

## Market Commentary

**Recap:** Commodities prices dropped across the board on Thursday, as investors considered the impact the recent U.S. jobs report would have on the Fed's policy and inflation. Businesses added 978,000 jobs in May, exceeding the estimate of 650,000, while jobless claims fell below 400,000. The reopening economy has already sent crude up about 40% since the start of the year, but a surge in driving by Americans, as well as an increase in goods transportation and air travel, could push prices further. While the recent surge in prices is not surprising, it is uncertain as to how high or for how long they could run. Crude oil futures gave up early gains as traders weighed in on the increase in U.S. gasoline and distillate supplies against declining crude oil inventories. Trading was choppy, as market participants looked to book profits. Oil futures settled close to unchanged, with July WTI falling 2 cents, or 0.03%, to settle at \$68.81 a barrel, while August Brent lost 4 cents, or 0.06%, to settle at \$71.31 a barrel. July RBOB rose nearly 0.4% to \$2.20 a gallon, with July heating oil shedding 0.3%, to \$2.10 a gallon.

**Technical Analysis:** Based upon a daily spot continuation chart, WTI is butting up against the upper Bollinger band basis a 2 standard deviation. This type of activity typically means that prices are over extended to the upside. It is worth noting that prices have been up at this band in the past, only to have fallen toward the middle line of the pattern, which is a 20-day average, or beyond to the lower band. This, combined with the slow stochastics set high in overbought territory will be keeping technical traders on their toes. Our initial upside objective still \$70, with additional resistance set at \$71.80. Support is set at \$66.76 and below that at \$65.

**Fundamental News:** Saudi Arabia's Energy Minister, Abdulaziz bin Salman, said it would be premature to talk about potential overheating in the global oil market before seeing higher demand. He said "there will always be a good amount of supply to meet demand, but we'll have to see demand before you see supply".

Russian Deputy Prime Minister, Alexander Novak, said it was premature to talk about output decisions due to be made by the so-called OPEC+ group of oil producers in August. He said the group would look at seasonal demand growth in the third quarter and also consider the potential return of Iranian oil supplies to the market. He said some Iranian oil may be on the market this summer. He said the current oil price reflects the balance of supply and demand and is "good enough" for Russia. Global oil demand is likely to return to pre-crisis levels next year. He also said that oil prices could reach \$200 if IEA recommendations to stop funding new energy projects is followed.

Vagit Alekperov, CEO Russia's Lukoil, said that he expects OPEC+ will decide to increase its output at its meeting next month. He said that the current OPEC+ deal on oil output curbs should be extended once it expires next April. OPEC+ will meet on July 1 to decide on production levels from August.

Gazprom Neft said it is quite possible that OPEC+ will decide on raising oil output in August. It said the OPEC+ deal could last for 3-5 years if it is beneficial for the countries. It said oil prices at \$65-\$70/barrel are unsustainable and sees long-term level at \$50-\$55/barrel.

IIR Energy said U.S. oil refiners are expected to shut in 366,000 bpd of capacity offline in the week ending June 4<sup>th</sup>, increasing available refining capacity by 337,000 bpd from the previous week.

A measure of U.S. services industry activity increased to a record high in May amid increased demand as the economy moves toward fully reopening. The Institute for Supply Management said its non-manufacturing activity index increased to 64 last month, the highest reading in the series' history, from 62.7 in April.

**Early Market Call - as of 8:45 AM EDT**

WTI - July \$69.27, up 45 cents

RBOB - July \$2.2000, up 81 points

HO - July \$2.1109, up 92 points

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-21	2.1017	-0.0054	0.0465
Aug-21	2.1042	-0.0051	0.0476
Sep-21	2.1071	-0.0047	0.0482
Oct-21	2.1086	-0.0045	0.0487
Nov-21	2.1088	-0.0043	0.0490
Dec-21	2.1078	-0.0043	0.0493
Jan-22	2.1058	-0.0041	0.0487
Feb-22	2.0996	-0.0040	0.0480
Mar-22	2.0888	-0.0042	0.0470
Apr-22	2.0739	-0.0042	0.0458
May-22	2.0643	-0.0043	0.0443
Jun-22	2.0562	-0.0044	0.0425
Jul-22	2.0545	-0.0043	0.0423
Aug-22	2.0536	-0.0041	0.0422
Sep-22	2.0531	-0.0042	0.0417
Oct-22	2.0528	-0.0041	0.0405
Nov-22	2.0527	-0.0042	0.0400

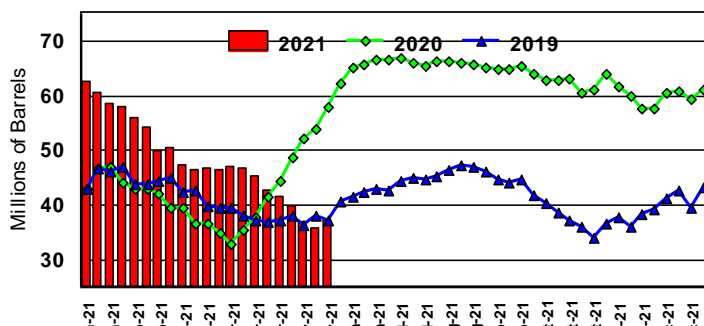
Sprague HeatCurve October 2021-April 2022		Close	Change
Crude - WTI	Aug Brent-WTI Spread \$2.71	\$68.6000	-\$0.0300
Crude - Brent		\$71.3100	-\$0.0400
Natural Gas		\$3.0410	-\$0.0340
Gasoline		\$2.2018	\$0.0770

## EIA Working Gas Storage Report

	28-May-21	21-May-21	Change	28-May-2020
East	413	385	28	531
Midwest	522	499	23	630
Mountain	151	144	7	139
Pacific	268	256	12	272
South Central	959	931	28	1,127
Salt	300	296	4	352
Nonsalt	659	635	24	775
Total	2,313	2,215	98	2,699

## Weekly EIA Petroleum Status Report for the Week Ending May 28, 2020

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Down 5.079 million barrels

Cushing, OK Crude Stocks Up 784,000 barrels

**Gasoline Stocks** Up 1.499 million barrels

**Distillate Stocks** Up 3.72 million barrels

**Refinery % Operated** 88.7%, Up 1.7%

### PADD #1

Distillate Stocks (in million bbls)	Week Ending May 28, 2021	Week Ending May 21, 2021	Week Ending May 28, 2020
New England	6.9	7.5	11.8
Central Atlantic	18.5	17.2	35.0
Total PADD #1	37.2	35.7	62.2
Distillate Imports (thousands b/d)	492	225	149