

## Market Commentary

**Recap:** After falling hard on Tuesday, WTI shot higher during Wednesday's trading session after the EIA reported total U.S. oil inventories drew by 8 million barrels on the week ending October 19<sup>th</sup>. Total commercial oil inventories now stand some 16.9 million below a year ago. When total commercial stocks are combined with SPR stocks the inventory level is some 31.8 million barrels less year on year. This inventory report coupled with concerns over the impending sanctions on Iran appeared to keep the bulls in control through midday. But as the equities markets began to erode, oil prices gave back most of the morning's gains. Further news of any slowing in global demand, combined with any continued weakness in global equity markets should work to keep the bulls on the defensive in the oil markets.

### Technical Analysis

Based upon a spot continuation chart, WTI is poised to test \$63.11, the 38% retracement set by the June 2017 low of \$40.50 and the October 2018 high of \$77.09. Should we get a break below this level, it is possible for WTI to test the ascending trend line, which is currently set at \$62.39. Resistance is set at \$67.72 \$68.46.

**Fundamental News:** Operators at Irving's St John refinery reportedly have restarted the 146,000 b/d crude section at the refinery back on October 20<sup>th</sup> and have returned the unit to normal operating levels by Wednesday morning. The unit had been offline starting back on October 8<sup>th</sup> following a fire. Currently all other units at the refinery remain offline.

IIR updated their most recent estimates for capacity offline at U.S. refineries Wednesday. They now estimate 1.708 million b/d of capacity will be off line this week, with some 1.505 million b/d offline for the week ending November 2<sup>nd</sup>. Both estimates are higher than they were initially forecasted at the start of the week.

The Saudi crown prince broke his silence on the murder of Jamal Khashoggi by saying the killing was a "heinous crime that cannot be justified." He vowed Wednesday to bring the killers to justice. He also said the furor over the killing would not derail the kingdom's reform drive. Earlier in the day President Trump said the crown prince bore ultimate responsibility for the operation that led to the journalist's death. U.S. Secretary of State Pompeo said the United States wants perfect clarity on what happened in the Khashoggi case.

Morgan Stanley in a research note to clients said they continue to look for Brent prices to reach \$85 per barrels by year end.

The Federal Reserve Bank released their latest "Beige Book" Wednesday. It noted that the U.S. economy appeared to be growing modestly to moderately and that businesses across a number of industries had reported labor shortages. The Fed noted that manufacturers reported raising prices of finished goods out of necessity, given the higher price for raw materials such as steel, "which they attributed to tariffs." The Fed said though inflation pressures did not appear very high.

The chairman of Libya's state oil firm NOC said Wednesday that crude oil output in Libya was in a range of between 1.25 million b/d and 1.27 million b/d with a recent peak of 1.30 million b/d.

### Early Market Call - as of 9:15 AM EDT

WTI - Dec \$67.20 up 37 cents

RBOB - Nov \$1.8149 down 74 points

HO - Nov \$2.2597 up 76 points

## All NYMEX | Prior Settlements

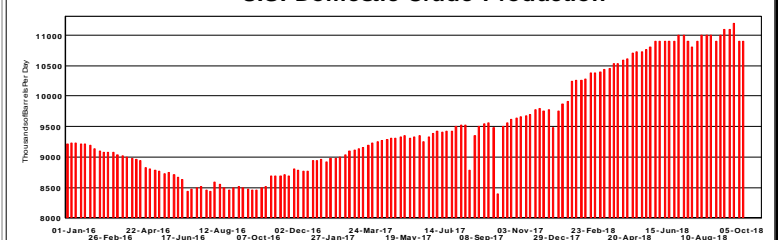
Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Nov-18	\$2.2521	\$0.0037	-\$0.0590
Dec-18	\$2.2529	\$0.0030	-\$0.0596
Jan-19	\$2.2540	\$0.0029	-\$0.0608
Feb-19	\$2.2506	\$0.0029	-\$0.0622
Mar-19	\$2.2440	\$0.0027	-\$0.0633
Apr-19	\$2.0000	-\$0.2320	-\$0.2969
May-19	\$2.0000	-\$0.2279	-\$0.2916
Jun-19	\$2.2266	\$0.0013	-\$0.0623
Jul-19	\$2.2306	\$0.0011	-\$0.0625
Aug-19	\$2.2357	\$0.0012	-\$0.0626
Sep-19	\$2.2419	\$0.0015	-\$0.0628
Oct-19	\$2.2477	\$0.0017	-\$0.0633
Nov-19	\$2.2528	\$0.0016	-\$0.0644
Dec-19	\$2.2564	\$0.0015	-\$0.0661
Jan-20	\$2.2582	\$0.0003	-\$0.0658
Feb-20	\$2.2523	\$0.0010	-\$0.0644
Mar-20	\$2.2417	\$0.0015	-\$0.0634

## Sprague Heat Curve Nov-March \$2.2480

Other Front Month NYMEX	Close	Change
Crude - WTI	\$66.8200	\$0.3900
Crude - Brent	\$76.1700	-\$0.2700
Natural Gas	\$3.1660	-\$0.0460
Gasoline	\$1.8223	-\$0.0145

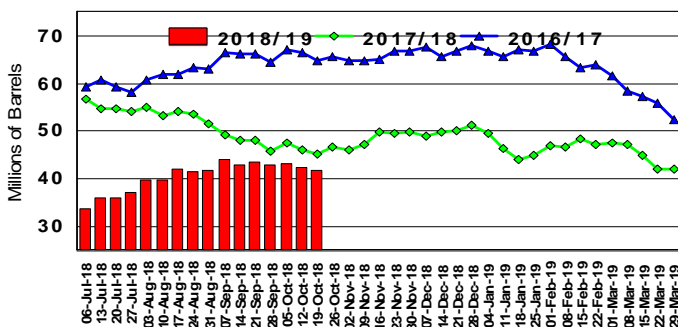
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## U.S. Domestic Crude Production



## EIA Weekly Petroleum Status Report for the Week Ending October 19, 2018

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Up 6.35 million barrels

Cushing, OK Crude Stocks Up 1.37 million barrels

**Gasoline Stocks** Down 4.83 million barrels

**Distillate Stocks** Down 2.26 million barrels

**Refinery % Operated** 89.2%, Up 0.4%

### PADD #1

Distillate Stocks (in million bbls)	Week Ending Oct 19, 2018	Week Ending Oct 12, 2018	Week Ending Oct 20, 2017
New England	7.8	7.5	8.4
Central Atlantic	22.5	22.8	26.1
Total PADD #1	41.7	42.4	45.4
Distillate Imports (thousands b/d)	136	128	120