

Market Commentary

Recap: The oil market on Monday traded higher after the market rebounded as traders awaited the resumption of U.S. debt ceiling talks. The market breached its previous low of \$70.63 and traded to a low of \$70.55 in overnight trading before it bounced off that level and rallied higher. The market retraced its losses and posted a high of \$72.36 in afternoon trading after House Speaker, Kevin McCarthy, said debt ceiling negotiations were productive on Monday morning, hours before his scheduled meeting with President Joe Biden on the issue. However, the June WTI contract, gave up some of its gains ahead of its expiration at the close of business. It went off the board up 44 cents at \$71.99, while the July WTI contract settled up 36 cents at \$72.05. The July Brent contract settled up 41 cents at \$75.99. Meanwhile, the heating oil market settled up 42 points at \$2.3664 and the RB market ended the session sharply higher, up 7.28 cents at \$2.6489.

Technical Analysis: On Tuesday, the July WTI contract, on its first session as the spot contract, will continue to trade within its recent trading range from \$68.50 to \$74.00. The market is awaiting for further news regarding the debt talks and is not likely to make a major move amid the ongoing talks between the Biden administration and congressional leaders. The crude market is seen finding resistance at \$72.53, \$73.58 and \$74.00. More distant resistance is seen at \$75.65, \$75.96, \$76.49 and \$76.74. Meanwhile, support is seen at its low of \$70.67, \$70.05, \$69.39 and \$68.46.

Fundamental News: Bloomberg reported House Speaker, Kevin McCarthy, as saying debt ceiling negotiations were productive on Monday morning, hours before he was scheduled to meet with President Joe Biden on the issue. He said talks over raising the \$31.4 trillion debt ceiling were "on the right path" but added that there is no deal yet.

OPEC Secretary General, Haitham Al Ghais, said that underinvesting in the oil and gas sector could cause market volatility in the long term and affect growth. He also said the world needs to focus on reducing greenhouse gas emissions rather than replacing one form of energy with another, stressing that major investments were needed in all energy sectors.

Mike Muller, president of Vitol Asia, said oil demand is set to increase in the second half of the year with as much as 2 million bpd more needed led by Asian growth. He said demand will increase seasonally and result in stock draws which will mean less excess supply available. He also saw any recession being offset by more constructive factors that would affect the oil market and would "manifest itself in a mild recession, if any".

Analysts from Goldman Sachs and JP Morgan said voluntary OPEC+ production cuts have taken effect from May. A JP Morgan analyst said "Latest export data suggest that the eight OPEC+ producers are delivering on their pledges to cut supply." Total exports of crude and oil products from the group fell by 1.7 million bpd by May 16th. JP Morgan said "Our view remains that Russia has cut its oil production by 500,000 bpd from February levels and its exports will likely align with production by late May." Later, Goldman Sachs said increasing fears of a U.S. recession and a China slowdown are likely weighing on oil prices. It said "We estimate that forward curves are pricing all the main bearish risks to our \$95/barrel December 2023 Bren forecast." It said we view the oil market was too pessimistic and expect sustained deficits from June as OPEC+ production cuts fully realize.

IIR Energy reported that U.S. oil refiners are expected to shut in 394,000 bpd of capacity in the week ending May 26th, increasing available refining capacity by 160,000 bpd. Offline capacity is expected to fall to 170,000 bpd in the week ending June 2nd.

Early Market Call - as of 8:00 AM EDT

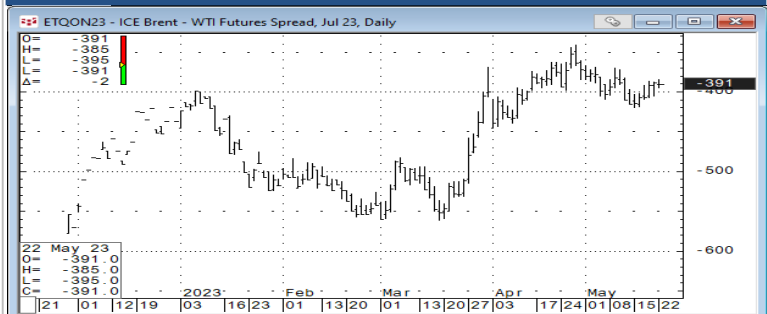
WTI - July \$72.82, up 77 cents
 RBOB - June \$2.6990, up 5.01 cents
 HO - June \$2.3832, up 1.68 cents

All NYMEX | Prior Settlements

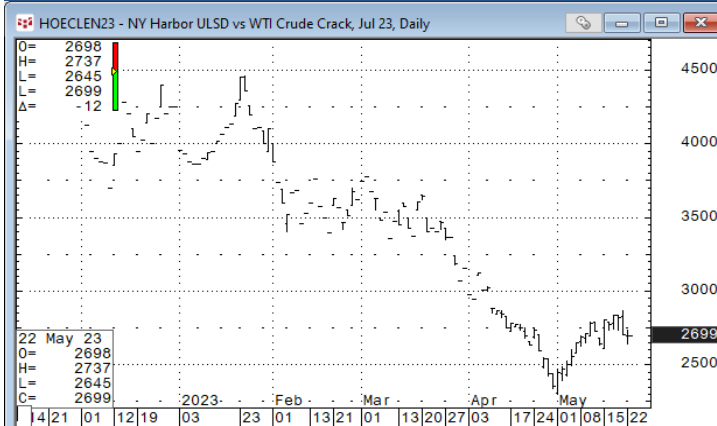
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jun-23	2.3664	0.0042	-0.0116
Jul-23	2.3558	0.0034	-0.0039
Aug-23	2.3562	0.0045	-0.0011
Sep-23	2.3622	0.0052	-0.0006
Oct-23	2.3671	0.0058	-0.0002
Nov-23	2.3674	0.0063	-0.0004
Dec-23	2.3634	0.0069	-0.0009
Jan-24	2.3626	0.0076	-0.0021
Feb-24	2.3581	0.0080	-0.0031
Mar-24	2.3475	0.0082	-0.0038
Apr-24	2.3293	0.0082	-0.0050
May-24	2.3198	0.0093	-0.0046
Jun-24	2.3132	0.0108	-0.0041
Jul-24	2.3100	0.0114	-0.0051
Aug-24	2.3072	0.0113	-0.0059
Sep-24	2.3050	0.0111	-0.0057
Oct-24	2.3039	0.0107	-0.0045

Sprague HeatCurve October 2023-April 2024		\$2.3575
	Close	Change
Crude - WTI	\$72.0500	\$0.3600
Crude - Brent	\$75.9900	\$0.4100
Natural Gas	\$2.4000	-\$0.1850
Gasoline	\$2.6489	\$0.0728

ICE July Brent-WTI Spread



July Heating Oil Crack Spread



July RBOB Crack Spread

