

## Market Commentary

**Recap:** Oil futures rose for a second day on Friday as the market continued to react to the latest U.S. inventory report, while signs of strong Asian demand from both China and India added to the market's strength. Investors are weighing in on the historic drop in U.S. inventories, and the dimmed prospects of Iranian oil returning to the market. Despite the day's strength and market volatility, both Brent and WTI posted weekly losses, pressured by the collapse of the output talks between OPEC and its allies. Gains were capped by concern that members of OPEC+ could be tempted to abandon output limits that they have followed during the COVID-19 pandemic. August WTI rose \$1.62, or 2.2%, to settle at \$74.56 a barrel, while September Brent added \$1.43, or 1.9%, to end the week at \$75.55 a barrel. August RBOB climbed 1.6%, to \$2.929 a gallon, for a weekly loss of 0.3%. August heating oil ended 1.6% higher at \$2.1552 a gallon, for a weekly fall of 1.1%.

**Technical Analysis:** WTI continues to work higher, but not without its struggles. The upside has been limited by concerns over COVID-19 and the inability of OPEC and its allies to come to an agreement on output levels. With talks within the group collapsing on Monday, oil trading has been volatile. The down moves were most likely trader profit-taking, while buyers down below kept this market from sliding further. With the major trend still to the upside, we would look for continued attempts to take this market back above \$75. Above this level, resistance is set at \$77. To the downside, support is seen at \$73.20 and below that at \$70.45.

**Fundamental News:** Fitch Ratings said OPEC+ has delayed the decision on the extent of crude oil production increases, raising questions about the alliance's capacity to coordinate production. While Saudi Arabia, Russia and the UAE have offered to increase the alliance's production by 400,000 bpd each month from August to December, the UAE also demands to increase its baseline production from April 2022 to account for its larger production capacity following investment. Allowing one country to raise its baseline capacity may spur similar demands from other members and jeopardize efforts to control crude supply. Fitch Rating said it expects OPEC+ to agree on production increases. It said Iran could add 1.5 million bpd of supplies if U.S. sanctions are lifted and given the recovery of the global economy and mobility, the increased supply should mostly be absorbed by higher demand leading to a continued rundown in inventories this year.

According to the Texas Railroad Commission's monthly summary, total well permits increased to 739 in June from 631 in May. Oil well completions in June increased by 131 to 887, while gas well completions increased by 24 to 325.

IIR Energy reported that U.S. oil refiners are expected to shut in 170,000 bpd of capacity in the week ending July 9<sup>th</sup>, increasing available refining capacity by 115,000 bpd from the previous week. Offline capacity is expected to increase to 205,000 bpd in the week ending July 16<sup>th</sup> and to 281,000 the following week.

Citi Research revised its Brent-WTI outlook down from \$3 to \$2 for the second half of 2021 and 2022 on near-term tightness fundamentals through the second half of 2022. Citi sees Brent prices averaging \$71/barrel in 2021 and \$67/barrel in 2022, while WTI prices are forecast to average \$69/barrel in 2021 and \$65/barrel in 2022. It said OPEC+ countries should succumb to pressure to add more oil to the market at a level higher than initially planned and this is likely to result in deferred prices falling further under weight of higher production. It said the global oil market will remain in "deep deficit" of more than 3 million bpd through the third quarter of 2021.

**Early Market Call - as of 8:10 AM EDT**

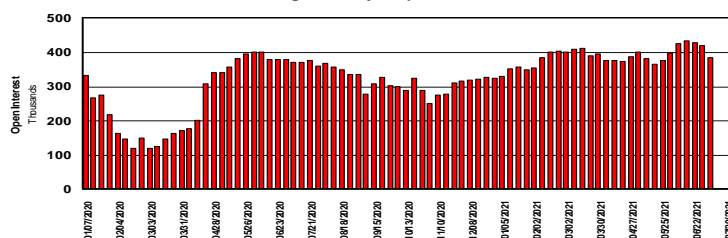
WTI - Aug \$73.57 Down 0.99  
 RBOB - Aug \$2.2684 Down -0.0245  
 HO - Aug \$2.12.71 Down 0.0279

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-21	\$2.1552	\$0.0348	-\$0.0239
Sep-21	\$2.1574	\$0.0353	-\$0.0240
Oct-21	\$2.1569	\$0.0353	-\$0.0242
Nov-21	\$2.1543	\$0.0349	-\$0.0250
Dec-21	\$2.1507	\$0.0345	-\$0.0260
Jan-22	\$2.1468	\$0.0339	-\$0.0270
Feb-22	\$2.1396	\$0.0334	-\$0.0279
Mar-22	\$2.1272	\$0.0332	-\$0.0285
Apr-22	\$2.1104	\$0.0327	-\$0.0287
May-22	\$2.0976	\$0.0323	-\$0.0282
Jun-22	\$2.0886	\$0.0317	-\$0.0275
Jul-22	\$2.0846	\$0.0312	-\$0.0284
Aug-22	\$2.0816	\$0.0307	-\$0.0292
Sep-22	\$2.0790	\$0.0300	-\$0.0318
Oct-22	\$2.0771	\$0.0293	-\$0.0309
Nov-22	\$2.0752	\$0.0289	-\$0.0312
Dec-22	\$2.0727	\$0.0286	-\$0.0313

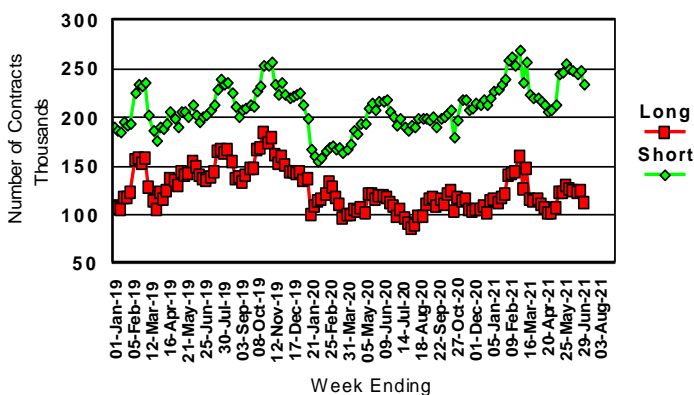
Sprague HeatCurve October 2021-April 2022		\$2.1415
	Close	Change
Crude - WTI	\$73.8100	\$1.5900
Crude - Brent	\$75.5500	\$1.4300
Natural Gas	\$3.6740	-\$0.0140
Gasoline	\$2.2920	\$0.0368

WTI Futures & Options: NYMEX & ICE Combined Managed Money Reportable Positions



## Commitment of Traders Report for the Week Ending July 6, 2021

Producer/Merchant Heat Positons  
 CFTC Commitment of Traders Report



Managed Money Heat Positons  
 CFTC Commitment of Traders Report

