

Market Commentary

Recap: Oil prices held near multi-year highs despite U.S. energy companies adding to the number of active oil rigs for the sixth straight week. According to Baker-Hughes U.S. drillers added 10 rigs to their count, bringing the total number to 844, the highest level since March 2015. Geo-political strife, which has propped up prices, continues to keep a floor under prices. Despite Friday's lower move, oil prices closed higher for the second straight week. June WTI settled at \$70.70 a barrel, down 66 cents, or 0.92%, or up 1.4% on the week. July Brent slipped 35 cents, to settle at \$77.12 a barrel, down 35 cents, or 0.45%, or up 3% on the week.

June RBOB settled nearly flat at \$2.189 a gallon, but saw a weekly climb of 3.5%. June heating oil also ended little changed at \$2.222 a gallon, for a rise of 3.2% on the week.

Fundamental News: Baker Hughes reported that drillers added 10 oil rigs in the week ending May 11th, bringing the total count to 844, the highest level since March 2015.

Gasoline stocks held in the Amsterdam-Rotterdam-Antwerp refining and storage hub in the week ending May 11th fell by 3.78% on the week but increased by 2.15% on the year to 1.043 million tons. Gasoil stocks fell by 3.01% on the week and by 38.11% on the year to 1.996 million tons while fuel oil stocks increased by 13.08% on the week and by 46.5% on the year to 1.15 million tons. Naphtha stocks fell by 15.9% on the week and by 35.15% on the year to 238,000 tons while jet fuel stocks increased by 1.06% on the week but fell by 32.55% on the year to 574,000 tons.

Tankers carrying diesel from Asia and Europe, including a 200,000 ton cargo, are sailing towards New York where fuel supplies have declined to a three-year low in recent weeks. Several tankers have also been booked to go from Europe and the Baltics to the port of New York. According to the EIA, diesel supplies in the US East Coast have fallen in recent weeks to the lowest level since 2015. Exports from the Middle East and Asia are expected to increase in the coming months as refineries return from maintenance and due to weak diesel demand in Saudi Arabia.

Centennial Resource Development Inc's CEO, Mark Papa, said he expects the company to reap benefits in unhedged Permian oil. The company may use some "tactical oil basis hedges from time to time, but the company is unlikely to hedge WTI anytime soon. He said even at \$70/barrel, he sees a strong possibility of further strengthening in WTI over the next couple of years and added that the company will remain unhedged. He blasted the "groupthink" that bullish US onshore oil supply is going to pressure global oil prices.

According to Oil Movements, OPEC's shipments are expected to increase by 340,000 bpd to 24.97 million bpd in the four week period ending May 26th compared with the previous four week period ending April 28th. Mideast shipments, including those from non-OPEC Oman and Yemen, are expected to fall by 90,000 bpd to 17.9 million bpd.

IIR Energy reported that US oil refiners are expected to shut in 1.234 million bpd of capacity in the week ending May 11th, cutting available refining capacity by 41,000 bpd from the previous week. IIR expects offline capacity to fall to 828,000 bpd in the week ending May 18th and further down to 542,000 bpd in the week ending May 25th.

Bloomberg reported that global refinery outages reached 5.06 million bpd in the week ending May 10th, compared with 5.14 million bpd in the previous week.

Early Market Call - as of 8:30 AM EDT

WTI - June \$70.79, up 9 cents

RBOB - June \$2.19, up 12 points

HO - June \$2.2281, up 64 points

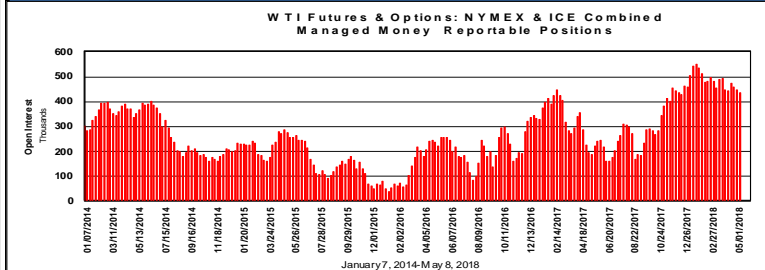
All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jun-18	\$2.2220	-\$0.0008	\$0.0680
Jul-18	\$2.2154	-\$0.0022	\$0.0671
Aug-18	\$2.2143	-\$0.0021	\$0.0678
Sep-18	\$2.2157	-\$0.0014	\$0.0681
Oct-18	\$2.2157	-\$0.0014	\$0.0672
Nov-18	\$2.2149	-\$0.0015	\$0.0656
Dec-18	\$2.2127	-\$0.0014	\$0.0652
Jan-19	\$2.2128	-\$0.0012	\$0.0652
Feb-19	\$2.2078	-\$0.0009	\$0.0639
Mar-19	\$2.1958	-\$0.0004	\$0.0616
Apr-19	\$2.1782	\$0.0004	\$0.0606
May-19	\$2.1677	\$0.0012	\$0.0606
Jun-19	\$2.1599	\$0.0018	\$0.0591
Jul-19	\$2.1573	\$0.0018	\$0.0592
Aug-19	\$2.1584	\$0.0014	\$0.0593
Sep-19	\$2.1644	\$0.0014	\$0.0606
Oct-19	\$2.1709	\$0.0014	\$0.0613

Sprague HeatCurve Oct 2018-April 2019 \$2.2066

Other Front Month NYMEX	Close	Change
Crude - WTI	\$70.6800	-\$0.6300
Crude - Brent	\$77.1200	-\$0.3500
Natural Gas	\$2.8060	-\$0.0080
Gasoline	\$2.1888	-\$0.0002

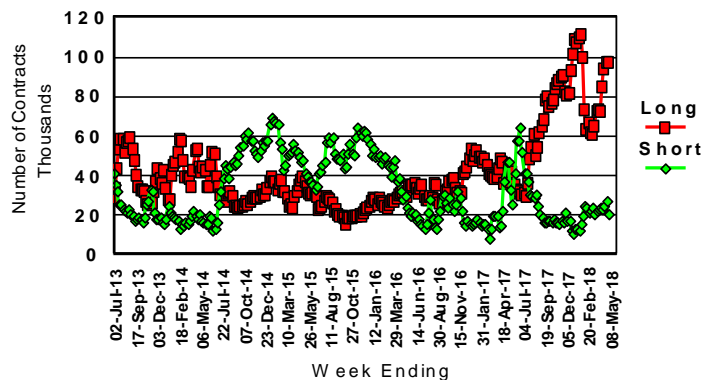
July Brent-WTI Spread \$6.44



Commitment of Traders Report for the Week Ending May 8, 2018

Managed Money Heat Positons

CFTC Commitment of Traders Report



Producer/Merchant Heat Positons

CFTC Commitment of Traders Report

