

## Market Commentary

**Recap:** Oil prices erased early losses on Monday as Saudi Arabia and Kuwait hinted at the possibility of additional output cuts. This pushed fears of a global economic slowdown backstage to lift prices off of their session lows. After falling 96 cents, or 1.7%, September WTI jumped \$1.22 to \$54.76 a barrel by 1:15 pm EST, after trading in a range of \$53.54 to \$55.18. October Brent was up 71 cents, at \$58.59 a barrel, after trading between \$57.88 and \$58.88. Crude oil continues to struggle both on the upside and the downside, as traders appear confused about demand and supply. So far, this market has failed to hold up on tensions in the Middle East and easy economic policy. The ongoing trade war between the U.S. and China remains the more sensitive focal point, and as a result, we expect this market to remain fragile. Prices remained steady, with September WTI settling at \$54.93 a barrel, up 43 cents, or 0.79%, while October Brent tacked on 4 cents, or 0.07%, to settle at \$58.57 a barrel. September RBOB fell .0088, to settle at \$1.6652 a gallon, while September heating oil lost .0022, to settle at \$1.8058 a gallon.

**Technical Analysis:** September WTI stretched above \$54.74, the 10-day moving average, but encountered difficulty above \$55.00, the psychological resistance level. At the onset of trading for Tuesday's session, we would look for extended moves above \$55.00, with a near term target of \$55.85, the 50-day moving average. Above this level, additional resistance is seen at \$56.20 and above that at \$57.64. To the downside, support is set at \$54.74 and below that at \$53.69 and \$52.86.

**Fundamental News:** Iran's Foreign Minister, Mohammad Javad Zarif, accused the US on Monday of turning the Gulf region into a "matchbox ready to ignite." He said the Strait of Hormuz "is narrow, it will become less safe as foreign (navy) vessels increase their presence in it." Iran's Foreign Minister, who arrived on Sunday in Doha, met on Monday with Qatar Emiri Tamin bin Hamad Al-Thani for talks to convey that message.

The EIA stated in its monthly drilling productivity report that US oil output from seven major shale formations is expected to increase by 85,000 bpd in September to 8.77 million bpd. The largest change is forecast in the Permian Basin of Texas and New Mexico, where output is expected to increase by 75,000 bpd to 4.42 million bpd in September.

Kuwait's Oil Minister, Khaled al-Fadhel, said Kuwait was "fully committed" to the OPEC and non-OPEC output cut agreement. He said Kuwait has cut its own output by more than required by the agreement.

Analysts said that in a sign that Saudi Arabia intends to support prices, Saudi Aramco is ready to launch what could be the world's largest initial public offering. A senior Saudi Aramco executive said the company is ready for its initial public offering, but a timing for the deal will be decided by its sole shareholder, the Saudi government. Saudi officials have stated that the government plans to list Aramco in 2020-2021.

IIR Energy reported that US oil refiners are expected to shut in 82,000 bpd of capacity in the week ending August 16<sup>th</sup>, increasing available refining capacity by 15,000 bpd on the week. Offline capacity is expected to fall to 59,000 bpd in the week ending August 23<sup>rd</sup>.

Trafigra AG said it started shipments of Permian crude to the Corpus Christi oil hub in Texas via the new Cactus II pipeline system. It signed a long term agreement with Plains All American Pipeline LP last year to transport a total of 300,000 bpd of crude and condensate on the pipeline. The company will be shipping full contractual volumes on the line, which has a capacity of 670,000 bpd. The pipeline is likely to see flows of about 300,000 bpd through August, and is likely to be near capacity by September.

**Early Market Call - as of 8:30 AM EDT**

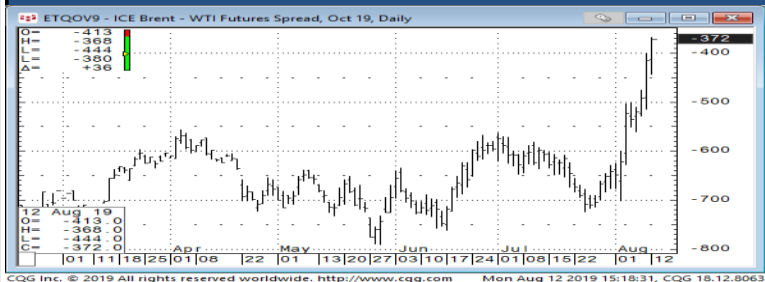
WTI - Sep \$54.50, down 43 cents  
 RBOB - Sep \$1.6614, down 38 points  
 HO - Sep \$1.7998, down 54 points

## All NYMEX | Prior Settlements

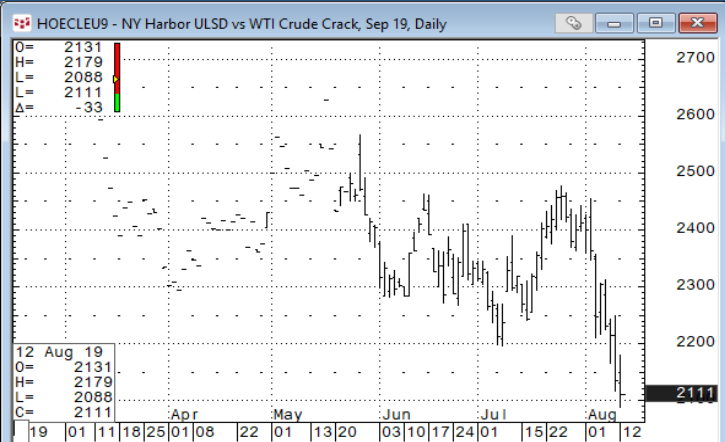
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-19	1.8058	-0.0022	-0.0298
Oct-19	1.8125	-0.0023	-0.0289
Nov-19	1.8160	-0.0022	-0.0286
Dec-19	1.8188	-0.0019	-0.0272
Jan-20	1.8209	-0.0018	-0.0261
Feb-20	1.8163	-0.0017	-0.0265
Mar-20	1.8054	-0.0018	-0.0281
Apr-20	1.7905	-0.0020	-0.0302
May-20	1.7819	-0.0019	-0.0297
Jun-20	1.7776	-0.0016	-0.0282
Jul-20	1.7804	-0.0013	-0.0272
Aug-20	1.7839	-0.0010	-0.0270
Sep-20	1.7872	-0.0009	-0.0274
Oct-20	1.7900	-0.0008	-0.0274
Nov-20	1.7922	-0.0004	-0.0279
Dec-20	1.7933	0.0000	-0.0272
Jan-21	1.7967	0.0002	-0.0263

Sprague HeatCurve Oct 2019-Apr 2020		\$1.8134
Other Front Month NYMEX		Close
Crude - WTI	Oct Brent-	\$54.8500
Crude - Brent	WTI Spread	\$58.5700
Natural Gas	\$3.72	\$2.1050
Gasoline		\$1.6652
		Change
		\$0.4800
		\$0.0400
		-\$0.0140
		-\$0.0088

### ICE October Brent-WTI Spread



## September Heating Oil Crack Spread



## September RBOB Crack Spread

