

Market Commentary

Recap: Oil prices traded higher on the initial opening, gaining support on reports that Venezuela may default on some of its contracted crude oil exports. The higher move was short lived, as a selling frenzy followed the release of the EIA report, with WTI reaching its lowest level in almost two months. The EIA reported an unexpected and unseasonable build of 2.1 million barrels in U.S. crude oil inventories. July WTI fell \$1.28, or 1.9%, to a low of \$64.27 a barrel, while Brent tumbled \$1.14, or 1.5%, reaching a low of \$74.46 a barrel. After the fallout from the EIA report, WTI staged a feeble attempt to recover losses, but the July contract was unable to trade back above the \$65.00 mark. This spot contract settled at \$64.73 a barrel, down 79 cents, or 1.21%. August Brent on the other hand experienced a remarkable recovery, trading back above unchanged before finishing the session basically unchanged at \$75.36 a barrel, down 2 cents, or 0.03%.

According to the EIA, U.S. gasoline stockpiles climbed 4.6 million barrels, while distillate stockpiles rose 2.2 million barrels. Forecasts were calling for a decline of 600,000 barrels for gasoline, along with a climb of 700,000 barrels for distillates. The gasoline number had an astonishing effect on RBOB prices, pushing the July contract as much as 1.9% lower on the day, to the lowest price (\$2.0554) for a spot contract in almost a month. July RBOB lost 1.7%, to settle at \$2.07 a gallon, while July heating oil fell 0.7%, to settle at \$2.127 a gallon.

Fundamental News: Iran's ambassador to the IAEA, Reza Najafi, said the country will not cooperate more fully with nuclear inspectors until a standoff over its nuclear agreement is resolved. European powers have been working to salvage the agreement they signed in 2015 since US President Donald Trump decided to pull out of the agreement last month and said he would reimpose US sanctions on Iran. Foreign and Finance Ministers from France, Britain and Germany have written to US officials to stress their commitment to upholding the agreement and to urge the US to spare EU firms active in Iran from secondary sanctions. The ministers wrote that an Iranian withdrawal from the deal would further unsettle a region where additional conflicts would be disastrous.

Separately, European refiners are winding down oil purchases from Iran after the US imposed sanctions on Iran. Although European governments have not followed the US by imposing new sanctions, banks, insurers and shippers are gradually severing ties with Iran under pressure from the US restrictions. A fall in crude trading between Europe and Iran could complicate efforts by European signatories of the nuclear deal to salvage the agreement. Refiners, including France's Total, Italy's Eni and Saras, Spain's Repsol and Cepsa and Greece's Hellenic Petroleum are preparing to halt purchases of Iranian oil once sanctions begin. These refiners account for most of Europe's purchases of Iranian crude, which represents about a fifth of the country's oil exports.

India's Oil Minister, Dharmendra Pradhan, said Saudi Arabia's Oil Minister, Khalid al-Falih, told him Saudi Arabia is revisiting its policy to cut oil output. He said Saudi Arabia and other OPEC producers are revisiting their output policy.

Venezuela's President Nicolas Maduro said the country could increase its output if OPEC eases its output cuts. He said Venezuela must be ready to increase production by 500,000 bpd or 1 million bpd when OPEC authorizes it.

Nigeria's oil wells may be flowing again, however Royal Dutch Shell said attacks continue to halt output.

US Census Bureau reported that US crude oil exports reached 1.756 million bpd in April compared with 1.671 million bpd in March.

Early Market Call - as of 8:45 AM EDT

WTI - July \$65.35, up 61 cents

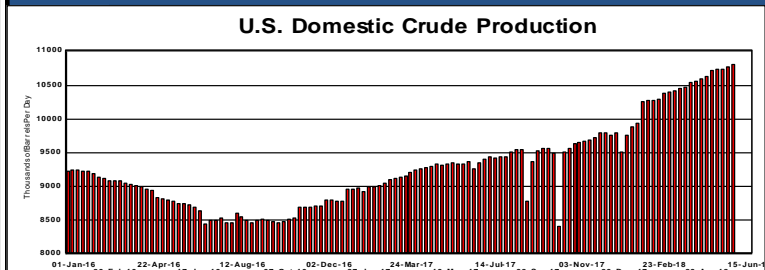
RBOB - July \$2.0894, up 1.94 cents

HO - July \$2.1463, up 1.94 cents

All NYMEX | Prior Settlements

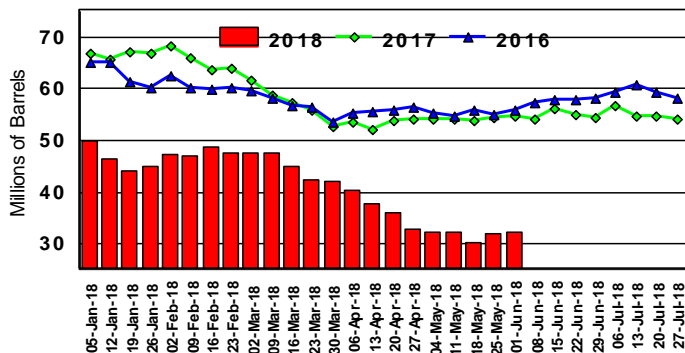
Month	USLD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-18	\$2.1266	-\$0.0150	-\$0.0989
Aug-18	\$2.1323	-\$0.0133	-\$0.0928
Sep-18	\$2.1376	-\$0.0127	-\$0.0903
Oct-18	\$2.1419	-\$0.0125	-\$0.0875
Nov-18	\$2.1465	-\$0.0123	-\$0.0833
Dec-18	\$2.1493	-\$0.0119	-\$0.0791
Jan-19	\$2.1542	-\$0.0112	-\$0.0750
Feb-19	\$2.1551	-\$0.0103	-\$0.0711
Mar-19	\$2.1507	-\$0.0096	-\$0.0674
Apr-19	\$2.1310	-\$0.0088	-\$0.0645
May-19	\$2.1339	-\$0.0073	-\$0.0641
Jun-19	\$2.1285	-\$0.0060	-\$0.0644
Jul-19	\$2.1282	-\$0.0050	-\$0.0614
Aug-19	\$2.1310	-\$0.0047	-\$0.0585
Sep-19	\$2.1373	-\$0.0049	-\$0.0580
Oct-19	\$2.1431	-\$0.0051	-\$0.0577
Nov-19	\$2.1472	-\$0.0047	-\$0.0579

Sprague HeatCurve Oct 2018-April 2019		\$2.1500	
Other Front Month NYMEX	Close	Change	
Crude - WTI	Aug Brent- WTI Spread	\$64.7000	-\$0.7600
Crude - Brent	\$10.66	\$75.3600	-\$0.0200
Natural Gas		\$2.8960	\$0.0060
Gasoline		\$2.0700	-\$0.0362



EIA Weekly Petroleum Status Report for the Week Ending June 1, 2018

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 2.072 million barrels

Cushing, OK Crude Stocks Down 955,000 barrels

Gasoline Stocks Up 4.603 million barrels

Distillate Stocks Up 2.165 million barrels

Refinery % Operated 95.4%, Up 1.5%

PADD #1

Distillate Stocks (in million bbls)	Week Ending June 1, 2018	Week Ending May 25, 2018	Week Ending June 2, 2017
New England	4.5	4.3	8.5
Central Atlantic	16.0	15.3	33.4
Total PADD #1	32.2	31.7	54.7
Distillate Imports (thousands b/d)	99	199	115