

Market Commentary

Recap: The larger than expected 6.5 million barrel build in U.S. crude oil inventories sparked a length lightening sell-off in both WTI and Brent. WTI fell to a four week low, while Brent touched down at a three week low after the bearish inventory report, which coincides with this week's bearish demand forecasts released by OPEC and the International Energy Agency. November WTI settled at \$69.75 a barrel, down \$2.17, or 3.02%, the lowest settlement for a spot month since September 2017. Brent for December delivery fell \$1.36, or 1.67%, to settle at \$80.05 a barrel, the lowest settlement for a spot contract since September 21st. November RBOB fell 3% to \$1.919 a gallon, while November heating oil slipped 1.2% to \$2.311 a gallon.

Technical Analysis

November WTI blew through \$71.74, the 50% retracement and \$70.52, the 62% retracement set by October's high of \$76.90 and September's low of \$66.57 and for the first time since September 10, settled below the 50-day moving average, which is currently set at \$69.80. Wednesday's outside trading session, followed by a lower settlement should lead to further downside movement. Support is set at \$69.36 and below that at \$68.29. Resistance is set at \$70.52 and \$71.74.

Fundamental News: U.S. Secretary of State Pompeo said Wednesday that Saudi Arabia understands the need to conclude its investigation into the disappearance of Jamal Khashoggi in a timely and rapid fashion. He noted that the Saudis understand the investigation needs to be transparent and they have committed to holding anyone connected to any wrongdoing accountable. President Trump meanwhile said Wednesday he did not want to abandon close ally Saudi Arabia over the disappearance of the Saudi journalist and he needed to see evidence to prove the claims made by Turkey of his alleged murder.

Platts reported the talks between Saudi Arabia and Kuwait over the two shared oil fields in the Neutral Zone have broken down. Market observers had been expecting that the talks would have resulted in bringing to market some 500,000 b/d of production back onto the market. The two countries halted production from the area more than three years ago. Reuters reported that according to its unidentified sources the talks stalled over Saudi demands that they have greater control over the production fields. Kuwait and Saudi Arabia also are at odds over the Saudi led embargo of Qatar.

IIR reported U.S. oil refineries have 1.908 million b/d of refining capacity offline this week, some 104,000 b/d more than the previous week. They expect offline capacity will be reduced next week to 1.612 million b/d.

The U.S. EPA published a notice late Tuesday that said it aims to release its draft rule allowing year-round sales of higher ethanol gasoline blends by February and end deliberations on the proposal by May. Members of Trump's cabinet were confident the new rule would be ready for the driving season next year, although some in the industry say that may be overly ambitious since legal challenges may be a possibility since some contend any changes require an act of Congress.

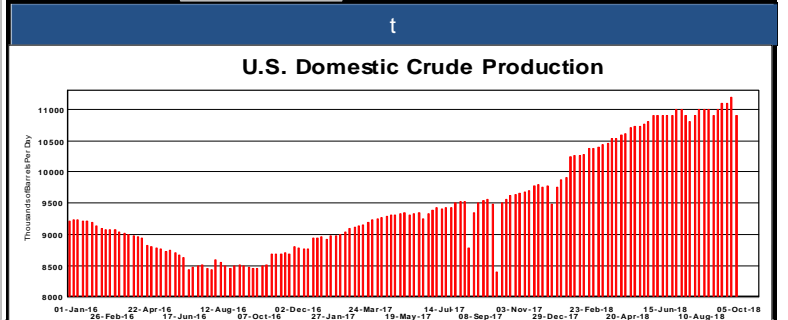
Early Market Call - as of 9:15 AM EDT

WTI - Nov \$68.68 up \$1.07
 RBOB - Nov \$1.8845 down 3.42 cents
 HO - Nov \$2.2858 down 2.53 cents

All NYMEX | Prior Settlements

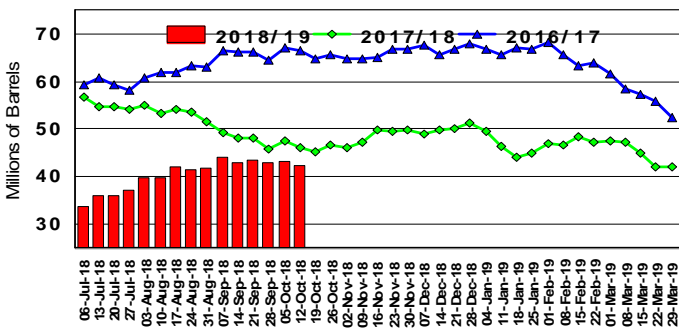
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Nov-18	\$2.3111	-\$0.0291	-\$0.0838
Dec-18	\$2.3125	-\$0.0294	-\$0.0840
Jan-19	\$2.3148	-\$0.0289	-\$0.0831
Feb-19	\$2.3128	-\$0.0279	-\$0.0814
Mar-19	\$2.3073	-\$0.0270	-\$0.0793
Apr-19	\$2.2969	-\$0.0266	-\$0.0784
May-19	\$2.2916	-\$0.0262	-\$0.0763
Jun-19	\$2.2889	-\$0.0260	-\$0.0739
Jul-19	\$2.2931	-\$0.0257	-\$0.0719
Aug-19	\$2.2983	-\$0.0253	-\$0.0702
Sep-19	\$2.3047	-\$0.0248	-\$0.0686
Oct-19	\$2.3110	-\$0.0243	-\$0.0669
Nov-19	\$2.3172	-\$0.0235	-\$0.0647
Dec-19	\$2.3225	-\$0.0232	-\$0.0627
Jan-20	\$2.3240	-\$0.0232	-\$0.0615
Feb-20	\$2.3167	-\$0.0236	-\$0.0610
Mar-20	\$2.3051	-\$0.0242	-\$0.0611

Sprague Heat Curve Nov-March		\$2.3120
Other Front Month NYMEX	Close	Change
Crude - WTI	Dec Brent- WTI Spread	\$69.7000
Crude - Brent		\$80.0500
Natural Gas	\$10.35	\$3.3200
Gasoline		\$1.9187



EIA Weekly Petroleum Status Report for the Week Ending October 12, 2018

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 6.49 million barrels
Cushing, OK Crude Stocks Up 1.7 million barrels
Gasoline Stocks Down 2.02 million barrels
Distillate Stocks Down 827,000 barrels
Refinery % Operated 88.8%, Unchanged

PADD #1

Distillate Stocks (in million bbls)	Week Ending Oct 12, 2018	Week Ending Oct 5, 2018	Week Ending Oct 13, 2017
New England	7.5	7.6	8.7
Central Atlantic	22.8	23.1	26.0
Total PADD #1	42.4	43.3	46.1
Distillate Imports (thousands b/d)	165	156	107