

Market Commentary

Recap: Wednesday's trading activity was a mirror image of Tuesday's session, with oil prices trading in a mixed fashion. WTI bounced on its initial reaction to the EIA's report of a 1.4 million barrel draw in U.S. crude oil stocks, but strength in the dollar overshadowed the report and prices turned back to the downside. Brent held onto strength due to geopolitical concerns, falling into a period of sideways trading between \$78.48 and \$78.05 before breaking to the upside. Although WTI finished the session on the positive side, it wasn't until late in the session that prices regained traction. June WTI settled at \$71.49 a barrel, up 18 cents, or 0.25%, while July Brent added 85 cents, or 1.08%, to settle at \$79.28 a barrel.

June RBOB rose 0.2% to \$2.21 a gallon, while June heating slipped by 0.4%, to \$2.24 a gallon.

Fundamental News: The EIA said it would increase its weekly estimate of crude oil output by 70,000 bpd. The EIA reported that US crude stocks fell in the week ending May 11th as exports reached a record high and refineries increased their output. Crude inventories fell by 1.4 million barrels. Net US crude imports fell by 411,000 bpd as exports increased to a record 2.6 million bpd, benefiting from the widening spread between WTI and Brent. Refinery crude runs increased by 149,000 bpd, with refinery utilization rates increasing by 0.7% to 91.1% of capacity. US Midwest refinery utilization rates increased last week to 96% of capacity.

The IEA stated that global demand for oil is likely to moderate this year. It cut its forecast for global demand growth to 1.4 million bpd for 2018 from a previous estimate of 1.5 million bpd. It increased its 2018 non-OPEC supply growth forecast to 1.87 million bpd from a previous estimate of 1.8 million bpd. The call on OPEC crude is estimated to average 32.25 million bpd for the rest of 2018, nearly 600,000 bpd above the April output level. The IEA said OECD oil inventories fell by 1 million barrels below the five year average in March, down 26.8 million barrels at 2.819 billion barrels. Global oil supply increased by 1.78 million bpd on the year to 98 million bpd, led by non-OPEC growth. It said it was too soon to predict the impact on Iran's crude flows from the US sanctions imposed on the country. The IEA also stated that refining margins may be damaged by upward pressure on crude prices amid declining stockpiles and potential declines in supplies from Venezuela and Iran.

OPEC delegates said OPEC sees the oil market's rally towards \$80/barrel as a short-term spike driven by geopolitics rather than any supply shortage, a sign that the group is not rushing yet to rethink its output cut agreement.

The top adviser to Iran's Supreme Leader, Ali Khamenei, said he doubted Tehran's talks with European countries to save the nuclear deal after the US withdrew from it would be fruitful. Iran's Oil Minister, Bijan Zanganeh, said Iran will spare no efforts to maintain its oil production and exports at current levels. He added that Iran will overcome pressures resulting from the US' withdrawal from the nuclear deal.

A senior official at National Iranian Oil Corp met with Chinese buyers this week to ask them to maintain their imports after US sanctions take effect. However he failed to secure guarantees from China.

IIR Energy reported that US oil refiners are expected to shut in 1.137 million bpd of capacity in the week ending May 18th, increasing available capacity by 135,000 bpd on the week. IIR expects offline capacity to fall to 542,000 bpd in the week ending May 25th.

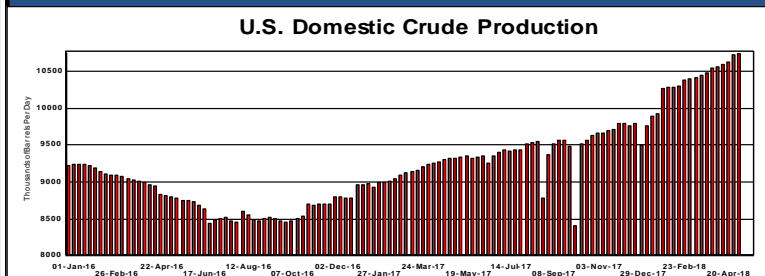
Early Market Call - as of 8:30 AM EDT

WTI - June \$72.14, up 65 cents
 RBOB - June \$2.2620, up 1.19 cents
 HO - June \$2.2930, up 2.38 cents

All NYMEX | Prior Settlements

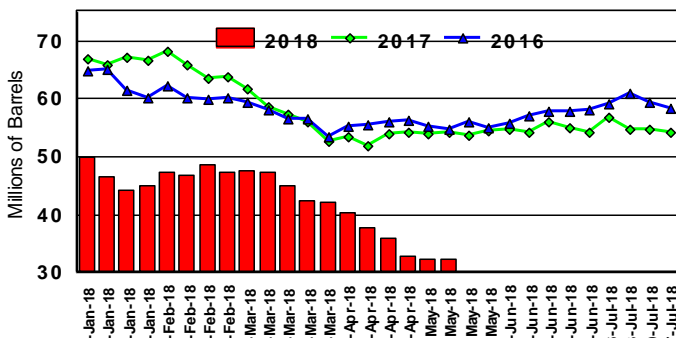
Month	USLD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jun-18	\$2.2692	\$0.0202	\$0.0512
Jul-18	\$2.2630	\$0.0199	\$0.0518
Aug-18	\$2.2601	\$0.0194	\$0.0516
Sep-18	\$2.2610	\$0.0191	\$0.0524
Oct-18	\$2.2613	\$0.0187	\$0.0532
Nov-18	\$2.2601	\$0.0183	\$0.0532
Dec-18	\$2.2571	\$0.0180	\$0.0531
Jan-19	\$2.2566	\$0.0179	\$0.0534
Feb-19	\$2.2514	\$0.0182	\$0.0541
Mar-19	\$2.2401	\$0.0190	\$0.0558
Apr-19	\$2.2242	\$0.0191	\$0.0592
May-19	\$2.2142	\$0.0183	\$0.0605
Jun-19	\$2.2058	\$0.0169	\$0.0596
Jul-19	\$2.2016	\$0.0163	\$0.0582
Aug-19	\$2.2015	\$0.0161	\$0.0576
Sep-19	\$2.2072	\$0.0163	\$0.0583
Oct-19	\$2.2135	\$0.0165	\$0.0588

Sprague HeatCurve Oct 2018-April 2019			\$2.2511
Other Front Month NYMEX		Close	Change
Crude - WTI	July Brent- WTI Spread \$7.72	\$71.5600	\$0.1900
Crude - Brent		\$79.2800	\$0.8500
Natural Gas		\$2.8150	-\$0.0210
Gasoline		\$2.2499	\$0.0451



EIA Weekly Petroleum Status Report for the Week Ending May 11, 2018

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 1.404 million barrels
 Cushing, OK Crude Stocks Up 53,000 barrels
Gasoline Stocks Down 3.79 million barrels
Distillate Stocks Down 92,000 barrels
Refinery % Operated 91.1%, Up 0.7%

PADD #1

Distillate Stocks (in million bbls)	Week Ending May 11, 2018	Week Ending May 4, 2018	Week Ending May 12, 2017
New England	4.6	4.5	8.2
Central Atlantic	15.7	16.8	33.0
Total PADD #1	32.1	32.1	54.1
Distillate Imports (thousands b/d)	65	83	119