

Market Commentary

Recap: Oil futures fell in overnight trading as the spread of the COVID-19 Delta variant raised concern about demand, but losses were limited by the forecast that crude oil supply will be tight the rest of the year. Coronavirus case rose over the weekend, with some countries reporting daily increases and extending lockdown measures. China, the world's largest crude importer, has also registered a rise in the number of positive cases, spreading fear over Chinese imports, as China has started to clamp down on independent refiners. Strong U.S. demand and expectations of tight supplies have helped both contracts to recover from a 7% slump last Monday to mark their first gains in two to three weeks last week. September WTI fell 16 cents, or 0.2%, to \$71.91 a barrel, while Brent for September delivery slipped 40 cents, or 0.5%, to settle at \$74.50 a barrel. August RBOB rose 0.7% to \$2.31 a gallon and August heating oil added 0.8% to \$2.15 a gallon. Both contracts marked a fifth straight session of gains.

Technical Analysis: Oil prices are caught up between the existing supply deficit brought about by OPEC+ and the threat of the COVID-19 Delta variant in regions with low vaccination rates. If the vaccination rate does not pick up steam, and the virus continues to spread, demand for oil will be quite limited. September WTI bounced off of the 10-day moving average on Monday and continued to work its way higher, stopping just below \$72.48, the 62% retracement set by the July 6 high of \$76.98 and the July 20 low of \$65.21. Monday's move resulted in a cross to the upside of the slow stochastics, which typically means a higher market. That being said, we do not expect to see a full blown out move to the upside, given the spread of Covid-19.

Fundamental News: IIR Energy reported that U.S. oil refiners are expected to shut in 313,000 bpd of capacity in the week ending July 30th, increasing available refining capacity by 324,000 bpd from the previous week. Offline capacity is expected to fall to 154,000 bpd in the week ending August 6th.

Refinitiv ship tracking data showed that Northwest European gasoline exports to the United States were pegged at 111,000 tons this week, a fall of more than 70% in departure volumes on a week-on-week basis. July loadings are expected to close at just over 885,000 tons compared with June's 1.45 million tons.

Colonial Pipeline Co is allocating space for Cycle 43 shipments on Line 20, which carries distillates from Atlanta, Georgia to Nashville, Tennessee.

Royal Dutch Shell announced plans to develop a new oilfield in the Gulf of Mexico, its first major project to get the go-ahead since a Dutch court ordered the energy company to accelerate its emissions reduction targets. The Whale development, operated by Shell which owns 60% of the project, alongside with Chevron with 40%, is expected to reach peak production of around 100,000 bpd of oil equivalent. Whale holds a recoverable resource of 490 million barrels of oil equivalent and is scheduled to begin production in 2024.

France's Foreign Ministry spokeswoman, Agnes von der Muhll, said that Iran was endangering the chance of concluding an accord with world powers over reviving its 2015 nuclear deal if it did not return to the negotiating table soon.

Goldman Sachs cut its U.S. third quarter and fourth quarter forecast by 1% to 8.5% and 5%, respectively, citing a slower service sector recovery, leaving the 2021 growth forecast at 6.6% on a full-year basis.

Early Market Call - as of 8:25 AM EDT

WTI - Sep \$71.94, unchanged

RBOB - Aug \$2.3248, up 1.71 cents

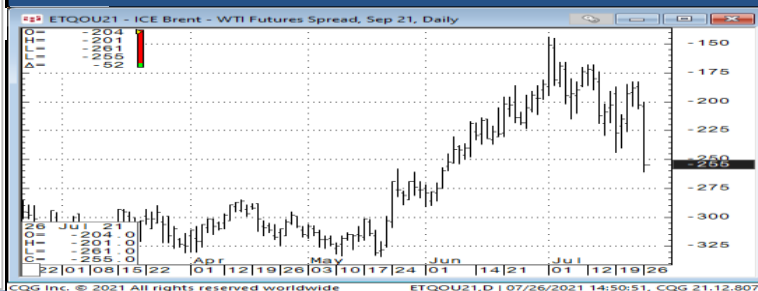
HO - Aug \$2.1546, up 31 points

All NYMEX | Prior Settlements

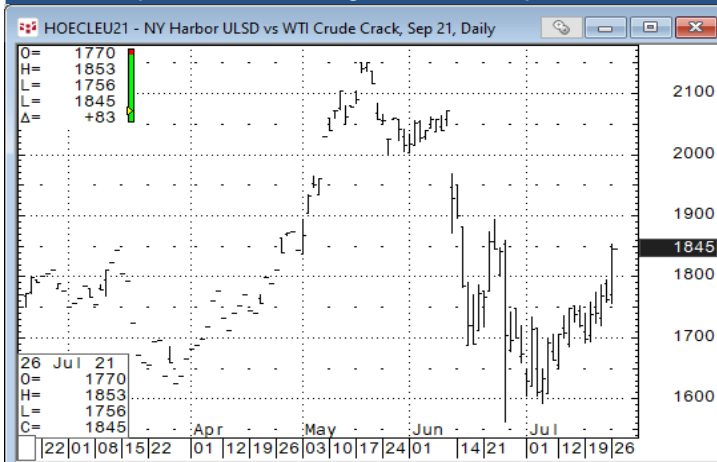
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-21	\$2.1510	\$0.0171	\$0.1658
Sep-21	\$2.1525	\$0.0171	\$0.1657
Oct-21	\$2.1521	\$0.0169	\$0.1658
Nov-21	\$2.1493	\$0.0167	\$0.1648
Dec-21	\$2.1446	\$0.0164	\$0.1625
Jan-22	\$2.1386	\$0.0161	\$0.1596
Feb-22	\$2.1296	\$0.0158	\$0.1567
Mar-22	\$2.1161	\$0.0152	\$0.1540
Apr-22	\$2.0981	\$0.0147	\$0.1502
May-22	\$2.0862	\$0.0145	\$0.1471
Jun-22	\$2.0786	\$0.0145	\$0.1446
Jul-22	\$2.0758	\$0.0143	\$0.1419
Aug-22	\$2.0743	\$0.0142	\$0.1397
Sep-22	\$2.0726	\$0.0141	\$0.1380
Oct-22	\$2.0719	\$0.0139	\$0.1353
Nov-22	\$2.0710	\$0.0138	\$0.1333
Dec-22	\$2.0685	\$0.0137	\$0.1313

Sprague HeatCurve October 2021-April 2022		\$2.1331
	Close	Change
Crude - WTI	\$71.9100	-\$0.1600
Crude - Brent	\$74.5000	\$0.4000
Natural Gas	\$4.1020	\$0.0420
Gasoline	\$2.3083	\$0.0170

ICE September Brent-WTI Spread



September Heating Oil Crack Spread



September RBOB Crack Spread

