Close	Change
Crude - WTI	Aug Brent- WTI Spread \$1.88	\$39.2700	-\$0.4300
Crude - Brent		\$41.1500	-\$0.5600
Natural Gas		\$1.7510	\$0.0420
Gasoline		\$1.2001	\$0.0160

## API Report for the Week Ending June 26, 2019

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Down 8.2 million barrels	Down 1 million barrels
Cushing, OK Crude Stocks	Up 200,000 barrels	Down 153,330 barrels
Gasoline Stocks	Down 2.5 million barrels	Down 1.6 million barrels
Distillate Stocks	Down 2.6 million barrels	Down 200,000 barrels
Refinery Runs	Up 297,000 bpd	Up 0.7%
Crude Imports	Down 1.2 million bpd	

## Sprague HeatCurve October-April



## September Brent - WTI Spread

