

## Market Commentary

**Recap:** Oil futures rebounded on Tuesday, trading in lockstep formation with higher equity markets, as investors grew more optimistic over global economic growth and after the U.S. Senate passed the long awaited infrastructure package. Futures rose as much as 3.6% after tumbling to a three-week low on Monday, as U.S. and European stocks touched record highs. While the delta variant has led to rising infections and curbs on movement, global consumption is expected to hold up and tighten the market through the end of the year. However, the spread of the virus in Asia is squashing demand as many countries are trailing behind with vaccination rates, greatly impacting demand in those areas. The spread of the Delta variant in the U.S., particularly in states with low vaccine rates, is also instilling demand concern. September WTI added \$1.81, or 2.7%, to settle at \$68.29 a barrel, while October Brent settled at \$70.63 a barrel, up \$1.59, or 2.3% a barrel. September RBOB rose 1.5% to close at \$2.2679 a gallon, while September heating oil gained 1.9%, to settle at \$2.0802 a gallon.

**Market Outlook:** Tuesday's trading most likely included profit taking by shorts ahead of the API and EIA reports and a technical bounce off of the July low of \$65.21. There is an awful lot of resistance up above that could prove difficult for this market to maintain any kind of strength. There is the psychological level of \$70, which coincides with the 10-day moving average and above that, there is additional resistance set between \$71.10 and \$71.63.

**Fundamental News:** Descartes Labs reported that U.S. gasoline demand fell for the second consecutive week, falling less than 1% to 9.486 million bpd in the week ending August 6<sup>th</sup>. Demand has fallen from a peak of over 9.6 million bpd in late June. Demand is falling as hospitalizations increase due to the spread of the coronavirus Delta variant.

In its Short Term Energy Outlook, the U.S. Energy Information Administration left its 2021 world oil demand growth unchanged at 5.33 million bpd. It however cut its oil demand growth estimate for 2022 by 100,000 bpd to 3.62 million bpd. Total world petroleum demand is forecast at 97.63 million bpd for 2021 and 101.25 million bpd for 2022. Total world supply is expected to increase by 2.21 million bpd in 2021 to 96.38 million bpd and by 5.41 million bpd to 101.79 million bpd in 2022. OPEC crude oil production is expected to increase by 870,000 bpd to 26.47 million bpd in 2021 and by 2.18 million bpd to 28.65 million bpd in 2022. The EIA reported that U.S. crude oil production is expected to fall by 160,000 bpd in 2021 to 11.12 million bpd, a smaller decline than its previous forecast for a drop of 210,000 bpd. U.S. oil output is expected to increase by 650,000 bpd to 11.77 million bpd in 2022, compared with a previous forecast for an increase of 750,000 bpd. The agency said it expects U.S. petroleum and other liquid fuel consumption to increase 1.58 million bpd to 19.70 million bpd in 2021, compared with a previous forecast for an increase of 1.52 million bpd. Meanwhile, U.S. petroleum demand is expected to increase by 860,000 bpd to 20.56 million bpd in 2022, compared with a previous estimate of an increase of 1.04 million bpd. U.S. gasoline demand is expected to increase by 750,000 bpd to 8.78 million bpd in 2021 and by 180,000 bpd to 8.96 million bpd in 2022. Distillate demand is expected to increase by 240,000 bpd to 4.02 million bpd in 2021 and by 180,000 bpd to 4.2 million bpd in 2022. The EIA also forecast that Brent prices are expected to average \$72/barrel from August through November, after averaging \$75/barrel in July, up \$2/barrel from June and up \$25/barrel from the end of 2020.

Diesel flows from the U.S. Gulf Coast to Europe remained low this week due to limited arbitrage opportunities. A total of 228,000 tons of diesel are expected to be imported on the transatlantic route in August, down from around 450,000 tons in July.

**Early Market Call - as of 8:10 AM EDT**

WTI - Sep \$67.03, down \$1.26  
 RBOB - Sep \$2.2240, down 4.38 cents  
 HO - Sep \$2.0532, down 2.72 cents

## All NYMEX | Prior Settlements

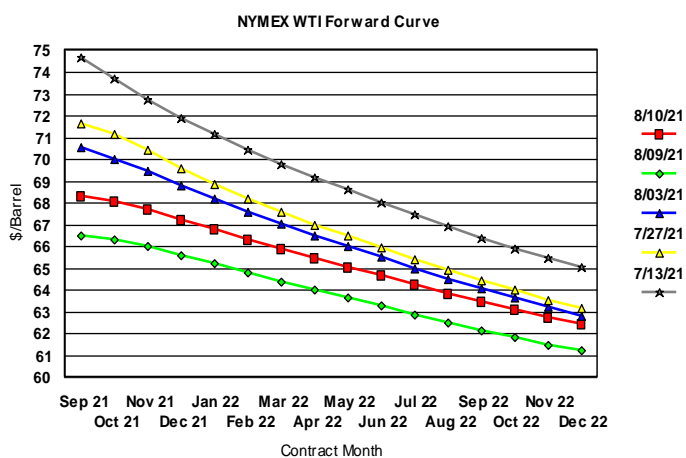
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-21	\$2.0802	\$0.0381	-\$0.0462
Oct-21	\$2.0830	\$0.0377	-\$0.0451
Nov-21	\$2.0832	\$0.0373	-\$0.0449
Dec-21	\$2.0813	\$0.0369	-\$0.0447
Jan-22	\$2.0786	\$0.0361	-\$0.0439
Feb-22	\$2.0729	\$0.0354	-\$0.0429
Mar-22	\$2.0620	\$0.0345	-\$0.0421
Apr-22	\$2.0468	\$0.0335	-\$0.0408
May-22	\$2.0377	\$0.0324	-\$0.0392
Jun-22	\$2.0320	\$0.0308	-\$0.0384
Jul-22	\$2.0317	\$0.0300	-\$0.0375
Aug-22	\$2.0319	\$0.0295	-\$0.0367
Sep-22	\$2.0323	\$0.0291	-\$0.0363
Oct-22	\$2.0327	\$0.0289	-\$0.0361
Nov-22	\$2.0330	\$0.0288	-\$0.0363
Dec-22	\$2.0317	\$0.0291	-\$0.0367
Jan-23	\$2.0303	\$0.0288	-\$0.0365

Sprague HeatCurve October 2021-April 2022		\$2.0735
	Close	Change
Crude - WTI	\$68.0600	\$1.7600
Crude - Brent	\$70.6300	\$1.5900
Natural Gas	\$4.0890	\$0.0290
Gasoline	\$2.2679	\$0.0331

### API Report for the Week Ending August 6, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 816,000 barrels	Down 600,000 bbls
Cushing, OK Crude Stocks	Down 413,000 barrels	
Gasoline Stocks	Down 1.11 million bbls	Down 1.8 million barrels
Distillate Stocks	Up 673,000 barrels	Up 100,000 barrels
Refinery Runs		Up 0.4%, at 91.7%

## WTI Forward Curve



## Potential Tropical Cyclone Six



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