

# MarketWatch | Refined Products

Tuesday, July 6, 2021

## Market Commentary

# **Recap:** Oil futures traded mixed on Friday after OPEC+ delayed its meeting, with sources saying the United Arab Emirates (UAE) had balked at proposals that included raising supply by 2 million barrels per day by year end. Both benchmark contracts had gained on Thursday after OPEC+ sources said the group aimed to hike output by less than expected and retreated when UAE opposed the proposals, which also included extending the pact on output to the end of 2022. It appears that traders were waiting on the sidelines for the group to come reach an agreement, before adding to or exiting positions. The U.S. jobs report added some volatility in this very thinly traded market due to the long U.S. Fourth of July weekend. WTI for August delivery lost 7 cents, or 0.09%, to settle at \$75.16 a barrel, for a weekly gain of 1.5%.

contract since October 28, 2014. August heating oil rose 1.1%, to settle at \$2.1791 a gallon. Technical Analysis: Although OPEC+ came to an agreement to extend the output pact to the end of 2022 and to also add more barrels to the market, the UAE was still not happy with this decision. We will have to wait and see how this plays out in the marketplace and whether or not the agreement is a sealed deal. With the U.S. crude market expected to tighten as refinery runs pick up to meet recovering gasoline demand, we expect for this market to stay with the upside momentum, pushing toward \$77.50. Support is seen at \$74.90, \$72.70 and the key psychological level of \$70. As this market appears to be a bit overextended, we would not discount some shake outs to the downside before heading higher.

1.1%, August RBOB rose 1.4% to end at \$2.2998 a gallon, the highest close for a front month

**Fundamental News**: On Friday, OPEC+ agreed to add more oil to the market immediately and extend the duration of their pact on their remaining production cuts for longer, even though the United Arab Emirates still opposed the new deal. All OPEC+ deals require unanimous approval. The rare development on Friday means the UAE could still derail the plan. It was not immediately clear how the new plan would work. Under the new deal OPEC would release more barrels from August 2021 and extend the duration of the output pact to the end of 2022 from its original April 2022 expiry. The UAE said the extension was conditional on revising up its baseline, the level of production against which cuts are calculated.

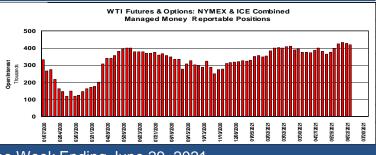
U.S. energy firms added oil and natural gas rigs for a third time in four weeks. Baker Hughes reported that the oil and gas rig count, an early indicator of future output, increased by 5 to 475 in the week ending July 2<sup>nd</sup>, its highest since April 2020. The number of rigs drilling for oil increased by 4 to 376, while the number of rigs searching for gas increased by 1 to 99 in the week ending July 2<sup>nd</sup>.

The D.C. Circuit Court of Appeals vacated a Trump-era rule allowing summer sales of gasoline with higher ethanol blends. The ruling reverses a 2019 rule from the Environmental Protection Agency under former President Donald Trump that lifted restrictions on the sale of a 15% ethanol fuel blend.

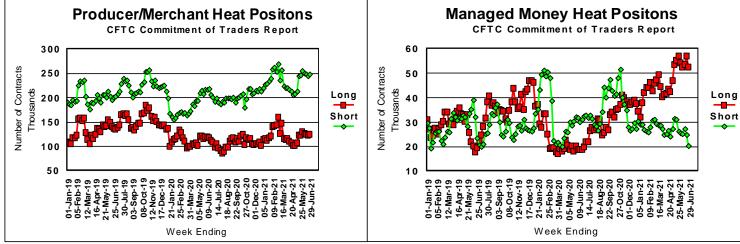
Republican Congressman Randy Feenstra of Iowa and Democrat Congresswoman Angie Craig of Minnesota introduced a bill on Friday to restrict the EPA's ability to grant waivers to refiners on blending biofuels, after the Supreme Court overturned a lower court decision that had imposed limits. The lawmakers said they wanted to clarify existing law and restrict waivers, which exempt refiners from obligations to blend biofuels, to a few plants.

Early Market Call - as of 8:15 AM EDT WTI - Aug \$75.96, up 81 cents RBOB - Aug \$2.3117, up 1.19 cents HO - Aug \$2.1978, up 1.87 cents

Month         close         change         o           Aug-21         2.1791         0.0229         sep-21         2.1814         0.0235           Oct-21         2.1814         0.0236         nov-21         2.1793         0.0234           Dec-21         2.1767         0.0232         Jan-22         2.1738         0.0232           Jan-22         2.1738         0.0231         Mar-22         2.1675         0.0231           Mar-22         2.1557         0.0227         Apr-22         2.1391         0.0231           May-22         2.1258         0.0238         Jun-22         2.1161         0.0246           Jul-22         2.1108         0.0246         Sep-22         2.1091         0.0244           Oct-22         2.108         0.0246         Sep-22         2.1064         0.0242           Nov-22         2.1064         0.0242         Nov-22         2.1064         0.0242           Nov-22         2.1064         0.0248         Sep Brent-         \$76.1700         \$74.3600           Straue         Straue         \$(1.81)         \$74.3600         \$3.7000         \$3.7000						
Aug-21       2.1791       0.0229         Sep-21       2.1814       0.0235         Oct-21       2.1811       0.0236         Nov-21       2.1793       0.0234         Dec-21       2.1767       0.0232         Jan-22       2.1738       0.0232         Feb-22       2.1675       0.0231         Mar-22       2.1557       0.0227         Apr-22       2.1557       0.0231         May-22       2.1258       0.0238         Jun-22       2.1161       0.0246         Jul-22       2.1108       0.0246         Sep-22       2.1091       0.0244         Oct-22       2.1064       0.0248         Aug-22       2.1064       0.0246         Sep-22       2.1064       0.0242         Nov-22       2.1064       0.0248         Sprague HeatCurve October 2021-April 2022       2         Close         Crude - WTI       Sep Brent-         WTI Spread       \$76.1700         \$74.3600       \$3.7000			ULSD (HO)	Prior Settle	Change In	
Sep-21       2.1814       0.0235         Oct-21       2.1811       0.0236         Nov-21       2.1793       0.0234         Dec-21       2.1767       0.0232         Jan-22       2.1738       0.0232         Feb-22       2.1675       0.0231         Mar-22       2.1557       0.0227         Apr-22       2.1391       0.0231         May-22       2.1258       0.0238         Jun-22       2.1161       0.0246         Jul-22       2.1108       0.0246         Sep-22       2.1091       0.0244         Oct-22       2.108       0.0242         Nov-22       2.1064       0.0242         Dec-22       2.1064       0.0248         Sprague HeatCurve October 2021-April 2022       2.104       0.0238         Sprague HeatCurve October 2021-April 2022       \$76.1700       \$74.3600         Synapper HeatCurve October 2021-April 2022       \$76.1700       \$74.3600         Synapper Heat Spread       \$1.81       \$3.7000       \$74.3600	Month		Close	Change	One Week	
Oct-21       2.1811       0.0236         Nov-21       2.1793       0.0234         Dec-21       2.1767       0.0232         Jan-22       2.1738       0.0232         Feb-22       2.1675       0.0231         Mar-22       2.1557       0.0227         Apr-22       2.1391       0.0231         May-22       2.1258       0.0238         Jun-22       2.1161       0.0246         Jul-22       2.1108       0.0246         Sep-22       2.1091       0.0244         Oct-22       2.1064       0.0242         Nov-22       2.1064       0.0248         Sprague HeatCurve October 2021-April 2022       Close         Close         Crude - WTI       Sep Brent-WTI Spread       \$76.1700         Syr4.3600       \$3.7000       \$3.7000	Aug-21		2.1791	0.0229	0.0276	
Nov-21     2.1793     0.0234       Dec-21     2.1767     0.0232       Jan-22     2.1738     0.0232       Feb-22     2.1675     0.0231       Mar-22     2.1557     0.0227       Apr-22     2.1391     0.0231       May-22     2.1258     0.0238       Jun-22     2.1161     0.0246       Jul-22     2.1161     0.0248       Aug-22     2.1108     0.0246       Sep-22     2.1091     0.0244       Oct-22     2.108     0.0242       Nov-22     2.1064     0.0242       Nov-22     2.1064     0.0248       Sprague HeatCurve October 2021-April 2022     2.104     0.0238       Close       Crude - WTI     Sep Brent-WTI Spread     \$76.1700       \$74.3600     \$3.7000     \$3.7000	Sep-21		2.1814	0.0235	0.0274	
Dec-21       2.1767       0.0232         Jan-22       2.1738       0.0232         Feb-22       2.1675       0.0231         Mar-22       2.1557       0.0227         Apr-22       2.1391       0.0231         May-22       2.1258       0.0238         Jun-22       2.1161       0.0246         Jul-22       2.1108       0.0246         Sep-22       2.1091       0.0244         Oct-22       2.1064       0.0242         Nov-22       2.1064       0.0248         Sprague HeatCurve October 2021-April 2022       2.104       0.0238         Close         Crude - WTI       Sep Brent-WTI Spread       \$76.1700         Natural Gas       \$(1.81)       \$3.7000	Oct-21		2.1811	0.0236	0.0268	
Jan-22       2.1738       0.0232         Feb-22       2.1675       0.0231         Mar-22       2.1557       0.0227         Apr-22       2.1391       0.0231         May-22       2.1258       0.0238         Jun-22       2.1161       0.0246         Jul-22       2.1108       0.0246         Sep-22       2.1091       0.0244         Oct-22       2.108       0.0242         Nov-22       2.1064       0.024         Dec-22       2.104       0.0238         Sprague HeatCurve October 2021-April 2022       Close         Crude - WTI       Sep Brent-WTI Spread       \$76.1700         Natural Gas       \$(1.81)       \$3.7000	Nov-21		2.1793	0.0234	0.0259	
Feb-22       2.1675       0.0231         Mar-22       2.1557       0.0227         Apr-22       2.1391       0.0231         May-22       2.1258       0.0238         Jun-22       2.1161       0.0246         Jul-22       2.1108       0.0246         Sep-22       2.1091       0.0244         Oct-22       2.108       0.0242         Nov-22       2.1064       0.024         Dec-22       2.104       0.0238         Sprague HeatCurve October 2021-April 2022       Close         Crude - WTI       Sep Brentwith Spread \$76.1700         Natural Gas       \$(1.81)       \$76.1700	Dec-21		2.1767	0.0232	0.025	
Mar-22       2.1557       0.0227         Apr-22       2.1391       0.0231         May-22       2.1258       0.0238         Jun-22       2.1161       0.0246         Jul-22       2.113       0.0246         Sep-22       2.108       0.0244         Oct-22       2.108       0.0242         Nov-22       2.1064       0.024         Dec-22       2.104       0.0238         Sprague HeatCurve October 2021-April 2022       Close         Crude - WTI       Sep Brentwith Spread \$76.1700         Natural Gas       \$(1.81)       \$76.3600	Jan-22		2.1738	0.0232	0.0248	
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Jul-22       2.113       0.0248         Aug-22       2.1108       0.0246         Sep-22       2.1091       0.0244         Oct-22       2.108       0.0242         Nov-22       2.1064       0.024         Dec-22       2.104       0.0238         Sprague HeatCurve October 2021-April 2022         Close         Crude - WTI       Sep Brent-WTI Spread       \$76.1700         Natural Gas       \$(1.81)       \$3.7000       \$3.7000	May-22		2.1258	0.0238	0.0251	
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Sep-22     2.1091     0.0244       Oct-22     2.108     0.0242       Nov-22     2.1064     0.024       Dec-22     2.104     0.0238       Sprague HeatCurve October 2021-April 2022     Close       Crude - WTI     Sep Brent- WTI Spread     \$76.1700 \$74.3600 \$3.7000	Jul-22		2.113	0.0248	0.0255	
Oct-22         2.108         0.0242           Nov-22         2.1064         0.024           Dec-22         2.104         0.0238           Sprague HeatCurve October 2021-April 2022         Close           Crude - WTI Crude - Brent Natural Gas         Sep Brent- WTI Spread \$(1.81)         \$76.1700 \$74.3600 \$3.7000	Aug-22		2.1108	0.0246	0.0257	
Nov-22         2.1064         0.024           Dec-22         2.104         0.0238           Sprague HeatCurve October 2021-April 2022         Close           Crude - WTI Crude - Brent Natural Gas         Sep Brent- WTI Spread \$(1.81)         \$76.1700 \$74.3600 \$3.7000	Sep-22		2.1091	0.0244	0.024	
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Sprague HeatCurve October 2021-April 2022 Close Crude - WTI Crude - Brent Natural Gas Sep Brent- WTI Spread \$76.1700 \$74.3600 \$3.7000	Nov-22		2.1064	0.024	0.0256	
CloseCrude - WTISep Brent- WTI Spread\$76.1700 \$74.3600 \$3.7000Natural Gas\$(1.81)\$3.7000					0.0256	
Crude - WTI         Sep Brent- WTI Spread         \$76.1700           Natural Gas         \$(1.81)         \$3.7000	Sprague HeatCurve October 2021-April 2022 \$2.1684					
Crude - Brent Natural GasWTI Spread \$(1.81)\$74.3600 \$3.7000		Close			Change	
Natural Gas \$(1.81) \$3.7000	Crude - WTI	Sep Brent-	\$76.1700	)	\$0.3300	
	Crude - Brent		\$74.3600	)	\$0.0300	
		\$(1.81)	•••••		\$0.0390	
Gasoline \$2.2998	Gasoline		\$2.2998	3	\$0.0322	



#### Commitment of Traders Report for the Week Ending June 29, 2021



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