

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures fell to a six week low on Thursday, weighed down by persistent global supply overhangs despite OPEC efforts to remove the overage. July WTI fell 41 cents to a low of \$44.32 a barrel, while August Brent hit a low of \$46.70 a barrel, down 30 cents. July WTI remained below \$45 a barrel, putting the 16,274 puts into play, while settling just below \$44.50, which held an open interest of 5,595 in puts, exercising those as well. July WTI settled at \$44.46 a barrel, down 27 cents, or 0.60%. August Brent fell 8 cents, or 0.17%, to settle at \$46.92 a barrel.

The discount in long dated spreads for both WTI and Brent continues to widen, with Dec17/Dec18 WTI widening to as much as -\$1.82, its lowest level since Nov. 14. Dec17/Dec18 Brent slipped to -\$2.12, its lowest level since Nov. 15. The widening of these spreads indicates that traders believe a rebalancing of this market may be slower than originally thought.

July RBOB fell less than half a cent, to settle at \$1.436 a gallon, while July heating oil settled at \$1.415 a gallon.

Fundamental News: Saudi Arabia's crude exports are expected to fall below 7 million bpd this summer. Exports in May averaged below 7 million bpd and early indications suggest that remains the case for this month. Lower exports could help reduce high inventories in the US. Overall, Saudi Arabia's exports are set to be lower than last year, when the kingdom shipped about 7.4 million bpd on average from May to August.

PIRA Energy stated that OPEC and non-OPEC producers should have deepened its production cuts in May. PIRA's Gary Ross said OPEC should have agreed to cut an additional 1 million bpd for 90 days when they last met to create oil-price backwardation.

Libya's National Oil Corp in Benghazi has ordered a halt to exports arranged by Glencore from the port of Hariga, although oil officials said the terminal was working normally. The NOC in Benghazi, which has repeatedly tried and failed to impose control over oil exports from the NOC in Tripoli, published the order late on Wednesday. However, a spokesman from Arabian Gulf Oil Co, which operates exports of Messala and Sarir crude from Hariga, said it had not received the instruction.

Saudi Arabia and the UAE are expected to announce what they want Qatar to do in return for ending their isolation of the country. The proposals, which may come in the next two days, would make it easier to end the dispute.

Some US shale producers claim they can produce oil profitably with prices well below \$50/barrel or even \$45/barrel. Baker Hughes reported shale firms have hired an extra 425 rigs to drill for oil since the end of May 2016, more than doubling the active rig count. Producers have continued adding rigs even though benchmark oil prices have fallen almost \$10/barrel since the middle of February and are now almost \$4/barrel below year ago levels. The EIA forecast that onshore production from the Lower 48 states will grow by 340,000 bpd in 2017 and another 500,000 bpd in 2018. As a result, US shale producers together with other non-OPEC suppliers are expected to capture all of the increase in the global oil demand in 2018 and raise their share of the market significantly at the expense of OPEC.

Gasoline stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp hub in the week ending June 15th fell by 0.22% on the week and by 14.67% on the year to 890,000 tons, while gasoil stocks increased by 3.56% on the week but fell by 11.36% on the year to 2.793 million tons.

Early Market Call - as of 9:00 AM EDT

WTI - July \$44.80, up 34 cents
 RBOB - July \$1.4543, up 1.87 cents
 HO - July \$1.4312, up 1.63 cents

| Month | USLD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
| | Close | Change | One Week |
| Jul-17 | \$1.4146 | \$0.0044 | -0.0077 |
| Aug-17 | \$1.4220 | \$0.0040 | -0.0080 |
| Sep-17 | \$1.4321 | \$0.0031 | -0.0093 |
| Oct-17 | \$1.4427 | \$0.0022 | -0.0113 |
| Nov-17 | \$1.4546 | \$0.0021 | -0.0128 |
| Dec-17 | \$1.4659 | \$0.0022 | -0.0135 |
| Jan-18 | \$1.4775 | \$0.0018 | -0.0144 |
| Feb-18 | \$1.4849 | \$0.0014 | -0.0156 |
| Mar-18 | \$1.4867 | \$0.0013 | -0.0163 |
| Apr-18 | \$1.4828 | \$0.0019 | -0.0156 |
| May-18 | \$1.4835 | \$0.0033 | -0.0138 |
| Jun-18 | \$1.4873 | \$0.0046 | -0.0116 |
| Jul-18 | \$1.4929 | \$0.0054 | -0.0101 |
| Aug-18 | \$1.4989 | \$0.0058 | -0.0091 |
| Sep-18 | \$1.5049 | \$0.0060 | -0.0086 |
| Oct-18 | \$1.5119 | \$0.0062 | -0.0084 |

Sprague HeatCurve Oct 2017-April 2018* \$1.4736

* Degree Day weighted NYMEX strip (no differentials)

| Other Front Month NYMEX | | Close | Change |
|-------------------------|------------------------------------|-----------|-----------|
| Crude - WTI | Aug Brent- WTI Spread \$2.24 | \$44.6800 | -\$0.2500 |
| Crude - Brent | | \$46.9200 | -\$0.0800 |
| Natural Gas | | \$3.0560 | \$0.1230 |
| Gasoline | | \$1.4357 | \$0.0030 |

EIA Natural Gas Storage Report

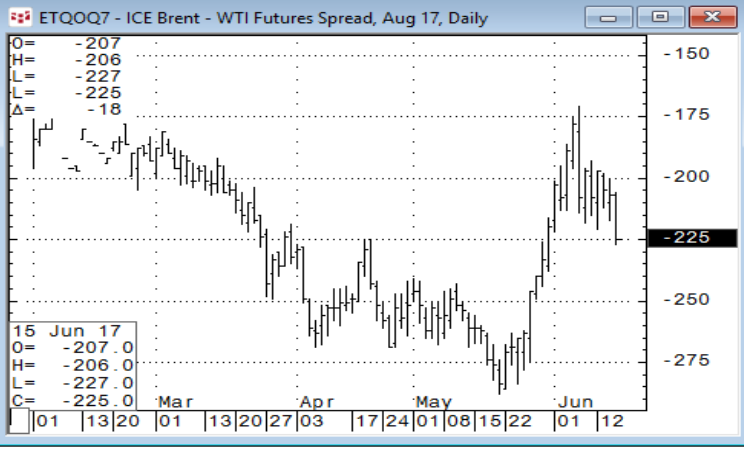
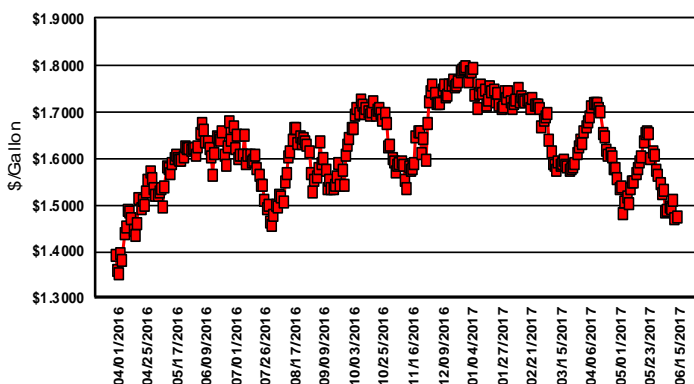
| | 09-Jun-17 | 02-Jun-17 | Change | Year Ago |
|---------------|-------------|-------------|-----------|--------------|
| East | 491 | 457 | 34 | 581 |
| Midwest | 634 | 614 | 20 | 700 |
| Mountain | 177 | 172 | 5 | 187 |
| Pacific | 274 | 269 | 5 | 311 |
| South Central | 1133 | 1119 | 14 | 1,252 |
| Salt | 348 | 345 | 3 | 368 |
| Nonsalt | 784 | 774 | 10 | 883 |
| Total | 2709 | 2631 | 78 | 3,031 |

Sprague HeatCurve Winter 2017/18

ICE Aug WTI-Brent Spread

Sprague HeatCurve October 2017 - April 2018

Degree Day Weighted



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