

Market Commentary

Recap: Reports of an increase in OPEC's June production pushed oil futures lower in overnight trading, with August WTI touching just below \$45 a barrel. However, the down move was reversed after the IEA reported strong Chinese demand. September Brent rose to a high of \$48.53, while August WTI hit \$46.28. Gains were pared in both blends, with August WTI settling at \$46.08 a barrel, up 59 cents or 1.30%, while September Brent tacked on 68 cents, or 1.42%, to settle at \$48.42 a barrel. Thursday was the fourth straight day of gains.

August RBOB finished up half a penny, or 0.4%, to \$1.526 a gallon, while August heating oil rose 1.8 cents, or 1.2%, to \$1.492 a gallon.

Fundamental News: Genscape reported that crude oil stocks held in Cushing, Oklahoma in the week ending Tuesday, July 11th fell by 473,281 barrels on the week but increased by 323,514 barrels from Friday, July 7th to 60,554,726 barrels.

The IEA stated that the rebalancing of global oil markets has become less certain, with OPEC production rising and little evidence that stocks are declining as expected. The IEA reported in its monthly report that OPEC's compliance with production cuts fell in June to its lowest levels in six months as several members produced more oil than allowed by their output cut agreement. OPEC's compliance with cuts fell to 78% last month from 95% in May as higher output from Algeria, Ecuador, Gabon, Iraq, the UAE and Venezuela offset strong compliance from Saudi Arabia, Kuwait, Qatar and Angola. The IEA stated that Nigeria and Libya, which were exempt from the production cut agreement, increased their combined production by more than 700,000 bpd in recent months. OPEC's crude output increased by 340,000 bpd in June to 32.6 million bpd, the highest level in 2017. The call on OPEC crude is expected to increase steadily in 2017 and reach 33.6 million bpd in the fourth quarter. Global oil demand growth saw a large acceleration in the second quarter. Total oil demand was 97.44 million bpd in the second quarter and supply was 96.77 million bpd. The IEA revised its 2017 growth forecast by 100,000 bpd to 1.4 million bpd. It reported that global oil stocks fell in May to 266 million barrels above the 5 year average, down from 300 million barrels in April.

The IEA's Chief Economist, Laszlo Varro, said that oil demand was doing reasonably well but that the market was still oversupplied.

The EIA reported that US oil imports from Saudi Arabia are running at the slowest rate since 2015. US crude imports from Saudi Arabia averaged less than 900,000 bpd in the four weeks ending July 7th. Imports from Saudi Arabia will fall even further to less than 800,000 bpd in August.

Libya's crude production increased to 1.05 million bpd on Wednesday from 1.005 million bpd at the beginning of July.

Goldman Sachs lowered its Brent crude price forecast to \$52.04/barrel from a previous estimate of \$55.39/barrel for 2017. It also cut its WTI price forecast for 2017 to \$49.70/barrel from a previous forecast of \$52.92/barrel. Goldman Sachs forecast the price of Brent and WTI at \$58/barrel and \$55/barrel, respectively for 2018.

Gasoline stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp terminal in the week ending July 13th fell by 3.16% on the week and by 33.8% on the year to 797,000 tons. Gasoil stocks increased by 0.55% on the week but fell by 16.25% on the year to 2.917 million tons while its fuel oil stocks fell by 13.61% on the week and by 11.76% on the year to 825,000 tons.

Early Market Call - as of 9:00 AM EDT

WTI - Aug \$46.15, up 8 cents

RBOB - Aug \$1.5346, up 84 points

HO -Aug \$1.4981, up 66 points

All NYMEX | Prior Settlements

Month	USLD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-17	\$1.4917	\$0.0180	\$0.0098
Sep-17	\$1.4967	\$0.0176	\$0.0087
Oct-17	\$1.5032	\$0.0172	\$0.0071
Nov-17	\$1.5111	\$0.0170	\$0.0062
Dec-17	\$1.5179	\$0.0165	\$0.0039
Jan-18	\$1.5242	\$0.0160	\$0.0018
Feb-18	\$1.5276	\$0.0156	\$0.0000
Mar-18	\$1.5272	\$0.0151	(\$0.0011)
Apr-18	\$1.5234	\$0.0148	(\$0.0010)
May-18	\$1.5237	\$0.0144	(\$0.0012)
Jun-18	\$1.5271	\$0.0140	(\$0.0015)
Jul-18	\$1.5337	\$0.0140	(\$0.0010)
Aug-18	\$1.5410	\$0.0141	(\$0.0001)
Sep-18	\$1.5480	\$0.0141	\$0.0008
Oct-18	\$1.5554	\$0.0142	\$0.0017
Nov-18	\$1.5632	\$0.0141	\$0.0021

Sprague HeatCurve Oct 2017-April 2018* \$1.5211

* Degree Day weighted NYMEX strip (no differentials)

Other Front Month NYMEX		Close	Change
Crude - WTI	Sep Brent- WTI Spread \$2.17	\$46.2500	\$0.5900
Crude - Brent		\$48.4200	\$0.6800
Natural Gas		\$2.9610	-\$0.0240
Gasoline		\$1.5261	\$0.0053

EIA Natural Gas Storage Report

	07-Jul-17	30-Jun-17	Change	Year Ago
East	588	564	24	675
Midwest	719	699	20	782
Mountain	193	187	6	207
Pacific	292	287	5	318
South Central	1153	1151	2	1,252
Salt	336	341	-5	355
Nonsalt	807	810	-3	897
Total	2945	2888	57	3,234

Sprague HeatCurve Winter 2017/18

ICE September WTI-Brent Spread

