

Market Commentary

Recap: Oil futures plummeted more than 8% on Monday as OPEC and its allies agreed to increase monthly output by 400,000 barrels per day, while the spread of the delta variant prompted traders to unload risk. A rise in the U.S. dollar also added to the pressure. While oil supply is set to rise, countries around the world are dealing with surges in new cases of Covid-19 as the highly contagious delta variant drives up infections. Indonesia surpassed India and Brazil in daily case numbers. U.S. infections are outpacing the global rate of increase, and the U.K. on Saturday reported the most cases since January. West Texas Intermediate crude for August delivery dropped \$5.39, or 7.5%, to settle at \$66.42 a barrel. This is the largest decline for a spot month since September 8, and the lowest settlement since May 28. The August contract expires at Tuesday's settlement. September Brent fell \$4.97, or nearly 6.8%, to \$68.2 a barrel. This was the largest loss for Brent since March and its lowest finish since May 24. August RBOB lost 6.4% to end the session at \$2.11 a gallon, the lowest settlement since May 21. August heating oil lost 6.1%, to settle at \$1.99 a gallon, the lowest finish since May 20.

Technical Analysis: Oil has been rising all year as the vaccine rollout has slowed the spread of Covid-19 in much of the world and demand has rebounded. But the rise of the Delta variant is now worrying investors and causing stocks around the world to slide. If countries are forced to slow their reopenings and block international travel, oil demand is likely to drop. As the demand picture worsens, supply looks ready to pick up — potentially leading to an imbalance that hurts prices. On Sunday, the Organization of the Petroleum Exporting Countries and its allies agreed to gradually restore the 5.8 million barrels per day in production that countries had been holding off the market. They will restore production by about 400,000 barrels a day every month until it is fully restored next year. While this scenario looks grim for oil prices, had the group not come to an agreement and instead split and flooded the market with oil, the bottom for prices could have been much worse. Under the current deal, supply will remain relatively restrained and OPEC will retain its grip. That being said, Monday's reaction could have been a bit overblown. At this point, we will have to wait and see. Right now, we could still see a push toward the \$60 level.

Fundamental News: On Sunday, OPEC+ ministers agreed to increase oil supply from August to lower prices which have increased to 2-1/2 year highs as the global economy recovers from the coronavirus pandemic. The group agreed on new production allocations from May 2022 after Saudi Arabia and others agreed to a request from the United Arab Emirates that had threatened the plan. The UAE's Energy Minister, Suhail bin Mohammed al-Mazroui, said "We are happy with the deal". From August until December 2021 the group will increase supply by a further 2 million bpd or 400,000 bpd a month. It aims to fully phase out cuts by around September 2022. OPEC+ agreed new output quotas for several members from May 2022, including the UAE, Saudi Arabia, Russia, Kuwait and Iraq. The UAE will see its baseline production, from which cuts are being calculated, increase to 3.5 million bpd from May 2022 from today's 3.168 million bpd. Saudi and Russia will see their baselines increase to 11.5 million bpd each from the current 11 million. Iraq and Kuwait will see their baselines increase by 150,000 bpd each.

Joint Organizations Data Initiative reported that Saudi Arabia's oil output in May increased by 410,000 bpd on the month to 8.544 million bpd, while its crude oil exports in May increased to 5.649 million bpd, the highest level in four months.

IIR Energy reported that U.S. oil refiners are expected to shut in 601,000 bpd of capacity in the week ending July 23rd, increasing available refining capacity by 6,000 bpd from the previous week.

Goldman Sachs said the OPEC+ deal to increase oil supply supports its view on oil prices and expects modest "upside" to its summer forecast for Brent to reach \$80/barrel.

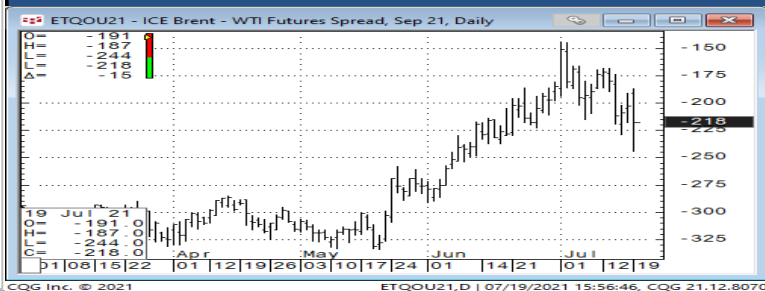
Early Market Call - as of 8:15 AM EDT
 WTI - Aug \$66.58, up 24 cents
 RBOB - Aug \$2.1118, up 16 points
 HO - Aug \$1.9911, up 61 points

All NYMEX | Prior Settlements

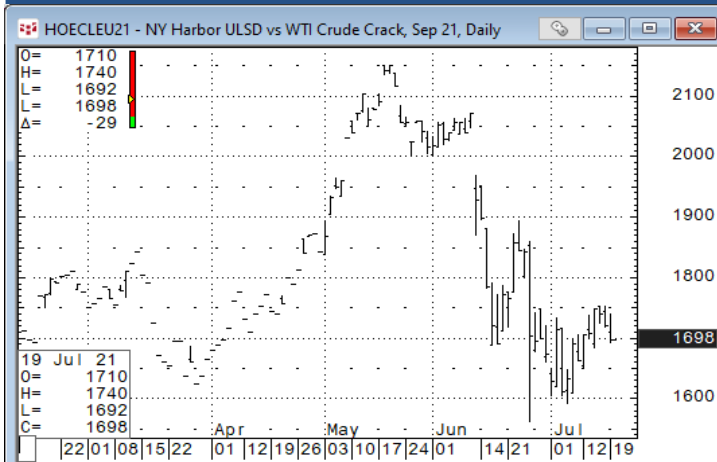
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-21	\$1.9852	-\$0.1281	-\$0.1646
Sep-21	\$1.9868	-\$0.1282	-\$0.1655
Oct-21	\$1.9863	-\$0.1284	-\$0.1657
Nov-21	\$1.9845	-\$0.1281	-\$0.1650
Dec-21	\$1.9821	-\$0.1279	-\$0.1639
Jan-22	\$1.9790	-\$0.1276	-\$0.1633
Feb-22	\$1.9729	-\$0.1274	-\$0.1626
Mar-22	\$1.9621	-\$0.1272	-\$0.1613
Apr-22	\$1.9479	-\$0.1264	-\$0.1587
May-22	\$1.9391	-\$0.1248	-\$0.1548
Jun-22	\$1.9340	-\$0.1231	-\$0.1511
Jul-22	\$1.9339	-\$0.1214	-\$0.1474
Aug-22	\$1.9346	-\$0.1194	-\$0.1438
Sep-22	\$1.9353	-\$0.1179	-\$0.1431
Oct-22	\$1.9366	-\$0.1165	-\$0.1379
Nov-22	\$1.9377	-\$0.1152	-\$0.1352
Dec-22	\$1.9372	-\$0.1138	-\$0.1335

Sprague HeatCurve October 2021-April 2022		\$1.9742
	Close	Change
Crude - WTI	\$66.3500	-\$0.0521
Crude - Brent	\$68.6200	-\$4.9700
Natural Gas	\$3.7790	\$0.1050
Gasoline	\$2.1104	-\$0.1432

ICE September Brent-WTI Spread



September Heating Oil Crack Spread



September RBOB Crack Spread

