

## Market Commentary

**Recap:** Crude-oil futures settled lower Wednesday, with the U.S. benchmark snapping a five-session streak of gains, pressured by concerns over tightening oil-storage capacity even though weekly crude inventories rose less than expected and domestic production declined. Oil prices spontaneously jumped when the numbers were released, but the bounce was short lived due to the unexpected build in distillate stocks, which offset the slight draw in gasoline inventories. While crude prices over the past several sessions have been supported by hopes for an increase in demand, along with some signs of a slowdown in production, supply remains burdensome and storage facilities are close to full, industry experts cautioned. June WTI lost 57 cents, or 2.3%, to settle at \$23.99 a barrel. Brent for July delivery slipped \$1.25, or 4%, to settle at \$29.72 a barrel. June RBOB settled down 2.4 cents, or 2.7% to 87.69 cents a gallon, while June heating oil fell 7.2 cents, or 8%, to 82.40 cents a gallon.

**Technical Analysis:** June WTI failed at the \$25 level, as a lack of follow-through left a level of doubt to the upside. The main trend for oil is still to the downside. With the past days of rallies being nothing more than short-covering, we would expect the downside to resume. At this point in time, we would not discount a retracement back toward \$23 and below that at \$19.83. Resistance is set at \$25 and above that at \$27.50.

**Fundamental News:** IIR Energy reported that US oil refiners are expected to shut in about 4.6 million bpd of capacity in the week ending May 8<sup>th</sup>, increasing available refining capacity by 91,000 bpd from the previous week. Offline capacity is expected to fall slightly to 4.5 million bpd in the week ending May 15<sup>th</sup>.

Sources stated that Russia's oil output in the first five days of May fell to 8.75 million bpd, close to its production target of 8.5 million bpd for May and June under a global deal to cut crude supplies. Together with gas condensate, or light oil, which is not part of Russia's target, the country's output was 9.5 million bpd for May 1-5, the first time it has fallen below 10 million bpd since August 2009. The decline is from 11.35 million bpd Russia produced on average in April. Meanwhile, Russia's Deputy Energy Minister, Pavel Sorokin, said that domestic oil producers are striving to reach the target as soon as possible. He also said that the global oil demand declined by around 30% last month and the fall has eased since then. However he said global oil demand is not expected to return to the pre-crisis levels quickly.

The Central Dispatching Department of the Fuel and Energy Complex said that Russia's oil and gas condensate production in April totaled to 46.45 million tons, up 1% on the year. Production of oil and gas condensate in Russia from January to April totaled 186.82 million tons, up 0.8% on the year.

Traders and industry sources stated that Iraq has yet to inform its regular oil buyers of cuts to its exports, suggesting it is struggling to fully implement an OPEC deal with Russia and other producers on a record supply cut.

St. Louis Federal Reserve Bank President, James Bullard, said the ADP payroll number is not a surprise. He said the US could see unemployment rate back in single digits by year's end. He stated that there is no question the shutdown is very disruptive, but added that "we understand the shock" and need to deal with the health crisis. He said the Fed may be able to say more in terms of forward guidance by the second half of the year.

The ADP National Employment Report showed that US private payrolls fell by a record 20.236 million in April amid the mandatory business closures in response to the coronavirus pandemic. Data for March was revised to show private payrolls falling by 149,000 jobs instead of the previously reported 27,000, which was the first decline since September 2017.

**Early Market Call - as of 8:20 AM EDT**

WTI - June \$26.42, up \$2.43

RBOB - June \$.9574, up 8 cents

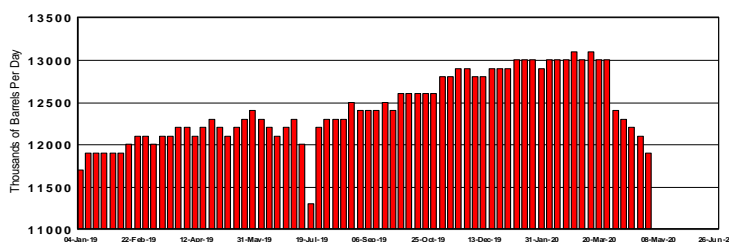
HO - June \$.8768, up 5.25 cents

## All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
May-20	0.8240	-0.0720	-0.0470
Jun-20	0.8736	-0.0615	-0.0420
Jul-20	0.9179	-0.0551	-0.0389
Aug-20	0.9583	-0.0499	-0.0389
Sep-20	0.9938	-0.0474	-0.0385
Oct-20	1.0212	-0.0467	-0.0369
Nov-20	1.0399	-0.0461	-0.0333
Dec-20	1.0565	-0.0456	-0.0284
Jan-21	1.0705	-0.0446	-0.0243
Feb-21	1.0826	-0.0434	-0.0212
Mar-21	1.0902	-0.0419	-0.0192
Apr-21	1.1018	-0.0408	-0.0190
May-21	1.1132	-0.0409	-0.0178
Jun-21	1.1318	-0.0406	-0.0165
Jul-21	1.1489	-0.0407	-0.0147
Aug-21	1.1627	-0.0408	-0.0128
Sep-21	1.1736	-0.0411	-0.0096

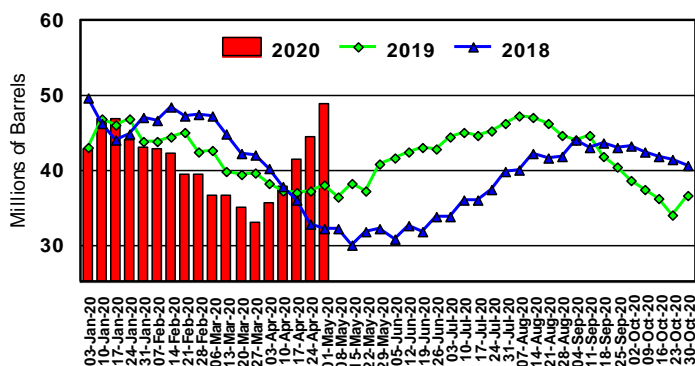
Sprague Heat Weighted Strip October -April 20/2021			\$1.0547
		Close	Change
Crude - WTI	June Brent- WTI Spread \$4.10	\$25.6200	-\$0.8700
Crude - Brent		\$29.7200	-\$1.2500
Natural Gas		\$1.9440	-\$0.0190
Gasoline		\$0.8769	-\$0.0244

## U.S. Domestic Crude Production



## Weekly EIA Petroleum Status Report for the Week Ending May 1, 2020

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Up 4.59 million barrels

Cushing, OK Crude Stocks Up 2.068 million barrels

**Gasoline Stocks** Down 3.158 million barrels

**Distillate Stocks** Up 9.518 million barrels

**Refinery % Operated** 70.5%, up 0.9%

### PADD #1

Distillate Stocks (in million bbls)	Week Ending May 1, 2020	Week Ending April 24, 2020	Week Ending May 2, 2019
New England	8.8	8.2	5.0
Central Atlantic	23.1	20.9	21.1
Total PADD #1	48.8	44.4	38.0
Distillate Imports (thousands b/d)	273	212	75