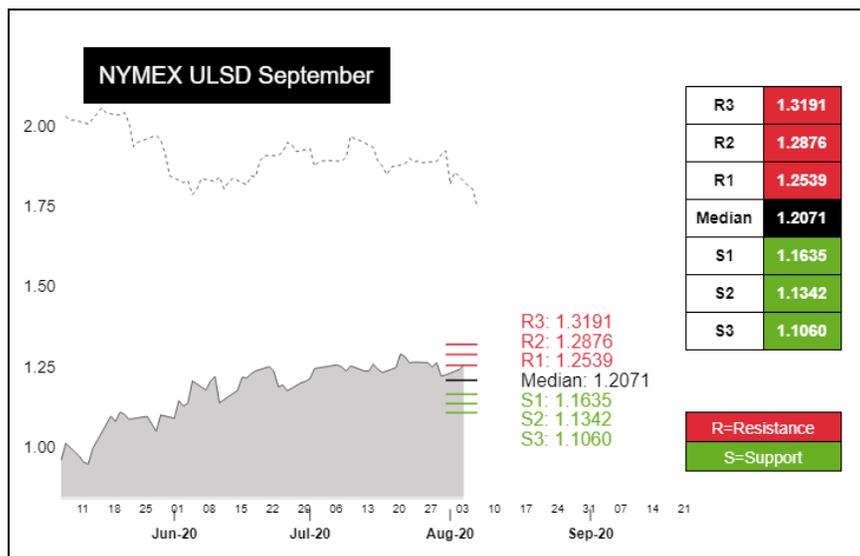




Market Recap



Contract	Month	High	Low	Close ¹	Change ²
NYMEX ULSD	Sep-20	1.2713	1.2223	1.2584	0.72%
NYMEX ULSD	Oct-20	1.2856	1.2375	1.2741	0.78%
NYMEX ULSD	Nov-20	1.3026	1.2570	1.2923	0.87%
NYH ULSD ³	Spot			1.2537	0.42%

¹ As of August 04 | ² 5-Day Change | ³ Source Refinitiv Eikon ULSD-NYH |

Talking Points

Since last week's report, demand for distillate fuel oil rose to 3.7 MMb/d (up 1.8%), finishing the month 36% higher than at the end of May and establishing a new third quarter peak. Despite these increases, consumption remains at levels 5% lower than this time last year.

On-highway diesel fuel prices fell for the third straight report; while this was only a slim \$0.003 decrease, year-over-year prices are down a sizeable 20.1%.

Actions to Take

Until this week, the ULSD contract had been mostly flat this quarter with minimal downward swings. The recent drop in price was barely recovered, finding resistance at our first level. As prices have remained neutral week-over-week, a strong directional bias has not been established, with the exception of the bullish start to August. **Retracement to our support levels offers an opportunity to layer in hedge positions.**

[Contact us](#) to learn how to use the SVB price range forecasting model to **design prepay and cap programs** and/or **improve hedging strategies.**

Balancing Both Sides

Quantitative Bias Weekly

Neutral ↔

Price action for the September ULSD contract yo-yoed this week, as a sharp drop towards our median reverted to a bullish run back up to test our \$1.2539 R1. Continued strength will open the door to our \$1.2876 second level of resistance. However, a reversal alerts to weakness towards our \$1.1635 first support band.

Fundamental Bias Weekly

Neutral ↔

Per the latest update from the EIA, PADD 1 remained virtually unchanged, rising by just 10 Mbs to 66.25 MMbs (84% of working storage capacity). On a year-over-year basis, the surplus in distillate fuel stocks narrowed to 20.0 MMbs (43.1%). Inventories in the direct NYMEX market area (PADD 1B) fell for the third straight week to 37.8 MMbs (down 584 Mbs) and the year-over-year surplus tightened to 10.7 MMbs (40%).

Overall Market Bias

Neutral ↔

As demand rose last week, ultra-low sulfur diesel prices fell by \$0.047 to \$1.215 in the New York Harbor (as of July 31st). In addition, on a year-over-year basis, prices were down a sizeable 34.8%.

Despite reports of COVID-19 cases increasing in many states, some governors are lifting mitigation protocols.

While easing restrictions will result in an increase to demand for diesel, the Fed has warned that the country will become further entrenched in an economic slump if the spread of the virus is not contained.

[Click here for more info](#)