

## Market Commentary

## All NYMEX | Prior Settlements

**Recap:** The oil market kicked off the start of the month and quarter by posting an up day across the board. But what was surprising was this market established the trading range for the day in the early morning hours of trading, well before the release of the EIA weekly petroleum status report or the late day rally of the equity markets. This morning's bullish rally appeared to be driven by the positive economic news of rebounding Chinese and French factory activity only to be tempered by the mid-morning releases of various news reports of U.S. Southern and Western states continuing to struggle with containing the virus outbreak in those states. While the EIA weekly report helped prices recover some 50% of the mid-morning sell off, the market failed to build any follow through buying in the afternoon, with prices this afternoon remaining contained in a lack luster sideways trading pattern. The market even failed to register much interest in a story from the Wall Street Journal that Saudi Arabia was threatening to ignite another oil price war unless fellow OPEC members make up for their poor compliance to their recent pledges for additional production cutbacks.

**Technical Analysis:** We continue to expect that this market will tread water going into this holiday weekend, as the daily settlement of the August crude oil contract continues to be basically pinned to the 10 day moving average. But with the daily stochastics beginning to converge and possibly roll over, we could be looking at the potential near term rally which could be triggered by a settlement above resistance at \$41.25. We see additional resistance at \$41.63 followed by back filling the gap in the charts at \$42.17, with additional resistance points at \$42.23, \$42.36 and \$46.19. But if traders return next week and are met with stories of the virus continuing to be unchecked and exploding across the nation the bulls may quickly run for cover. Support we see at \$37.94, \$37.08, followed by more distant support at \$34.66, \$33.47 and \$30.96.

**Fundamental News:** Shipping sources stated that tens of millions of barrels of crude and oil products stored on tankers at sea due to the coronavirus crisis are being sold, in a sign fuel demand is recovering as lockdowns ease. Fuel demand fell as much 30% from March to May, with some surplus stored at sea as land storage filled up. IHS Markit estimated that crude held on tankers fell below 150 million barrels by the end of June, down from more than 180 million barrels in late April. It said refined products held on vessels fell to 50 million barrels from a mid-May peak close to 75 million barrels, adding gasoline stocks were the fastest to be offloaded.

The Wall Street Journal reported that Saudi Arabia is threatening a new oil price war with OPEC producers unless the other members of the group make up for their failure to abide by its latest output cut agreement. Saudi Arabia's Energy Minister in recent weeks asked Angola and Nigeria to submit detailed pledges to carry extra oil production cuts.

Libya's National Oil Corp said that force majeure continued on oil exports pending any reopening of the ports by the Petroleum Facilities Guard following a six month blockade by eastern forces in the civil war. However, it said it has instructed operating companies to call employees into work to prepare for a resumption of maintenance work and output, and that a tanker is approaching Sidra port ready to load crude.

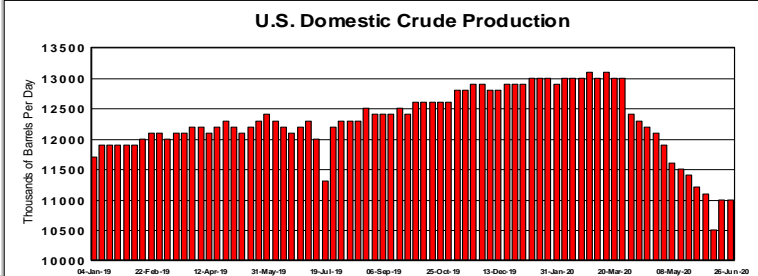
IIR Energy said U.S. oil refiners are expected to shut in about 3.9 million bpd of capacity in the week ending July 3<sup>rd</sup>, increasing available refining capacity by 65,000 bpd from the previous week. Offline capacity is expected to remain steady at 3.9 million bpd in the week ending July 10<sup>th</sup>.

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

WTI - Aug \$40.07, up 25 cents  
 RBOB - Aug \$1.2250, up 81 points  
 HO - Aug \$1.2168, up 1.72 cents

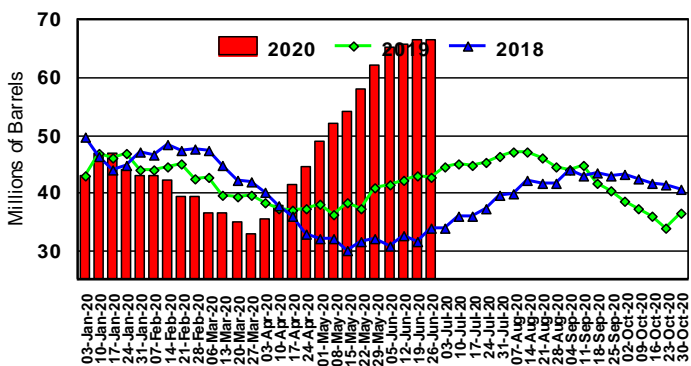
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-20	1.1996	0.0131	-0.0339
Sep-20	1.2126	0.0090	-0.0263
Oct-20	1.2289	0.0068	-0.0218
Nov-20	1.2459	0.0067	-0.0203
Dec-20	1.2604	0.0078	-0.0201
Jan-21	1.2750	0.0090	-0.0199
Feb-21	1.2859	0.0095	-0.0193
Mar-21	1.2917	0.0086	-0.0179
Apr-21	1.2920	0.0077	-0.0161
May-21	1.2957	0.0071	-0.0160
Jun-21	1.3018	0.0069	-0.0167
Jul-21	1.3141	0.0068	-0.0164
Aug-21	1.3256	0.0067	-0.0160
Sep-21	1.3358	0.0067	-0.0156
Oct-21	1.3455	0.0064	-0.0150
Nov-21	1.3548	0.0062	-0.0146
Dec-21	1.3630	0.0061	-0.0145

Sprague Heat Weighted Strip October -April 20/2021		\$1.2719
	Close	Change
Crude - WTI	\$39.9200	\$0.5800
Crude - Brent	\$42.0300	\$0.7600
Natural Gas	\$1.6710	-\$0.0800
Gasoline	\$1.2169	\$0.0154



## Weekly EIA Petroleum Status Report for the Week Ending June 26, 2020

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Down 7.195 million barrels  
 Cushing, OK Crude Stocks Down 263,000 barrels  
**Gasoline Stocks** Up 1.199 million barrels  
**Distillate Stocks** Down 593,000 barrels  
**Refinery % Operated** 75.5%, up 0.9%

#### PADD #1

Distillate Stocks (in million bbls)	Week Ending June 26, 2020	Week Ending June 19, 2020	Week Ending June 27, 2019
New England	13.1	13.2	5.6
Central Atlantic	39.2	38.4	24.9
Total PADD #1	66.4	66.4	42.8
Distillate Imports (thousands b/d)	123	48	81