

## Market Commentary

**Recap:** Oil futures traded lower on Friday as tensions between the U.S. and China heated after President Trump imposed a ban on dealings with the owners of TikTok and WeChat, amid rising cases of the coronavirus. A better than expected U.S. jobs report and a stronger dollar were not enough to hold up prices. September WTI fell 73 cents, or 1.7%, to settle at \$41.22 a barrel, for a weekly gain of 2.4%. October Brent lost 69 cents, or 1.5%, to end the week at \$44.40 a barrel, up 2% on the week. September RBOB fell 2.05 cents, or 1.7%, ending at \$1.2076 a gallon, logging a 3.1% weekly rise. September heating oil fell 3 cents, or 2.4%, to close at \$1.2199 a gallon, marking a 0.3% weekly fall.

**Technical Analysis:** Back in March, U.S. gasoline refining margins fell 95%, as demand for gasoline plummeted, while businesses shuttered and state and local governments implemented stay at home orders due to the coronavirus. Gasoline demand, as measured by product supplied, fell from 9.7 million barrels per day in the week ending March 20 to a record low of 5.1 million in the week ending April 3. With refiners wanting to take advantage of the more profitable heating oil crack spread, they began to produce more distillate while decreasing that of gasoline. This shift in yields came as the U.S. summer driving season approached and as a result, demand for gasoline increased in late April and early May, resulting in a rise in gasoline crack spreads. The October crack spread rose 381%, from a March low of -\$3.3166, to a June high of \$9.3248. Since then, this spread has given back some of its gains, but we think that this may be short lived. With the latest forecast for the 2020 Atlantic Hurricane season calling for a more active one than previously expected, and U.S. gasoline stockpiles in PADD3 running 10.99 below the 3-year average, while refiners run less crude oil, we would expect for the October RBOB crack spread to widen. From a technical standpoint, this spread is currently running in a downward channel, but is approaching its top, while at the same time forming an inverse head and shoulders pattern. A break above the aforementioned downward channel could see the October RBOB crack spread back at the neckline based upon the inverse head and shoulders pattern, putting this spread up at \$9.20.

**Fundamental News:** Baker Hughes reported that U.S. energy firms cut the number of oil and natural gas rigs this week to a record low for a 14<sup>th</sup> week. The U.S. rig count fell by four to a record low of 247 in the week ending August 7<sup>th</sup>. The number of rigs searching for oil fell by four to 176 this week, their lowest since July 2005.

Energy ministers from Gulf oil producing countries including Saudi Arabia and Iraq held a call on Friday and said they were encouraged by recent signs of improvements in the global economy.

Earlier, Iraqi state news agency said that Saudi Arabia's Energy Minister, Prince Abdulaziz bin Salman, and his Iraqi counterpart, Ihsan Abdul Jabbar, stressed, in a phone call, their countries' full commitment to an OPEC+ deal curbing oil production. The two ministers discussed the latest developments in oil markets, continued recovery in global demand and progress made towards implementing the OPEC+ agreement. Iraq's Oil Minister said the country would cut its oil production by another 400,000 bpd in both August and September to compensate for its overproduction in the past three months. Iraq's output cut was in addition to the 850,000 bpd it had committed to cut in August and September under an OPEC+ supply pact. The total cut to Iraq's production in August and September will amount to 1.25 million bpd for each month.

IIR Energy reported that U.S. oil refiners are expected to shut in about 4.2 million bpd of capacity offline in the week ending August 7<sup>th</sup>, marginally increasing available refining capacity by 25,000 bpd from the previous week. Offline capacity is expected to fall to 3.9 million bpd in the week ending August 14<sup>th</sup> and to 3.8 million bpd in the week ending August 21<sup>st</sup>.

**Early Market Call - as of 9:05 AM EDT**

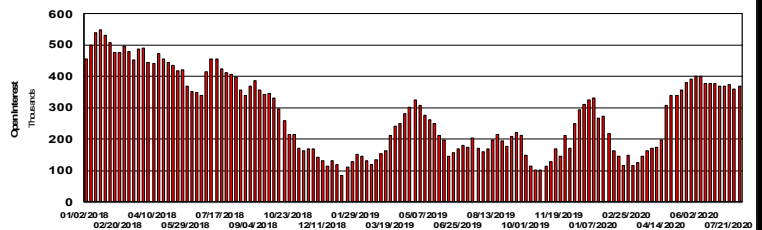
WTI - Sep \$41.79 up 57 cents  
 RBOB - Sep \$1.2239 up 1.63 cents  
 HO - Sep \$1.2279 up 80 points

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-20	1.2199	-0.0300	0.0041
Sep-20	1.2428	-0.0263	-0.0037
Oct-20	1.2637	-0.0253	-0.0062
Nov-20	1.2836	-0.0248	-0.0082
Dec-20	1.3022	-0.0245	-0.0100
Jan-21	1.3167	-0.0245	-0.0121
Feb-21	1.3260	-0.0241	-0.0139
Mar-21	1.3308	-0.0233	-0.0160
Apr-21	1.3388	-0.0225	-0.0178
May-21	1.3479	-0.0220	-0.0187
Jun-21	1.3619	-0.0216	-0.0189
Jul-21	1.3754	-0.0211	-0.0194
Aug-21	1.3879	-0.0208	-0.0200
Sep-21	1.3992	-0.0203	-0.0205
Oct-21	1.4097	-0.0198	-0.0212
Nov-21	1.4181	-0.0194	-0.0217
Dec-21	1.4285	-0.0191	-0.0210

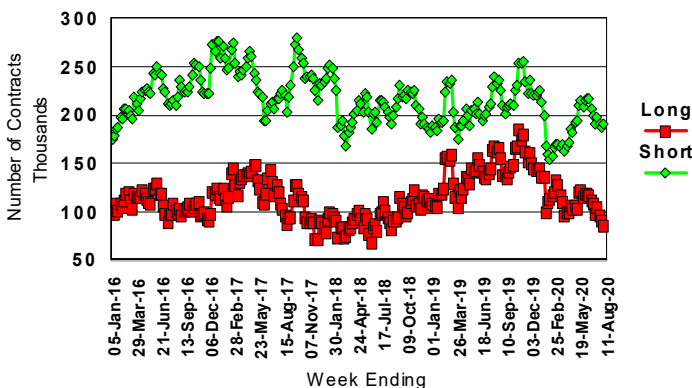
Sprague Heat Weighted Strip October -April 20/2021		Close	Change
Crude - WTI	Oct Brent- WTI Spread \$2.91	\$41.4900	-\$0.7100
Crude - Brent		\$44.4000	-\$0.6900
Natural Gas		\$2.2380	\$0.0730
Gasoline		\$1.2076	-\$0.0205

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



## Commitment of Traders Report for the Week Ending August 4, 2020

### Producer/Merchant Heat Positons CFTC Commitment of Traders Report



### Managed Money Heat Positons CFTC Commitment of Traders Report

