

Market Commentary

Recap: Oil futures fell on Wednesday, logging their lowest settlement in more than three weeks, pressured by overall losses in the broader financial market, as traders ruminated over the first weekly U.S. crude oil inventory rise in three weeks. At one point during trading, June WTI fell as much as 5.4% amid increasing inflation fears and, as the dollar strengthened. Traders were also keeping an eye on talks between world powers in regard to an agreement that could remove U.S. sanctions on Iran's crude oil exports. June WTI fell \$2.13, or 3.25%, to settle at \$63.36 a barrel, while July Brent lost \$2.05, or 2.98%, to settle at \$66.66 a barrel. Petroleum products also fell, with June RBOB losing .0589 cents, to settle at \$2.102 a gallon and June heating oil slipping .0493 cents, to settle at \$2.0071 a gallon.

Technical Analysis: WTI breached the lower trend line that forms both the bottom of the ascending triangle and the ascending channel that dates back to the beginning of April. While today's sell-off is quite impressive, one must bear in mind that the increase in U.S. crude oil inventories and drop in both gasoline and distillate stocks should not be that surprising given the shut-in of the Colonial Pipeline. Looking at PADD 1 distillate and gasoline stocks and discounting stocks for 2020, one might think that we could run into a short fall given the positive economic outlook, as countries come further out of COVID-19 driven lockdowns. However, what is most likely weighing more on trader's minds, are talks between the U.S. and Iran, which are said to be going well. This could put between 1 and 2 million more barrels per day of crude oil back on the open market. This will cause an issue for OPEC, especially Saudi Arabia, who made the bulk of the output cuts. At this point, we could see a game cat and mouse unfold, which would also involve U.S. producers. Only time will tell. For now, we would continue to look for bottom pickers in this market all the way down to the \$60 area. Above \$60, support is seen at \$62.61. On the upside, resistance rests at \$64.06, \$65 and \$67.98.

Fundamental News: The Energy Information Administration said U.S. Gulf Coast gasoline inventories increased to 91.4 million barrels, the highest since August 2020 in the latest week ended May 14th. The increase came as the Colonial Pipeline was shut due to a ransomware attack. The report also showed that U.S. East Coast refinery utilization was at 87.2%, its highest percentage since June 2019. U.S. distillate fuel inventories totaled 132.1 million barrels, the lowest since April, 2020, as were East Coast distillate stockpiles, which stood at 36.8 million barrels.

Russian Deputy Prime Minister, Alexander Novak, said there was an oil deficit on the global market even though some countries were recording an increasing number of COVID-19 cases. He added that deficit was helping to reduce a surplus in oil stocks

Iranian oil exports, which have been on an increasing trend while talks make progress on reviving the 2015 nuclear deal, have fallen so far in May, reflecting a decline in Chinese demand. A trade source said that Petro-Logistics, which tracks oil flows, told its customers Iran's crude exports fell provisionally to zero in May, from around 703,000 bpd in April, citing slowing intake from Chinese independent refiners.

Iran's lead negotiator, Abbas Araghchi, said documents outlining how to return to the 2015 nuclear deal are "mostly drafted" except for some complicated differences which require political decisions to be made in participants' capitals.

Colonial Pipeline allocated Cycle 26 shipments on Line 27 and Line 32.

IIR Energy reported that U.S. oil refiners are expected to shut in 704,000 bpd of capacity in the week ending May 21st, increasing available refining capacity by 248,000 bpd from the previous week.

Early Market Call - as of 8:50 AM EDT

WTI - June \$62.79 down 57 cents
 RBOB - June \$2.0854 down 1.66 cents
 HO - June \$1.9879 down 1.92 cents

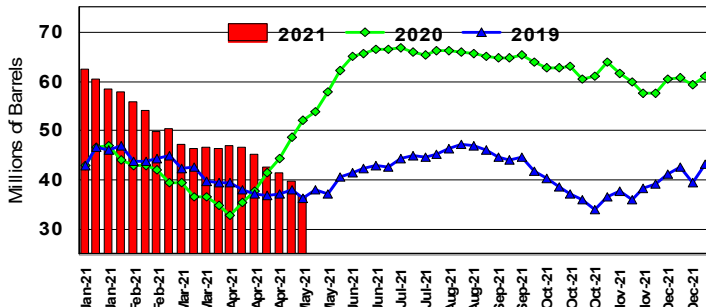
All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jun-21	2.0071	-0.0493	-0.0624
Jul-21	2.0051	-0.0493	-0.0601
Aug-21	2.0059	-0.0493	-0.0596
Sep-21	2.0079	-0.0492	-0.0598
Oct-21	2.0088	-0.0490	-0.0602
Nov-21	2.0093	-0.0488	-0.0607
Dec-21	2.0083	-0.0488	-0.0611
Jan-22	2.0069	-0.0489	-0.0620
Feb-22	2.0019	-0.0491	-0.0626
Mar-22	1.9922	-0.0489	-0.0632
Apr-22	1.9784	-0.0486	-0.0636
May-22	1.9703	-0.0479	-0.0638
Jun-22	1.9642	-0.0472	-0.0638
Jul-22	1.9631	-0.0465	-0.0637
Aug-22	1.9624	-0.0459	-0.0638
Sep-22	1.9629	-0.0451	-0.0633
Oct-22	1.9641	-0.0444	-0.0633

Sprague HeatCurve October 2021-April 2022		\$2.0018
	Close	Change
Crude - WTI	\$63.3500	-\$2.1500
Crude - Brent	\$66.6600	-\$2.0500
Natural Gas	\$2.9640	-\$0.0480
Gasoline	\$2.1020	-\$0.0589

Weekly EIA Petroleum Status Report for the Week Ending May 14, 2020

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 1.32 million barrels
 Cushing, OK Crude Stocks Down 142,000 barrels
Gasoline Stocks Down 1.963 million barrels
Distillate Stocks Down 2.324 million barrels
Refinery % Operated 86.3%, Up 0.2%

PADD #1

Distillate Stocks (in million bbls)	Week Ending May 14, 2021	Week Ending May 7, 2021	Week Ending May 15, 2020
New England	8.1	8.1	9.7
Central Atlantic	17.6	18.9	29.5
Total PADD #1	36.8	39.8	54.0
Distillate Imports (thousands b/d)	245	110	222