

Market Commentary

Recap: Oil prices rose for the fifth straight session, gaining support from the larger than expected inventory draw in U.S. crude oil stockpiles. According to the EIA, U.S. crude oil inventories fell 8.5 million barrels in the week ended July 26. Analysts expected a decrease of 2.6 million barrels. Prices were already trading higher off of yesterday's bullish API report. September WTI rose to a high of \$58.82 a barrel, a gain of 77 cents, or 1.3% by 10:37 a.m. EST, while October Brent tacked on 80 cents, or 1.2%, to trade at a high of \$65.43 a barrel. Despite six straight weeks of falling U.S. crude inventories and the rising danger of military conflict between the U.S. and Iran near the Strait of Hormuz, WTI is up just 0.1% in July, while Brent is up around 0.6%. So far this year, WTI is up nearly 29%, while Brent has gained around 21%, bouncing back from a fourth-quarter 2018 selloff. But both have lost ground over the past 12 months by nearly 15% and around 12%, respectively. Even with the Federal Reserve cutting interest rates, which would typically provide a boost for oil, prices have remained somewhat subdued. It appears that the lower forecast for demand growth is keeping a lid on prices and making bulls a bit nervous. September WTI gained 53 cents, or 0.9%, to settle at \$58.58 a barrel. For the month, U.S. benchmark prices ended about 0.2% higher. September Brent, which expired at the end of the session, added 45 cents, or 0.7%, to \$65.17 a barrel, settling roughly 2.1% lower for the month. October Brent, which is now the front-month contract, tacked on 42 cents, or 0.7%, to \$65.05 a barrel. August RBOB settled at \$1.902 a gallon, up about a half cent, or 0.3%, for the session, with front-month contract prices logging a fall of 2.1% for the month, while August heating oil rose 1.1 cents, or 0.6%, to \$1.955 a gallon, with prices up roughly 0.5% from the month-ago finish for the front-month contract. The August contracts expired at the day's settlement.

Technical Analysis: September WTI came back to test its break above \$57.84, the 200-day moving average, and provided a buying opportunity for those looking to add length. Technical traders will now be looking to push this spot contract above \$58.96, the 50% retracement provided by the June low of \$50.74 and the April high of \$67.17. A push above this level opens up for a run at \$59.58. Support is set at \$57.84 and below that at \$56.53.

Fundamental News: The EIA said US crude oil output in May fell by 26,000 bpd to 12.11 million bpd. It revised its estimate for April oil production down by 28,000 bpd to a monthly record of 12.13 million bpd.

Reuters reported that OPEC oil output reached an eight-year low in July as a further voluntary cut by Saudi Arabia deepened losses caused by US sanctions on Iran and outages elsewhere. The 14 members of OPEC produced 29.42 million bpd in July, down 280,000 bpd from June's revised level and the lowest OPEC total since 2011. In July, the 11 OPEC producers bound by the output cut agreement, achieved 163% of pledged cuts.

Libya's Sharara oilfield was forced to shut down after a valve on the pipeline linking it to the Zawiya oil terminal was shut in late Tuesday evening. The shutdown prompted Libya's National Oil Corp to declare force majeure on loadings of the crude grade on Wednesday.

According to the IIRB news agency, Iran's Foreign Minister, Mohammad Javad Zarif, said Iran is prepared for talks if Saudi Arabia is also ready. Separately, Iran's Foreign Minister said the country is set to further cut its commitments to its international nuclear deal unless its European partners move to protect it from US sanctions by ensuring it can sell oil and receive income.

Germany's Vice Chancellor and Finance Minister, Olaf Scholz, said he was very skeptical about a request by the US to join a military mission for the Strait of Hormuz. Later, Germany's Foreign Minister, Heiko Maas, said Germany will not participate in a US-led naval mission to secure the Strait of Hormuz.

Early Market Call - as of 8:10 AM EDT

WTI - Sep \$57.72, down 86 cents

RBOB - Sep \$1.8317, down 3.14 cents

HO - Sep \$1.9440, down 2.64 cents

All NYMEX | Prior Settlements

| Month | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
| | Close | Change | One Week |
| Aug-19 | 1.9550 | 0.0110 | 0.0463 |
| Sep-19 | 1.9707 | 0.0181 | 0.0535 |
| Oct-19 | 1.9772 | 0.0182 | 0.0536 |
| Nov-19 | 1.9799 | 0.0175 | 0.0524 |
| Dec-19 | 1.9801 | 0.0171 | 0.0511 |
| Jan-20 | 1.9792 | 0.0167 | 0.0496 |
| Feb-20 | 1.9718 | 0.0159 | 0.0471 |
| Mar-20 | 1.9587 | 0.0151 | 0.0440 |
| Apr-20 | 1.9425 | 0.0146 | 0.0419 |
| May-20 | 1.9310 | 0.0140 | 0.0400 |
| Jun-20 | 1.9230 | 0.0135 | 0.0382 |
| Jul-20 | 1.9220 | 0.0130 | 0.0367 |
| Aug-20 | 1.9226 | 0.0128 | 0.0354 |
| Sep-20 | 1.9241 | 0.0125 | 0.0347 |
| Oct-20 | 1.9246 | 0.0123 | 0.0335 |
| Nov-20 | 1.9250 | 0.0122 | 0.0327 |
| Dec-20 | 1.9233 | 0.0121 | 0.0320 |

| Sprague HeatCurve Oct 2019-Apr 2020 | | \$1.9715 | |
|-------------------------------------|------------------------------------|-----------|----------|
| Other Front Month NYMEX | | Close | Change |
| Crude - WTI | Oct Brent- WTI Spread \$6.59 | \$58.5800 | \$0.5300 |
| Crude - Brent | | \$65.1700 | \$0.4500 |
| Natural Gas | | \$2.2330 | \$0.0960 |
| Gasoline | | \$1.9020 | \$0.0051 |

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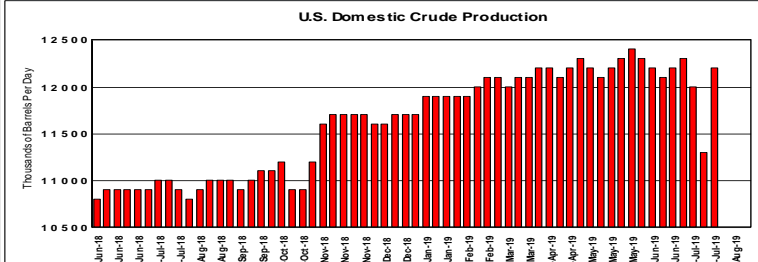
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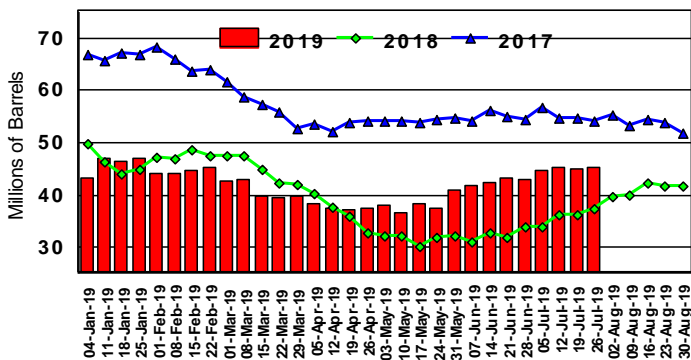
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Weekly EIA Petroleum Status Report for the Week Ending July 26, 2019

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 8.496 million barrels
Cushing, OK Crude Stocks Down 1.533 million barrels
Gasoline Stocks Down 1.791 million barrels
Distillate Stocks Down 894,000 barrels
Refinery % Operated 93%, down 0.1%

PADD #1

| Distillate Stocks (in million bbls) | Week Ending July 26, 2019 | Week Ending July 19, 2019 | Week Ending July 27, 2018 |
|-------------------------------------|---------------------------|---------------------------|---------------------------|
| New England | 6.3 | 6.5 | 5.3 |
| Central Atlantic | 26.4 | 25.6 | 20.4 |
| Total PADD #1 | 45.2 | 44.7 | 37.3 |
| Distillate Imports (thousands b/d) | 60 | 34 | 145 |