

Market Commentary

Recap: Oil prices turned lower on Thursday, retracing early gains of 13%, as traders reacted to the disappointing OPEC+ production cuts put forth at a time when demand is plummeting due to the coronavirus pandemic. The cuts, 10 million barrels per day for May and June, 8 million bpd from July until the end of 2020 and starting January 2021, 6 million bpd were not enough to address the growing global oversupply amid a 30% drop in worldwide fuel demand. This, in combination with tightening storage options, pushed May WTI back below the psychological support level of \$25.00, with this spot contract settling at \$22.76 a barrel, down \$2.33, or 9.3%. May WTI traded \$6.09 a barrel below June, the widest front-month spread traded since 2009. June Brent slipped \$1.36 or 4.14%, to settle at \$31.58 a barrel. May RBOB edged down by .01% to 67.73 points a gallon, while May heating oil shed 3.8% to 97.26 cents a gallon.

Technical Analysis: May WTI tumbled back below \$25 and picked up enough momentum to trade and settle below \$24.37, the 10-day moving average. These two numbers will now serve as areas of resistance. Although the main trend for this market is to the upside, prices have become trapped for the past four sessions. Right now this market needs an advance above \$29 in order to resume the upward trend. With the news of less than stellar output cuts, amid overflowing supplies, we expect this market to test the \$20.00 level, with trend changing support set at \$19.27.

Fundamental News: Three OPEC+ sources stated that OPEC+ on Thursday agreed in principle to a 10 million bpd cut for May-June. They said non-OPEC producers would contribute up to 5 million bpd. An OPEC source said both Saudi Arabia and Russia will both cut 23% from their 11 million bpd baselines. The source said OPEC+ ministers were trying to persuade Mexico to cut its output by 40,000 bpd based on the country's output level in October 2018, as part of broader cuts.

Saudi Arabia's Energy Minister, Khalid al-Falih, told OPEC and non-OPEC members that Saudi Arabia is ready to maintain its oil cuts beyond 2022.

Earlier, the head of Russia's wealth fund said Russia and Saudi Arabia have overcome differences that had presented potential hurdles to a plan for major oil output cuts. Thursday's OPEC+ talks will be followed by a call on Friday between energy ministers from the Group of 20 (G20) major economies, hosted by Saudi Arabia.

Iran's Oil Minister Bijan Zanganeh said there are two proposals to cut OPEC+ output by 10 million and 11 million bpd in May and June. He said those cuts are apart from the cuts expected from countries such as Brazil, Norway and the US. OPEC+ would then ease its cuts to 8 million bpd from July to December and then relax them further to 6 million bpd from January 2021.

US President, Donald Trump, warned on Wednesday that he had many options if Saudi Arabia and Russia failed to reach a deal on Thursday.

Goldman Sachs and UBS both said on Thursday the suggested cuts, however deep, would not be enough to address a massive decline in global demand and predicted that oil prices could fall back to \$20 per barrel and even lower.

IEA Executive Director, Fatih Birol, said oil importing countries may announce crude oil purchases to support demand for the fuel.

Shell has declared a force majeure on exports of Nigerian Forcados crude following a shutdown by a pipeline operator.

Baker Hughes reported that the US oil drilling rig count fell by 58 to 504 in the week ending April 9th.

Early Market Call - as of 9:25 AM EDT

WTI - May \$23.35, up 60 cents

RBOB - May \$.6943, up 1.7 cents

HO - May \$.9800, up 74 points

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
May-20	0.9726	-0.0381	0.0225
Jun-20	1.0132	-0.0315	0.0072
Jul-20	1.0574	-0.0289	-0.0027
Aug-20	1.0980	-0.0276	-0.0031
Sep-20	1.1355	-0.0261	-0.0014
Oct-20	1.1664	-0.0235	-0.0021
Nov-20	1.1876	-0.0209	-0.0033
Dec-20	1.2035	-0.0188	-0.0051
Jan-21	1.2193	-0.0171	-0.0072
Feb-21	1.2314	-0.0164	-0.0079
Mar-21	1.2412	-0.0162	-0.0066
Apr-21	1.2466	-0.0172	-0.0021
May-21	1.2537	-0.0173	0.0023
Jun-21	1.2626	-0.0167	0.0045
Jul-21	1.2800	-0.0161	0.0041
Aug-21	1.2962	-0.0156	0.0028
Sep-21	1.3094	-0.0156	0.0007

Sprague Heat Weighted Strip October -April 20/2021			\$1.2171
Other Front Month NYMEX		Close	Change
Crude - WTI	June Brent-	\$28.8200	-\$1.3500
Crude - Brent	WTI Spread	\$31.4800	-\$1.3600
Natural Gas	\$2.66	\$1.7330	-\$0.0500
Gasoline		\$0.6773	-\$0.0007

EIA Working Gas Storage Report

	03-Apr-20	27-Mar-20	Change	Year Ago
East	382	382	0	209
Midwest	475	476	-1	240
Mountain	92	92	0	64
Pacific	203	197	6	117
South Central	872	840	32	517
Salt	265	256	9	163
Nonsalt	607	585	22	354
Total	2,024	1,986	38	1,148

Sprague HeatCurve October-April

ICE June Brent-WTI Spread

