

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil prices edged higher on Wednesday, despite Saudi Arabia reportedly pumping 9.97 million barrels per day of crude, which was up 22,000 barrels in August. Prices gained after OPEC raised Q1 2018 demand forecasts and after Barclay's stated that excess inventories are showing signs of draining and in turn, will have a bullish impact on forward prices. November WTI settled at \$51.30 a barrel, up 38 cents, or 0.75%, while December Brent finished at \$56.94, up 33 cents, or 0.58%.

As a result of the aforementioned news, contango market conditions have been narrowing. The discount in the Dec17/Dec18 WTI spread has narrowed 98% since the beginning of September, and finished the session at 5 cents premium to the Dec18.

November RBOB rose 1.1%, to \$1.609 a gallon, while November heating oil gained 1.2% to \$1.786 a gallon.

Fundamental News: The Bureau of Safety and Environmental Enforcement said about 32.7% or 571,854 bpd of current production remains shut in due to Hurricane Nate.

According to the EIA's Winter Fuels Outlook, the average household expenditures for all major home heating fuels is expected to increase this winter due to expected colder weather and higher energy costs. The cost of heating with home heating oil is expected to increase by 17%. Most of the increase reflects expected colder weather rather than higher energy costs. In its Short Term Energy Outlook, the EIA said total world petroleum demand in 2017 is expected to increase by 1.35 million bpd to 98.31 million bpd and increase by 1.58 million bpd to 99.89 million bpd in 2018. OPEC's oil production is estimated to fall by 180,000 bpd to 32.5 million bpd in 2017 but increase by 490,000 bpd to 32.99 million bpd. Meanwhile, US petroleum demand is expected to increase by 230,000 bpd to 19.92 million bpd in 2017 and by 420,000 bpd to 20.34 million bpd in 2018. Gasoline demand is forecast to remain unchanged at 9.32 million bpd in 2017 and increase by 40,000 bpd to 9.36 million bpd in 2018. Distillate demand is forecast to increase by 70,000 bpd to 3.95 million bpd in 2017 and by 90,000 bpd to 4.04 million bpd in 2018. US oil production is expected to increase by 380,000 bpd to 9.24 million bpd in 2017 and by 680,000 bpd to 9.92 million bpd in 2018. In regards to prices, the EIA forecast Brent spot prices to average \$52/barrel in 2017 and \$54/barrel in 2018, up \$1/barrel in 2017 and \$2/barrel in 2018, compared with last month's forecast. WTI prices are forecast to be \$3.50/barrel lower than Brent prices in 2018.

OPEC's Secretary General, Mohammed Barkindo, called on US shale producers to help curtail global oil supply, warning that extraordinary measures might be needed next year to sustain the rebalanced market in the medium to long term.

In its monthly report, OPEC said the market could find support in the winter from low distillate fuel stocks and forecasts for colder weather. OPEC estimated that world oil demand growth in 2017 is expected to increase by 1.5 million bpd after an upward revision of about 30,000 bpd from the previous estimate. Demand for OPEC crude in 2017 is estimated to stand at 32.8 million bpd, up 600,000 bpd on the year. OPEC said the world would need 33.06 million bpd of its crude next year, up 230,000 bpd from its previous forecast. It is the third consecutive monthly increase in the projection from its first estimate made in July. OPEC stated that it produced 32.75 million bpd in September, up from 89,000 bpd from August. It complied 98% with the cutback pledge, up from 83% initially reported in August. Should OPEC keep producing at similar levels to September, the market could move into a deficit next year. OPEC expects oil prices to remain between \$50-\$55/barrel in the next year.

Saudi Arabia cut its crude supplies to its largest customers in Asia.

Early Market Call - as of 9:00 AM EDT

WTI - Nov \$50.35, down 95 cents

RBOB - Nov \$1.5905, down 1.89 cents

HO - Nov \$1.7508, down 3.56 cents

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Nov-17	\$1.7861	\$0.0212	\$0.0122
Dec-17	\$1.7851	\$0.0207	\$0.0143
Jan-18	\$1.7827	\$0.0203	\$0.0139
Feb-18	\$1.7784	\$0.0199	\$0.0159
Mar-18	\$1.7699	\$0.0195	\$0.0193
Apr-18	\$1.7538	\$0.0187	\$0.0210
May-18	\$1.7414	\$0.0176	\$0.0213
Jun-18	\$1.7325	\$0.0168	\$0.0226
Jul-18	\$1.7295	\$0.0168	\$0.0243
Aug-18	\$1.7278	\$0.0167	\$0.0251
Sep-18	\$1.7277	\$0.0164	\$0.0250
Oct-18	\$1.7280	\$0.0158	\$0.0234
Nov-18	\$1.7308	\$0.0151	\$0.0225
Dec-18	\$1.7333	\$0.0145	\$0.0216
Jan-19	\$1.7358	\$0.0142	\$0.0211
Feb-19	\$1.7313	\$0.0139	\$0.0206
Mar-19	\$1.7208	\$0.0132	\$0.0199
Apr-19	\$1.7058	\$0.0125	\$0.0192

Other Front Month NYMEX		Close	Change
Crude - WTI	Dec Brent-	\$51.6000	\$0.3700
Crude - Brent	WTI Spread	\$56.9400	\$0.3300
Natural Gas	\$5.34	\$2.8890	-\$0.0020
Gasoline		\$1.6092	\$0.0177

API Report for the Week Ending October 6, 2017

	Actual	Mkt Expectations
Crude Oil Stocks(excluding SPR)	Up 3.1 million barrels	Down 400,000/1.8 million barrels
Cushing, OK Crude Stocks	Up 1.2 million barrels	Up 1.8 million barrels
Gasoline Stocks	Down 1.6 million barrels	Down 1/1.4 million barrels
Distillate Stocks	Up 2 million barrels	Down 1.64/2.4 million barrels
Refinery Runs	Up 260,000 bpd	Down 1.1%

NYMEX December Heating Oil

NYMEX WTI & HO Dec 17-Dec 18 Spreads

