

Market Commentary

Recap: Oil futures pressed higher on Tuesday as the Colonial Pipeline resumed operations after shutting down following a cyberattack and OPEC left its 2021 demand forecast unchanged in its monthly Oil Market Report. The Colonial Pipeline is slowly restarting after the cyberattack forced a shut-in that lasted from Friday until Monday. The line, which delivers 45% of East Coast gasoline demand, is expected to return to full operations by the end of the week, just ahead of the Memorial Day Holiday weekend, when more drivers typically hit the road. Lower demand in OECD Americas during 1Q21, together with the resurgence of COVID-19 cases in India and Brazil kept a lid on the market. June WTI added 36 cents, or nearly 0.6%, to settle at \$65.28 a barrel, while July Brent added 23 cents, to settle at \$68.55 a barrel. June RBOB rose 0.30%, to settle at \$2.1399 a gallon, up 2.62 cents, or 1.24% over the last three sessions. June heating oil added 0.251 cents, to settle at \$2.0417 a gallon.

Market Outlook: After opening unchanged and turning to the downside, oil futures reversed course, turning positive on expectations that the Colonial Pipeline would be up and running soon. Refiners in Texas have scaled back on runs, this combined with the spread of COVID-19, will weigh on prices. With the Colonial Pipeline expected to be a temporary factor, traders will remain focused on the virus and its impact on demand. That being said, our stance on this market has not changed. We expect to see a struggle to the upside, while down moves will be met with technical buying. Near term support is seen at \$64.76, the current 10-day moving average and below that at \$62.27. A break below this level puts this market in position to test the \$60.60 level. To the upside, \$65 is a psychological area of resistance, with additional resistance set at \$67.98.

Fundamental News: Colonial Pipeline said its 700,000 bpd Line 4 multi-product fuel line, which runs from Greensboro, North Carolina, to Woodbine, Maryland, has been restarted and is operating under manual control for a limited time after a cyberattack shut the pipeline system Friday.

The U.S. Environmental Protection Agency issued an emergency fuel waiver on Tuesday to help alleviate any shortages in reformulated gasoline in the Mid-Atlantic after the Colonial Pipeline cyberattack. The EPA said the rule waiver would continue through May 18th for fuel sold in Washington, D.C., Maryland, Pennsylvania and Virginia.

At least five tankers have been booked to store refined oil products off the U.S. Gulf Coast refining hub following the shut in of the Colonial pipeline network.

OPEC continued to predict a strong recovery in world oil demand in 2021 as growth in China and the United States counters the coronavirus crisis in India. OPEC expected demand to increase by 5.95 million bpd this year, or 6.6%, its forecast unchanged from last month. However, it cut its demand forecast for the second quarter by 300,000 bpd. OPEC stated that it cut its forecast for 2021 non-OPEC oil supply growth by 230,000 bpd to 700,000 bpd, citing an impact on U.S. output due to the Texas freeze. OPEC increased its 2021 forecast for global demand for its crude by 200,000 bpd to 27.7 million bpd. OPEC said its oil output increased by 30,000 bpd in April to 25.08 million bpd as higher Iranian supply offset cuts mainly in Libya and Venezuela.

In its Short Term Energy Outlook, the EIA said total world oil demand is forecast to increase to 97.69 million bpd in 2021 and to 101.42 million bpd in 2022. Total world supply is expected to increase by 2.48 million bpd to 96.72 million bpd in 2021 and increase by 4.66 million bpd to 101.38 million bpd in 2022. The EIA also reported that U.S. crude oil production is expected to fall by 290,000 bpd in 2021 to 11.02 million bpd, a steeper decline than its previous forecast for a drop of 270,000 bpd. Meanwhile, U.S. petroleum demand is forecast to increase by 1.39 million bpd to 19.51 million bpd in 2021 and by 1.02 million bpd to 20.53 million bpd in 2022.

Early Market Call - as of 8:30 AM EDT

WTI - June \$65.93, up 66 cents

RBOB - June \$2.1455, up 56 points

HO - June \$2.0499, up 82 points

All NYMEX | Prior Settlements

| Month | ULSD (HO) Close | Prior Settle Change | Change In One Week |
|--------|--------------------|------------------------|-----------------------|
| Jun-21 | \$2.0417 | \$0.0251 | \$0.0429 |
| Jul-21 | \$2.0396 | \$0.0234 | \$0.0397 |
| Aug-21 | \$2.0402 | \$0.0226 | \$0.0385 |
| Sep-21 | \$2.0429 | \$0.0221 | \$0.0379 |
| Oct-21 | \$2.0448 | \$0.0218 | \$0.0373 |
| Nov-21 | \$2.0464 | \$0.0218 | \$0.0376 |
| Dec-21 | \$2.0465 | \$0.0219 | \$0.0381 |
| Jan-22 | \$2.0469 | \$0.0217 | \$0.0389 |
| Feb-22 | \$2.0433 | \$0.0214 | \$0.0393 |
| Mar-22 | \$2.0351 | \$0.0208 | \$0.0393 |
| Apr-22 | \$2.0228 | \$0.0204 | \$0.0392 |
| May-22 | \$2.0161 | \$0.0202 | \$0.0397 |
| Jun-22 | \$2.0112 | \$0.0202 | \$0.0398 |
| Jul-22 | \$2.0108 | \$0.0203 | \$0.0406 |
| Aug-22 | \$2.0108 | \$0.0205 | \$0.0416 |
| Sep-22 | \$2.0116 | \$0.0206 | \$0.0424 |
| Oct-22 | \$2.0128 | \$0.0207 | \$0.0435 |

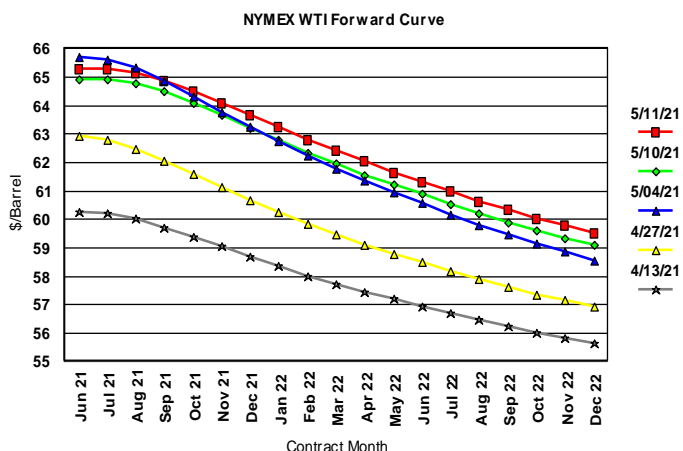
Sprague HeatCurve October 2021-April 2022 \$2.0420

| | Close | Change |
|---------------|-----------|----------|
| Crude - WTI | \$65.3000 | \$0.3700 |
| Crude - Brent | \$68.5500 | \$0.2300 |
| Natural Gas | \$2.9550 | \$0.0230 |
| Gasoline | \$2.1399 | \$0.0065 |

API Report for the Week Ending May 7, 2021

| | Actual | Mkt Expectations |
|----------------------------|--------------------------|--------------------------|
| Crude Oil Stocks(excl SPR) | Down 2.5 million barrels | Down 4.1 million barrels |
| Cushing, OK Crude Stocks | Down 1.2 million barrels | |
| Gasoline Stocks | Up 5.6 million barrels | Up 700,000 barrels |
| Distillate Stocks | Down 900,000 barrels | Down 2 million barrels |
| Refinery Runs | | Up 0.2% |
| Crude Imports | | |

WTI Forward Curve



WTI Continuation

