

Market Commentary

Recap: Oil prices spiked on Monday after a weekend drone attack damaged 2 of Saudi Arabia's state owned oil facilities which account for nearly 10 million barrels of the country's crude oil production. October WTI gained as much as \$8.53, or 15.5%, to trade at a session high of \$63.38 a barrel, while its European counterpart hit \$71.95 a barrel, a gain of 19.6% in the November contract. Gains were tempered after U.S. President Donald Trump authorized the release of emergency supplies held in the Strategic Petroleum Reserve. It appears that the weaker shorts did their panic buying at the onset of trading, while those better able to tolerate the move let the dust settle before stepping in to cover short positions, as the market gradually rose for the remainder of the session. Daily trading volume for a front month U.S. crude oil futures contract hit 1.3 million contracts, the highest since 2008, while daily volume for ICE Brent futures surpassed 618,00 contracts, a record daily high for front month futures. Total daily volume for ICE Brent surpassed 2 million contracts, also reaching a new record. October WTI settled at \$62.90 a barrel, up \$8.05, or 14.68%, while November Brent added \$8.80, or 14.61%, to settle at \$69.02 a barrel. October RBOB rose 12.8% to \$1.7524 a gallon, marking its biggest percentage gain since Aug. 31, 2017, after logging a 1.3% weekly decline on Friday. October heating oil advanced 11%, or 20.6 cents, to settle at \$2.0838 a gallon, after producing a weekly loss of 1.2%.

Technical Analysis: On Monday, WTI broke out of the sideways to a lower pattern that has been in effect for several months as traders factored in the geopolitical risk premium the drone attack on Saudi Arabia's oil infrastructure could have. Given the severity of this news, and the 10-day moving average crossing above the 50-day moving average, we would look for WTI to test \$63.70, the 62% retracement set by the December 2018 low of \$42.36 and the October 2018 high of \$76.90. Above \$63.70, additional resistance is set at \$64.30 and \$65.23. To the downside, support is set at \$60.00 and below that at \$59.10.

Fundamental News: Saudi Arabia called on the international community to bear its responsibility in condemning whoever is responsible for the attack on its oil facilities.

Yemen's Houthi rebels have threatened additional attacks on Saudi oil installations just days after claiming the assault on facilities in Saudi Arabia. The new threat came as the Saudi Arabian-led military coalition fighting in Yemen said that Iranian weapons were used to strike major oil plants in Saudi Arabia over the weekend. US officials have produced satellite photos showing what they said were at least 19 points of impact at two Saudi facilities, including damage at the country's oil processing plant at Abqaiq. Secretary of State, Mike Pompeo, blamed Iran, which is aligned with the Houthi rebels and said there was no evidence it originated in Yemen.

On Sunday, US President, Donald Trump, said that the US was "locked and loaded" for a potential response to the attack on Saudi Arabia's oil facilities, after a senior official in his administration said Iran was to blame. He said he had also authorized the use of the US emergency oil stockpile to ensure stable supplies after the attack, which shut in 5% of world production. Iranian Foreign Ministry spokesman, Abbas Mousavi, dismissed the US allegation it was responsible as "pointless."

Sources told Energy Intelligence that 40% of the lost Saudi production had already been restored by Monday. One source said Saudi Aramco expects most of the remainder of the shut in production, more than 3 million bpd, would resume by the end of September. The attacks in Abqaiq and Khurais shut in 5.7 million bpd of the country's oil production and Saudi officials have not given a timeline for restoring full supply. Saudi Aramco told some clients that vessel loading has resumed following disruptions caused by the weekend's attacks on Saudi oil facilities.

Early Market Call - as of 8:35 AM EDT

WTI - Oct \$62.11, down 80 cents

RBOB - Oct \$1.7502, down 17 points

HO - Oct \$2.0699, down 1.41 cents

All NYMEX | Prior Settlements

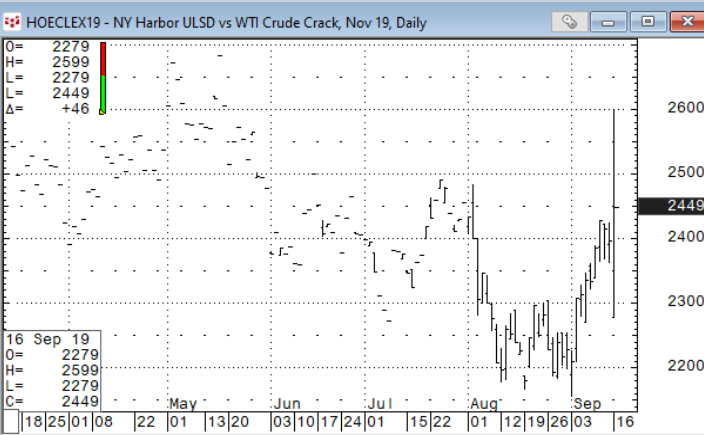
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Oct-19	2.0838	0.2060	0.1561
Nov-19	2.0796	0.2027	0.1507
Dec-19	2.0740	0.1993	0.1446
Jan-20	2.0664	0.1950	0.1381
Feb-20	2.0530	0.1908	0.1325
Mar-20	2.0331	0.1851	0.1266
Apr-20	2.0082	0.1765	0.1193
May-20	1.9881	0.1667	0.1110
Jun-20	1.9702	0.1559	0.1019
Jul-20	1.9608	0.1461	0.0933
Aug-20	1.9540	0.1379	0.0856
Sep-20	1.9487	0.1308	0.0788
Oct-20	1.9453	0.1259	0.0741
Nov-20	1.9436	0.1226	0.0712
Dec-20	1.9420	0.1207	0.0695
Jan-21	1.9412	0.1180	0.0671
Feb-21	1.9322	0.1134	0.0624

Sprague HeatCurve Oct 2019-Apr 2020		\$2.0577	
Other Front Month NYMEX		Close	Change
Crude - WTI	Nov Brent-	\$62.6700	\$7.8700
Crude - Brent	WTI Spread	\$69.0200	\$8.8000
Natural Gas	\$6.35	\$2.6810	\$0.0670
Gasoline		\$1.7524	\$0.1993

ICE November Brent-WTI Spread



October Heating Oil Crack Spread



October RBOB Crack Spread

