

## Market Commentary

**Recap:** WTI reversed 5 straight days of declines, as Russia's central bank cautioned against plans to boost output and on forecasts calling for a decline in U.S. crude oil inventories. A rise in equities and a slip in the dollar added strength to the market. Both blends climbed steadily throughout the session, with July Brent holding below \$78.00, the 10-day moving average and July WTI trading back above the 50-day moving average of \$67.75. Gains were pared prior to settlement, with July Brent closing up \$2.11, or 2.80%, to settle at \$77.50 a barrel, and July WTI settling at \$68.21 a barrel, up \$1.48, or 2.22%.

June RBOB rose 1.9% to \$2.184 a gallon, while June heating oil gained 2.1% to \$2.232 a gallon. The June contracts expire Thursday.

**Fundamental News:** Bloomberg reported that crude oil stocks held in Cushing, Oklahoma fell by 200,000 bpd in the week ending May 25<sup>th</sup> to 35.9 million bpd.

According to Bloomberg, US waterborne crude imports fell by 142,700 bpd to 4.17 million bpd in the week ending May 26<sup>th</sup>. Imports into the East and Gulf Coasts fell by 78,800 bpd and 533,000 bpd, respectively. Shipments to the West Coast increased by 469,100 bpd.

Genscape reported that crude oil stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp region increased to the highest level for the time of year since at least 2013. Stockpiles in the ARA region increased to 65.15 million barrels in the week ending May 25<sup>th</sup>.

A Gulf source said Saudi Arabia, other OPEC producers and non-OPEC allies aim to comply with the global output cut agreement until the end of 2018 but are ready to make gradual adjustments to offset any supply shortage. The source said the oil producers participating in the agreement are satisfied with the result. The deal could be extended to achieve its objectives of keeping a balanced oil market when needed and any rise in output would be in a gradual and deliberate fashion.

While next month's OPEC meeting is seen as key to the outlook for crude oil prices, a strong indication of what's likely will come from Saudi Arabia's release of its official selling prices for July loading cargoes, which in turn largely set the prices for much of the exports from the Middle East. The official selling prices show exactly what Saudi Arabia is doing in the oil market and in some ways are a more important signal. If Saudi Arabia is serious about raising crude output and increasing supply, a sure way of signaling this would be a sharp decline in the official selling price for July cargoes, with the cut being bigger than what would be justified by market fundamentals. Saudi Arabia, the rest of OPEC and Russia have to ensure that crude prices remain anchored as close to \$80/barrel as possible, a compromise between meeting the fiscal needs of the producers without being high enough to prompt too much demand destruction. Saudi Arabia also has to balance the geopolitics of oil, striking a balance between their need for relatively high prices against the support of US President Donald Trump in their struggle against Iran.

Brazil oil workers on at least 20 rigs in the Campos Basin have joined a strike. Production has been taken over by contingency crews.

IIR Energy reported that US oil refiners are expected to shut in 451,000 bpd of capacity in the week ending June 1<sup>st</sup>, increasing available refining capacity by 147,000 bpd from the previous week. IIR expects offline capacity to fall to 295,000 bpd in the week ending June 8<sup>th</sup>.

**Early Market Call - as of 8:15 AM EDT**

WTI - July \$67.08, down \$1.14

RBOB - June \$2.2176, down 1.02 cents

HO - June \$2.1870, up 34 points

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jun-18	\$2.2317	\$0.0458	-\$0.0579
Jul-18	\$2.2255	\$0.0447	-\$0.0604
Aug-18	\$2.2251	\$0.0446	-\$0.0600
Sep-18	\$2.2279	\$0.0450	-\$0.0600
Oct-18	\$2.2294	\$0.0454	-\$0.0600
Nov-18	\$2.2298	\$0.0451	-\$0.0597
Dec-18	\$2.2284	\$0.0450	-\$0.0586
Jan-19	\$2.2292	\$0.0449	-\$0.0576
Feb-19	\$2.2262	\$0.0445	-\$0.0565
Mar-19	\$2.2181	\$0.0438	-\$0.0553
Apr-19	\$2.1895	\$0.0429	-\$0.0545
May-19	\$2.1980	\$0.0409	-\$0.0540
Jun-19	\$2.1929	\$0.0390	-\$0.0526
Jul-19	\$2.1896	\$0.0375	-\$0.0520
Aug-19	\$2.1895	\$0.0371	-\$0.0517
Sep-19	\$2.1953	\$0.0368	-\$0.0517
Oct-19	\$2.2008	\$0.0356	-\$0.0525

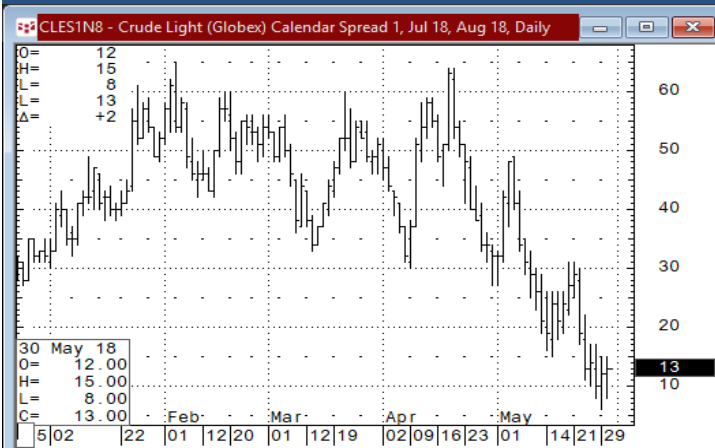
**Sprague HeatCurve Oct 2018-April 2019 \$2.2248**

Other Front Month NYMEX		Close	Change
Crude - WTI	July Brent-	\$68.2100	\$1.4800
Crude - Brent	WTI Spread	\$77.5000	\$2.1100
Natural Gas	\$9.29	\$2.8850	-\$0.0180
Gasoline		\$2.1842	\$0.0401

## API Report for the Week Ending May 25, 2018

	Actual	Mkt Expectations
Crude Oil Stocks(excluding SPR)	Up 1 million barrels	Down 600,000 barrels
Cushing, OK Crude Stocks	Down 132,000 barrels	Down 200,000 barrels
Gasoline Stocks	Down 1.682 million barrels	Down 1.5 million barrels
Distillate Stocks	Up 1.466 million barrels	Down 1.05 million barrels
Refinery Runs	Up 400,000 bpd	Up 0.6%, at 92.4%

## NYMEX July-Aug WTI Spread



## NYMEX July-Aug Heating Oil Spread

