

Market Commentary

Recap: Crude oil futures gained for the second straight day on Tuesday, as Hurricane Delta intensified as it approaches the Yucatan peninsula and is headed toward the Gulf of Mexico. This comes on the heels of a strike in Norway, which has disrupted output in that region. Oil companies in the Gulf have already begun to evacuate the region, which accounts for 17% of U.S. crude oil production. WTI for November delivery tacked on \$1.45, or 3.7%, to settle at \$40.67 a barrel, following a 5.7% climb on Monday. December Brent settled at \$42.65 a barrel, up \$1.36, or 3.3%. On the backdrop, November RBOB finished the session at \$1.2351 a gallon, up 3.4%, while November heating oil tacked on 4.9%, to settle at \$1.1886 a gallon.

Market Outlook: Crude oil markets continued to rally with WTI reaching toward key resistance area. One must examine what's behind the move, which is basically just noise. Hurricane Delta is a temporary thing, and like all previous storms will dissipate. The strike in Norway represents 8% of the country's output, which in the scheme of everything wouldn't justify a sustained rally in prices. The overall picture is and still remains the coronavirus and its impact on demand. The November WTI did break out of the asymmetrical triangle we have been writing about and blew passed the 50-day moving average. The projected move based upon the breakout of the aforementioned formation is \$43.12. We are not quite convinced that we can get to this level, but bear in mind that prices have been there before, but failed. At this point, we would look for signs of exhaustion to provide a selling opportunity. Resistance above this level is set at \$42, \$3.80 and above that at \$45. To the downside, support is set at \$40 and below that at \$39.39, the current 10-day moving average.

Fundamental News: The U.S. National Hurricane Center said Hurricane Delta, the 25th named Atlantic storm this year, has strengthened to category 2 and could become a major hurricane when it reaches the Gulf of Mexico on Thursday. The hurricane was about 115 miles southwest of the Grand Cayman islands, packing maximum sustained winds of 100 mph. The storm is expected to drop heavy rains on Mexico's Yucatan peninsula and head up the Gulf of Mexico toward landfall between Louisiana and Florida by Friday, possibly becoming a Category 4 hurricane on Thursday.

In its Short Term Energy Outlook, the U.S. EIA cut its oil demand growth estimate for 2020 by 300,000 bpd to 8.62 million bpd. The EIA also cut its 2021 world oil demand growth forecast by 280,000 bpd to 6.25 million bpd. World petroleum demand in 2020 is expected to fall to 92.84 million bpd and then increase to 99.09 million bpd in 2021. In regards to U.S. petroleum and other liquid fuel demand, the EIA expects demand to fall 2.31 million bpd to 18.23 million bpd in 2020. For 2021, U.S. demand is expected to increase by 1.74 million bpd to 19.97 million bpd compared with a previous forecast for an increase of 1.64 million bpd. The EIA also reported that U.S. crude oil production is expected to fall by 800,000 bpd this year to 11.45 million bpd, a smaller decline than its previous monthly forecast for a fall of 870,000 bpd. U.S. crude oil output is expected to fall 360,000 bpd to 11.09 million bpd in 2021, compared with a previous estimate of a decline of 300,000 bpd. The EIA also stated that U.S. consumers will mostly spend more to heat their homes this winter than last year because of higher energy consumption. However, it stated that households that use heating oil will likely see lower bills.

The U.S. Bureau of Safety and Environmental Enforcement said strengthening Hurricane Delta forced the closure of 29.2% of offshore crude oil production in the northern Gulf of Mexico by midday Tuesday. The storm has also shut in 8.6% of natural gas output from the Gulf of Mexico.

Early Market Call - as of 8:30 AM EDT

WTI - Nov \$39.95, down 72 cents
 RBOB - Nov \$1.2053, down 2.98 cents
 HO - Nov \$1.1633, down 2.53 cents

All NYMEX | Prior Settlements

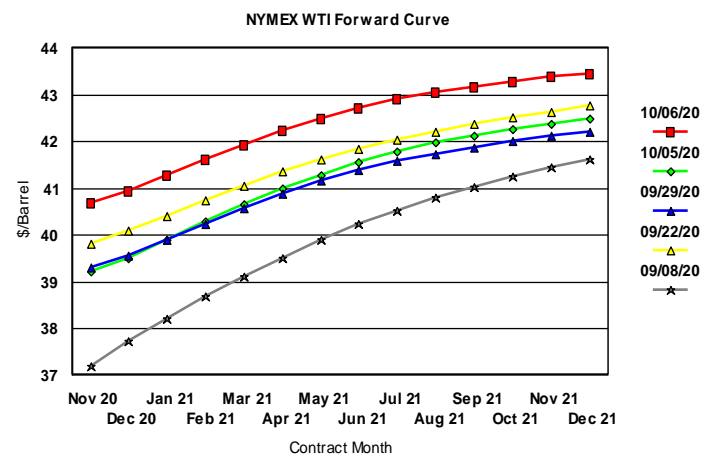
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Oct-20	1.1886	0.0553	-0.0729
Nov-20	1.1987	0.0530	-0.0672
Dec-20	1.2117	0.0511	-0.0640
Jan-21	1.2252	0.0495	-0.0628
Feb-21	1.2368	0.0483	-0.0631
Mar-21	1.2437	0.0468	-0.0637
Apr-21	1.2535	0.0456	-0.0641
May-21	1.2647	0.0440	-0.0636
Jun-21	1.2791	0.0421	-0.0614
Jul-21	1.2921	0.0405	-0.0591
Aug-21	1.3046	0.0392	-0.0570
Sep-21	1.3157	0.0384	-0.0554
Oct-21	1.3252	0.0375	-0.0546
Nov-21	1.3321	0.0360	-0.0526
Dec-21	1.3424	0.0351	-0.0517
Jan-22	1.3500	0.0342	-0.0504
Feb-22	1.3542	0.0334	-0.0490

		Close	Change
Crude - WTI	Nov Brent- WTI Spread \$1.72	\$40.9300	\$1.4300
Crude - Brent		\$42.6500	\$1.3600
Natural Gas		\$2.5200	-\$0.0950
Gasoline		\$1.2351	\$0.0410

API Report for the Week Ending October 2, 2020

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Up 951,000	Up 300,000 barrels
Cushing, OK Crude Stocks	Up 749,000 barrels	
Gasoline Stocks	Down 867,000 barrels	Down 500,000 barrels
Distillate Stocks	Down 1 million barrels	Down 1 million barrels
Refinery Runs	Up 169,000 bpd	Down 0.1%
Crude Imports	Up 198,000 bpd	

WTI Forward Curve



Hurricane Delta Forecast Track



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