

Market Commentary

Recap: Oil futures were slightly higher on Tuesday as we approach the U.S. Memorial Day Holiday weekend when demand for gasoline typically picks up. Prices also gained as the U.S. dollar declined to a 19-week low versus a basket of currencies as inflation worries recede. However, International demand remains checked as the Covid-19 wave continues in India and some other Asian countries. However India reported 222,215 new infections on Monday, nearly half of its peak of over 400,000 daily new cases, Reuters reported. After gaining over 5% in the prior two sessions, Brent futures rose 19 cents, or 0.3%, to settle at \$68.65 a barrel, while July WTI added 2 cents, to settle at \$66.07 a barrel. That was the highest settlement for both Brent and WTI in a week. Petroleum products were slightly lower, with June RBOB falling .0004 cents to \$2.1173 a gallon, while June heating oil settled at \$2.0354 a gallon, down .0066.

Market Outlook: Momentum in WTI has been trending higher since Friday's closing price reversal bottom. Tuesday's settlement above \$66.05 sets the tone for higher prices, with a push toward \$67 on the horizon. Above this level, additional resistance is set at \$67.98. To the downside, a move away from \$66.05 signals sellers in the market, with the possibility of testing the 10-day moving average more likely. Below this average, there is support set at \$62.51.

Fundamental News: World powers started their fifth round of negotiations to revive the nuclear agreement with Iran that will reinstate limits on Iran's nuclear program in exchange for the country's return to the oil markets and the global economy. A spokesman for Iran's government, Ali Rabiee, said "we're optimistic that differences over some small details and operational affairs will be resolved in the not so distant days ahead". On Monday, Iran's President, Hassan Rouhani, and China's President, Xi Jinping, agreed to deepen trade and energy links once a return to the 2015 accord is finalized.

According to E.A. Gibson Shipbrokers Ltd, Iran may be holding as much as 69 million barrels of crude oil at sea. In theory, floating barrels could reach most buyers within a few weeks, however the head of research at Gibson said that it will likely take longer for the inventory to clear in practice. Iran has a fleet of 40 tankers storing crude. Iran may also have a further 54 million barrels in on-land storage.

U.S. producers have hedged a large portion of their 2021 production, although almost entirely at levels well below current market prices. Hedged production is mostly capped near \$50/barrel, with hedge floors only kicking in if WTI prices fall to \$45/barrel. First quarter hedges are estimated to have cost producers \$1.8 billion across 41 active firms traced in the BNEF's Oil hedging Live Sheet with an additional \$6.5 billion in unrealized losses expected on contracts settling through 2022 as of May 24th. The firms hold 1.8 million bpd of 2021 hedge contracts or 45% of expected production, with an average floor price of \$44.74/barrel.

For the Memorial Day weekend, the traditional start to the summer driving season, AAA forecasts that 37.1 million travelers will travel more than 50 miles from home, with 34.4 million driving. This would be up 60% from a year ago but still 13.3% less than 2019.

The Washington Post reported that the U.S. government is preparing to issue its first cybersecurity regulations for pipelines after the Colonial Pipeline hack that disrupted fuel supplies in the southeastern United States.

Early Market Call - as of 8:05 AM EDT

WTI - July \$65.82, down 25 cents
 RBOB - June \$2.1164, down 9 points
 HO - June \$2.0262, down 92 points

All NYMEX | Prior Settlements

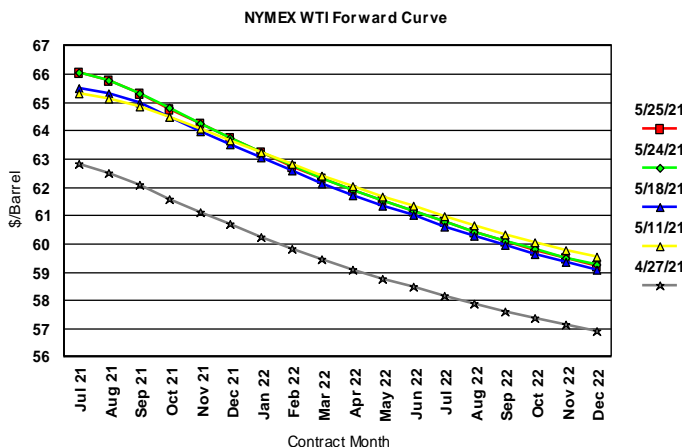
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jun-21	\$2.0354	-\$0.0066	-\$0.0210
Jul-21	\$2.0339	-\$0.0073	-\$0.0205
Aug-21	\$2.0351	-\$0.0070	-\$0.0201
Sep-21	\$2.0373	-\$0.0068	-\$0.0198
Oct-21	\$2.0384	-\$0.0066	-\$0.0194
Nov-21	\$2.0388	-\$0.0065	-\$0.0193
Dec-21	\$2.0381	-\$0.0063	-\$0.0190
Jan-22	\$2.0374	-\$0.0060	-\$0.0184
Feb-22	\$2.0326	-\$0.0057	-\$0.0184
Mar-22	\$2.0236	-\$0.0054	-\$0.0175
Apr-22	\$2.0108	-\$0.0051	-\$0.0162
May-22	\$2.0033	-\$0.0049	-\$0.0149
Jun-22	\$1.9980	-\$0.0047	-\$0.0134
Jul-22	\$1.9972	-\$0.0043	-\$0.0124
Aug-22	\$1.9970	-\$0.0037	-\$0.0113
Sep-22	\$1.9980	-\$0.0030	-\$0.0103
Oct-22	\$1.9997	-\$0.0024	-\$0.0088

Sprague HeatCurve October 2021-April 2022		\$2.0324
	Close	Change
Crude - WTI	\$66.0700	\$0.0200
Crude - Brent	\$68.6500	\$0.1900
Natural Gas	\$2.9130	\$0.0270
Gasoline	\$2.1173	-\$0.0004

API Report for the Week Ending May 21, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Down 439,000 barrels	Down 900,000-2.2 million bbls
Cushing, OK Crude Stocks	Down 1.2 million barrels	
Gasoline Stocks	Down 2 million barrels	Down 700,000-1.3 million bbls
Distillate Stocks	Down 5.1 million barrels	Down 1.5-1.6 million arrels
Refinery Runs		Down 0.3%/Up 0.2%
Crude Imports		

WTI Forward Curve



WTI Continuation

