

## Market Commentary

**Recap:** Perhaps a little bit overdone to the downside, oil futures bounced back on Tuesday, erasing some of the panic selling seen on Monday after OPEC+ agreed to boost supplies, and as concern over the surging delta coronavirus variant increased. Despite today's modest bounce, oil investors remain cautious about buying the commodity given the demand picture has quickly turned cold as inflation hits economic growth and the coronavirus Delta variant becomes a bigger concern in the US and globally. The expiring August WTI contract added \$1.00, or 1.5%, to settle at \$67.42 a barrel, while the September contract tacked on 84 cents, or 1.3%, to settle at \$67.20 a barrel. Brent for September delivery settled at \$69.35 a barrel, up .73 cents, or 1.1%. August RBOB added 1% to \$2.13 a gallon and August heating oil added 1.4% to \$2.01 a gallon.

**Market Outlook:** Oil balances globally are tighter than they were before despite the agreement between OPEC and its allies over the weekend to cumulatively increase crude production by 400,000 barrels per day on a monthly basis beginning in August. This has worked to cool concerns tied to the spread of the delta variant of the coronavirus that causes COVID-19. The near future of this market will be closely tied to the spread of the virus, and unless it spreads like wildfire, prices should be able to gain momentum to the upside. At this point, this market may be lacking a support base and therefore, any rally may be short lived.

**Fundamental News:** Goldman Sachs expects Brent prices in the third quarter to average \$75/barrel, down \$5 from a previous estimate and \$80/barrel in the fourth quarter, up from a previous forecast of \$75/barrel. It forecast an oil deficit of 1.5 million bpd in the third quarter compared to a previous estimate of 1.9 million bpd and a deficit of 1.7 million bpd in the fourth quarter. The bank said oil prices may continue to gyrate in the coming weeks given the Delta variant uncertainties and the slow velocity of supply developments. It said the bottom-up estimate of the impact that a Delta wave could have on global oil demand points to a potential 1 million bpd hit for only a couple of months. It also stated that non-OPEC+ production outside of North America will surprise consensus to the downside in the coming months. Goldman Sachs also said that progress on a U.S.-Iran nuclear deal has stalled leading to increased risks that the potential increase in Iranian exports is later than its October base-case.

RBC analysts said the timing of the OPEC meeting is a coincidence rather than a cause as prices fell 8% amid concerns about the COVID-19 delta variant.

According to the EIA, U.S. retail regular gasoline prices increased to 0.7% to \$3.061/gallon and diesel prices increased 0.2% to \$3.344/gallon in the week ending July 16<sup>th</sup>.

The International Energy Agency said that the global rebound from the COVID-19 pandemic is set to drive emissions of greenhouse gases to all-time highs. It said spending plans for clean energy allocated by governments around the world in the second quarter add up to \$380 billion, making up just 2% of their total stimulus funds in response to the pandemic. The IEA added that the figure represented around a third of what it envisioned was needed in order to put the world on course to reach net zero emissions by mid-century.

The Department of Homeland Security warned of "urgently needed protections" in a new security directive for pipeline owners and operators it said it issued in response to the ongoing cybersecurity threat to pipeline systems. The directive requires owners and operators of government-designated critical pipelines that carry hazardous liquids and natural gas to implement the protections.

**Early Market Call - as of 8:15 AM EDT**

WTI - Sep \$68.36, up \$1.05  
 RBOB - Aug \$2.1572, up 2.6 cents  
 HO - Aug \$2.0487, up 3.48 cents

## All NYMEX | Prior Settlements

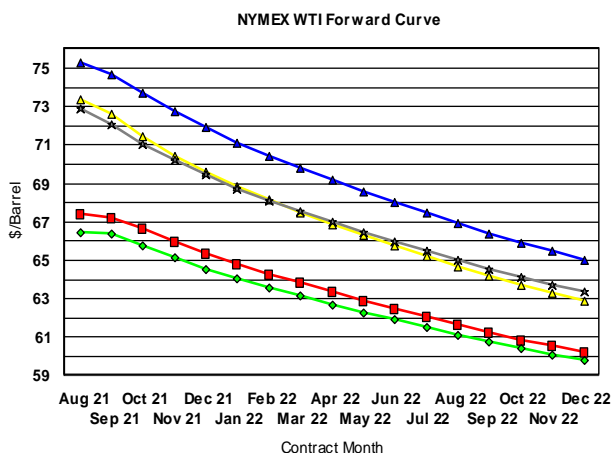
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-21	\$2.0127	\$0.0275	-\$0.1717
Sep-21	\$2.0142	\$0.0274	-\$0.1725
Oct-21	\$2.0133	\$0.0270	-\$0.1732
Nov-21	\$2.0115	\$0.0270	-\$0.1725
Dec-21	\$2.0090	\$0.0269	-\$0.1715
Jan-22	\$2.0057	\$0.0267	-\$0.1709
Feb-22	\$1.9993	\$0.0264	-\$0.1701
Mar-22	\$1.9885	\$0.0264	-\$0.1682
Apr-22	\$1.9737	\$0.0258	-\$0.1659
May-22	\$1.9647	\$0.0256	-\$0.1621
Jun-22	\$1.9594	\$0.0254	-\$0.1585
Jul-22	\$1.9587	\$0.0248	-\$0.1554
Aug-22	\$1.9586	\$0.0240	-\$0.1526
Sep-22	\$1.9586	\$0.0233	-\$0.1526
Oct-22	\$1.9594	\$0.0228	-\$0.1479
Nov-22	\$1.9598	\$0.0221	-\$0.1460
Dec-22	\$1.9587	\$0.0215	-\$0.1447

Sprague HeatCurve October 2021-April 2022			\$2.0008
		Close	Change
Crude - WTI	Sep Brent- WTI Spread	\$67.2000	\$0.8500
Crude - Brent		\$69.3500	\$0.7300
Natural Gas	\$2.15	\$3.8760	\$0.0970
Gasoline		\$2.1315	\$0.0211

## API Report for the Week Ending July 16, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Up 806,000 barrels	Down 4.5 million bbls
Cushing, OK Crude Stocks	Down 3.6 million barrels	
Gasoline Stocks	Up 3.3 million barrels	Down 1 million barrels
Distillate Stocks	Down 1.2 million barrels	Up 600,000 barrels
Refinery Runs		Up 0.4%

## WTI Forward Curve



## WTI Continuation

