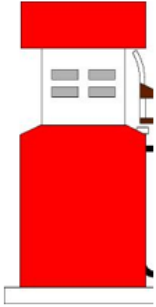


Energy Market Update, July 9, 2025

NYMEX Prices



Product	Month	Close	Wk. Change
Crude Oil	Aug 25	68.38	+0.93
RBOB Gas	Aug 25	2.1879	+0.0650
NYH ULSD	Aug 25	2.4092	-0.0025
Nat. Gas	Aug 25	3.214	-0.274

Market News: Petroleum Futures Rally Pauses

Oil and fuel prices ended mixed in choppy midweek trading as #2 diesel prices closed the session lower, ending their past two-day rally, while crude oil and gasoline prices finished the day with small gains as both markets posted a third consecutive day of gains. Reports that Yemen's Houthi rebels had attacked a ship in the Red Sea, killing several sailors, earlier today appeared to ratchet up geopolitical concerns helping buoy energy prices.

	Crude				Gasoline				Distillate Fuel			
	Change	Total	3-Yr. Avg.	5-Yr. Avg.	Change	Total	3-Yr. Avg.	5-Yr. Avg.	Change	Total	3-Yr. Avg.	5-Yr. Avg.
EIA	7.1	426.0	448	472	-2.7	229.5	222	231	-0.8	102.8	109	125
Est.	+1.4/-6.600				+2.500/-2.000				+0.800/-3.800			
Propane	Total 78.4 2.7				Midwest 19.8 1.4				Gulf Coast 48.1 1.1			
API	Crude 7.1 Cushing 0.1				Gasoline -2.2				Distillates -0.8			

Looking ahead: Direction in the energy markets tomorrow could come the Labor Dept. weekly jobless claims report and speeches by several Fed officials (Waller and Daly).

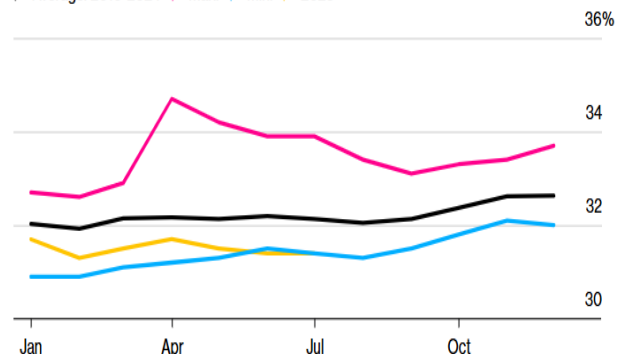
Low levels of global diesel production by refiners has helped tighten supplies, limited inventories builds, and represents a risk of higher diesel prices in the second half of this year.

- According to the EIA, US stockpiles of diesel products have dropped to their lowest levels for this time of year to 1996.
- Recent Canadian wildfires have limited production levels and exports and Canadian exports to the US are not expected to return to normal levels until the mid-to-late third quarter, according to consultancy FGE NexantECA.
- Refinery closures, including the January 2025 shutdown of LyondellBasell's 264,000 bbls/d Houston refinery has helped crimp supplies.
- Refinery capacity in 2025, according to the EIA, is projected to drop by ~40,000 bbls/d or 3% to 17.9M bbls/d, a five-year low.
- In Europe, recent refinery closures include Petroineos' Grangemouth 150,000 bbls/d facility in Scotland and Shell's 155,000 bbls/d Wesseling refinery in Germany.

Lower Yield

Diesel's share of global output is unusually low

▲ Average: 2010-2024 ▲ Max. ▲ Min. ▲ 2025



Source: Energy Aspects data, compiled by Bloomberg News

Note: Figures show global gasoil/diesel yields; average, max. and min. figures apply to the 2010-2024 range.

- In addition, risks to refinery production levels can occur from Summer heat waves and from the North Atlantic hurricane season which could point toward potential danger for the US production of diesel and other fuels in the coming months.

Why it matters: Low distillate inventories indicate a risk of tight supplies, low ULSD stockpiles and potentially an elevated chance of higher #2 diesel prices as the fast approaching fall harvest and winter heating seasons nears.

Signs that new speculator (money managers) longs have helped fuel the diesel market's price strength of the past 1.5 months have emerged.

- According to the latest data from the US Commodity Trading Futures Commission (CFTC), money managers (speculators) have increased their bullish positions (longs) in the NYMEX ULSD contracts to their highest levels since early March.
- Factors that have attracted new longs (buyers) in the diesel market since the beginning of May are low levels of distillate stockpiles (currently diesel products have fallen to their lowest levels for this time of year to 1996), reduced diesel production by refineries, and fears that the Iran-Israel war could have triggered a shutdown of diesel exports from the Persian Gulf last month.
- Of note, the number of long positions held by money managers has surged by more than 10,000 positions or 28% since early May to a four-month high of 47,748 positions.
- Further, the net position in ULSD futures has flipped by ~47,000 positions from a net short position of ~20,000 positions to a net long position of 27,000 positions over the course of the past two months.
- Net long positions held by money managers in ULSD futures have now climbed to their highest levels since December 2023, a 1.5 year high.

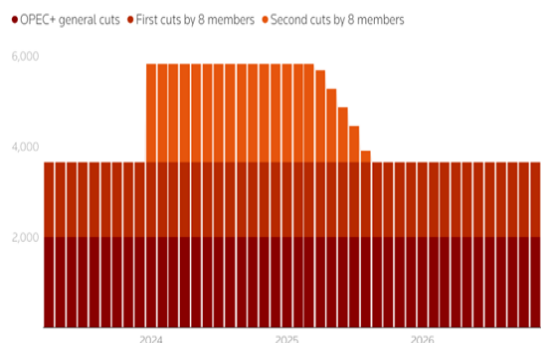


Why it matters: Elevated speculative position levels, either short, long or net, can often be a signal that if the right spark happens (i.e. rising stockpiles and decreasing demands), speculators will look to exit their positions and trigger a potential price reversal. In this case, an exit of long position could potentially drag #2 diesel prices lower in the coming months and provide a procurement opportunity for purchasers.

OPEC continues to unwind production cuts

- In the OPEC+ meeting over the weekend, the cartel decided once again to continue their plans to scale back their production cuts, which were expected, but this month's increase to output was larger than anticipated. August announced monthly increase coming in at a larger 548,000 b/d, as they seek to regain market share back from U.S. producers.
- Of the eight members voluntary cuts, which totaled 2.2 million barrels per day, all but ~550,000 barrels per day has been rolled back, with the balance of the cut anticipated to be eliminated by the fall.

OPEC+ oil production cuts



Note: In thousands of barrels per day
By Ron Bousso • Source: OPEC
OPEC+ oil production cuts

Why it matters: Increased global production could paint a bearish picture for energy prices, particularly if this occurs in conjunction with stymied demand from increased tariffs.