

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil prices turned to the upside on Wednesday, dragged higher by a rise in global stocks after it was reported that China's service sector expanded at its fastest pace in three months in August. Adding to the higher move were expectations that U.S. crude oil inventories fell for the third straight week. WTI posted its largest daily percentage gain since July 10, with the October contract adding \$2.32, or 4.3%, to settle at \$56.26 a barrel, while November Brent tacked on \$2.44, or 4.15%, to settle at \$60.70 a barrel. Despite the higher move, the overall fundamentals of the oil market paint a dim picture for demand, given the ongoing trade dispute between China and the U.S.; as reports claim production from OPEC, Russia and the U.S. rose during August. October RBOB gained 6.24 cents to settle at \$1.5329 a gallon, while October heating oil settled at \$1.8802 a gallon, up 7.69 cents.

Technical Analysis: WTI hovered just below the 50-day moving average currently set at \$56.38, and the downward trend line that can be depicted on a daily spot continuation chart. This trend line currently corresponds with \$57.02, the 50% retracement level set by the April high of \$67.31 and the August low of \$50.66. As earlier stated, \$57.00 is a strong area of resistance, where this market has previously failed. With this in mind, we would not be surprised to see another sell off down toward the \$53.00 level. Below \$53.00, additional support is set at \$52.50. To the upside and above \$57.00, additional resistance can be found at \$58.96.

Fundamental News: Iran's President, Hassan Rouhani, gave European powers another two months to save the 2015 nuclear deal on Wednesday. However, he warned that Iran was still preparing for further significant breaches of the agreement if diplomatic efforts failed. He said Iran's leadership would take all actions to secure Iran's interests. He said talks with European powers were moving forward, raising hopes of at least a pause in diplomatic confrontation between Iran and the West. His statement came as Iranian officials appeared to give a guarded welcome to a French proposal to save the nuclear pact by offering Iran about \$15 billion in credit lines until the end of the year if Iran comes fully back into compliance.

The US Special Representative for Iran, Brian Hook, said the US would not provide any sanctions waivers to accommodate a French proposal to extend a \$15 billion credit line to Iran. He said the US will continue to deny Iran revenue.

On Wednesday, the US sanctioned an "oil for terror" network of firms, ships and individuals allegedly directed by Iran's Islamic Revolutionary Guards Corps that supplied Syria with oil worth hundreds of millions of dollars in breach of US sanctions.

Libya's eastern al-Bayda oilfield halted work due to pipeline maintenance work. The field pumped until the closure around 7,000 bpd, forcing state oil firm AGOCO, part of Libya's National Oil Corp, to lower production to 270,000 bpd.

Russia's Energy Minister, Alexander Novak, said Russia's oil output in September will be lower than it was in August.

Two top Russian officials said leadership changes in Saudi Arabia's oil industry will have no effect on cooperation between Russia and Saudi Arabia. Separately, senior sources from OPEC and the oil industry said they expected Saudi Arabia to stick to its policy of restraining oil output as long as Saudi Arabia wants to sell a stake in Aramco.

IIR Energy reported that US oil refiners are expected to shut in 163,000 bpd pf capacity in the week ending September 6th, cutting available refining capacity by 56,000 bpd from the previous week. It also reported that capacity offline is expected to further fall to 667,000 bpd in the week ending September 13th.

Early Market Call - as of 7:15 AM EDT

WTI - Oct \$56.12, down 14 cents

RBOB - Sep \$1.5327, down 5 points

HO - Sep \$1.8821, up 23 points

| Month | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
| | Close | Change | One Week |
| Sep-19 | 1.8802 | 0.0769 | 0.0227 |
| Oct-19 | 1.8812 | 0.0753 | 0.0219 |
| Nov-19 | 1.8815 | 0.0739 | 0.0218 |
| Dec-19 | 1.8806 | 0.0730 | 0.0209 |
| Jan-20 | 1.8735 | 0.0719 | 0.0206 |
| Feb-20 | 1.8612 | 0.0710 | 0.0213 |
| Mar-20 | 1.8455 | 0.0698 | 0.0211 |
| Apr-20 | 1.8349 | 0.0681 | 0.0205 |
| May-20 | 1.8273 | 0.0664 | 0.0192 |
| Jun-20 | 1.8277 | 0.0649 | 0.0186 |
| Jul-20 | 1.8295 | 0.0639 | 0.0183 |
| Aug-20 | 1.8320 | 0.0632 | 0.0184 |
| Sep-20 | 1.8339 | 0.0621 | 0.0184 |
| Oct-20 | 1.8359 | 0.0616 | 0.0185 |
| Nov-20 | 1.8368 | 0.0613 | 0.0189 |
| Dec-20 | 1.8390 | 0.0607 | 0.0190 |
| Jan-21 | 1.8360 | 0.0589 | 0.0190 |

| Sprague HeatCurve Oct 2019-Apr 2020 | | \$1.8734 | |
|-------------------------------------|------------|-----------|----------|
| Other Front Month NYMEX | | Close | Change |
| Crude - WTI | Nov Brent- | \$56.2600 | \$2.3200 |
| Crude - Brent | WTI Spread | \$60.7000 | \$2.4400 |
| Natural Gas | \$4.44 | \$2.4450 | \$0.0870 |
| Gasoline | | \$1.5329 | \$0.0624 |

API Weekly Report for the Week Ending August 30, 2019

| | Actual | Mkt Expectations |
|---------------------------|--------------------------|--------------------------|
| Crude Oil Stocks(exl SPR) | Up 401,000 barrels | Down 3 million barrels |
| Cushing, OK Crude Stocks | Down 238,000 barrels | |
| Gasoline Stocks | Down 877,000 barrels | Down 1.9 million barrels |
| Distillate Stocks | Down 1.2 million barrels | Down 120,000 barrels |
| Refinery Runs | Down 306,000 bpd | Unchanged at 95.2% |

NYMEX Heating Oil Oct-Nov Spread

NYMEX RBOB Oct-Nov Spread

