

Market Commentary

Recap: A resurgence of COVID-19 cases combined with concerns over the glum global economic outlook to push oil prices lower on Friday. July WTI fell over 8% on the week, the first weekly fall since April. Fears that the coronavirus pandemic may be far from over has brought the rally to a halt, with about half a dozen U.S. states reporting spikes in new infections. At the same time, U.S. crude oil inventories have risen to a record 538.1 million barrels, as cheap imports from Saudi Arabia flowed into the country. WTI July delivery fell 8 cents, or 0.2%, to settle at \$36.26 a barrel. The contract tumbled 8.2% on Thursday to mark the sharpest one-day fall since April 27. August Brent however, added 18 cents, or 0.5%, to end at \$38.73 a barrel, following a 7.6% plunge Thursday, its steepest such slide since April 21, that took it to its lowest finish since June 1. July RBOB rose 0.5% at \$1.1243 a gallon, for a weekly loss of 7.4%, while July heating oil added 1.2% to \$1.1014 a gallon, ending 4.3% lower for the week.

Technical Analysis: While a case can be made for higher prices as production continues to slow and demand shows signs of recovering, production cuts should begin to decrease, while a recovery in demand could be slowed due to a resurgence of the coronavirus. This is indeed a difficult time for traders, as one cannot predict the extent of the spread of the coronavirus, nor its impact on demand. That being said, oil prices should sustain difficulty to the upside. Oil prices could stabilize a bit before heading higher again. Support is set at \$35.37 and below that at \$33. To the upside, resistance is seen at \$38.34 and above that at \$40.

Fundamental News: Baker Hughes reported that the U.S. oil and gas rig count fell by five to an all-time low of 279 in the week to June 12th. That was 690 rigs, or 71%, below this time last year. U.S. oil rigs fell seven to 199 this week, their lowest since June 2009, while gas rigs rose two to 78.

Barclays Commodities Research on Friday raised its oil price forecasts for this year by \$4 per barrel, citing a bigger deficit in the second half of the year, though the bank expressed caution on a slow recovery in the near term. The bank now sees Brent oil prices at \$41 a barrel and West Texas Intermediate at \$37, and expects Brent to average \$37 a barrel during the third quarter, while U.S. crude futures are seen averaging \$34.

J.P. Morgan said that Saudi Arabia's share of the oil market is set to rise this decade to its highest since the 1980s as investment in production elsewhere declines in the wake of the coronavirus crisis. The investment cut will lead to a loss of output that is set to push benchmark Brent oil prices to \$60 a barrel within two years. The U.S. bank expects global oil demand to average 91 million bpd in 2020, 9 million lower than earlier estimates, with consumption only recovering to pre-pandemic levels of 100 million bpd in November 2021. However, changes in consumption patterns will lead to a permanent demand loss of 3 million bpd this decade compared with previous forecasts. Oil supply, meanwhile, is set to fall by 5 million bpd due to a lack of investment in new output and the closure of some fields. J.P. Morgan said that with the lowest production costs and biggest capacity, Saudi Arabia is best placed to take up the slack. U.S. shale oil production, which grew sharply throughout the 2010s, will barely rise this decade, climbing only to 11 million bpd by 2030 from 10.9 million this year. J.P. Morgan expects members of the Organization of Petroleum Exporting countries (OPEC) to fill the supply gap, once oil prices reach \$60 a barrel, which is the price OPEC countries need on average to balance their budgets. While OPEC's market share fell from a peak of 39% of total oil supply in 2016 to 33% in 2020-21, the bank expects the group to regain a market share of about 40% by 2025. Saudi Arabia's market share is set to grow from 11.6% in 2020 to 15% over the period, a level not seen since the 1980s.

Early Market Call - as of 8:45 AM EDT

WTI - July \$34.91, down \$1.34

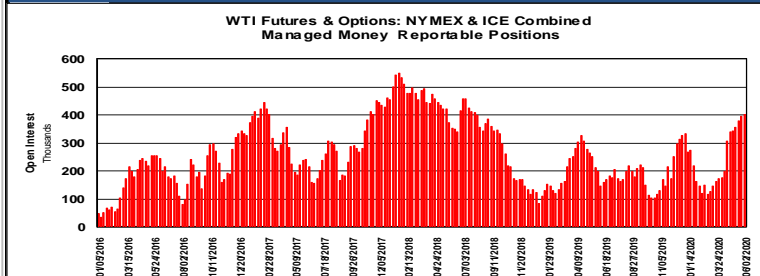
RBOB - July \$1.1032, down 2.11 cents

HO - July \$1.0884, down 1.3 cents

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Jul-20	1.1014	0.0134	0.0492
Aug-20	1.1239	0.0108	0.0555
Sep-20	1.1465	0.0099	0.0585
Oct-20	1.1681	0.0094	0.0602
Nov-20	1.1862	0.0092	0.0628
Dec-20	1.2007	0.0090	0.0643
Jan-21	1.2154	0.0088	0.0653
Feb-21	1.2275	0.0084	0.0672
Mar-21	1.2359	0.0081	0.0692
Apr-21	1.2389	0.0072	0.0705
May-21	1.2441	0.0066	0.0712
Jun-21	1.2513	0.0060	0.0724
Jul-21	1.2656	0.0058	0.0739
Aug-21	1.2788	0.0056	0.0754
Sep-21	1.2906	0.0056	0.0758
Oct-21	1.3020	0.0057	0.0763
Nov-21	1.3120	0.0058	0.0761

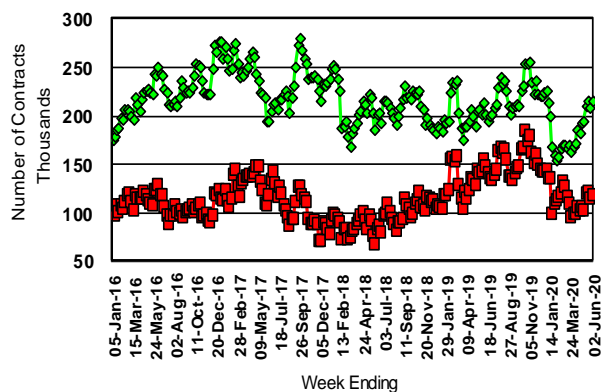
Sprague Heat Weighted Strip October -April 20/2021			\$1.2136
		Close	Change
Crude - WTI	Aug Brent- WTI Spread \$2.22	\$36.5100	-\$0.0600
Crude - Brent		\$38.7300	\$0.1800
Natural Gas		\$1.7310	-\$0.0820
Gasoline		\$1.1243	\$0.0055



Commitment of Traders Report for the Week Ending June 9, 2020

Producer/Merchant Heat Positons

CFTC Commitment of Traders Report



Managed Money Heat Positons

CFTC Commitment of Traders Report

