

Market Commentary

Recap: WTI slipped on Thursday, pressured by unexpected builds in U.S. distillate and gasoline inventories as reported by the EIA. Trader's pushed prices higher on their initial reaction to the report, which showed a draw of 3.6 million barrels in U.S. crude oil inventories; however the production numbers far outweighed the crude oil number. The pressure on WTI helped to widening Brent's premium to a 3-year high, as the August spread traded out to -\$11.65. Brent continues to fare better on prospects of OPEC ramping up output. July WTI fell \$1.147, or 1.72%, to settle at \$67.04 a barrel, while August Brent closed up 9 cents, or 0.12%, to settle at \$77.59 a barrel.

June RBOB fell 1.1% to \$2.160 a gallon, with the contract up roughly 1.5% for the month, according to WSJ Market Data Group. June heating oil fell 1.8% to \$2.191 a gallon, ending up 1.1% for the month. The June contracts expired at the session's end.

Fundamental News: The EIA reported that US crude oil production increased by 215,000 bpd to 10.47 million bpd in March, the highest level on record. Production in Texas increased by 4% to 4.2 million bpd while output from North Dakota held around 1.2 million bpd and output in the federal Gulf of Mexico fell by 1.1% to 1.7 million bpd. The EIA also revised February's oil production down by 5,000 bpd to 10.26 million bpd. US natural gas production in the lower 48 states increased to 88.8 billion cubic feet/day in March, up from 87.7 bcf/d in February.

The FUP, Brazil's largest oil workers association, recommended that members suspended a 72 hour strike they began on Wednesday, after a court said the group would be fined 2 million reais or \$537,000 per each day the strike continued. According to the union, workers at 21 rigs in the Bacia de Campos basin, responsible for almost to half of Brazil's oil production, had walked off the job.

According to cFlow, S&P Global Platts trade flow software, the volume of distillates set to arrive in Northwest Europe and the Mediterranean from the US Gulf Coast in June was around 760,000 metric tons on Tuesday. This is up from May arrivals that totaled 835,000 metric tons.

A Russian Energy Ministry official said Russia would be able to raise its oil output back to pre-cut levels within months if there is a decision to ease the cuts. Russia agreed to cut its output by 300,000 bpd from 11.247 million bpd in October 2016 as part of a deal to tighten the market and lift prices. The OPEC and non-OPEC output cut agreement is valid until the end of 2018 and is due to be reviewed by OPEC and non-OPEC producers on June 22-23 in Vienna.

According to a Reuters survey, OPEC's oil output in May fell by 70,000 bpd on the month to 32 million bpd, the lowest level since April 2017. The fall in output was led by declines in Nigeria and Venezuela. The OPEC members subject to oil supply targets achieved 163% of pledged cuts in May, down from 166% in April.

Kazakhstan's crude and condensate production in May is expected to reach record levels as OPEC and non-OPEC producers begin to discuss easing supply restrictions. The country's monthly average output is seen at 1.921 million bpd compared with 1.917 million bpd in February.

Argus reported that Venezuela's crude oil output in May fell by about 20,000 bpd on the month, with the decline coming from the Orinoco belt.

Early Market Call - as of 8:40 AM EDT

WTI - July \$66.38, down 67 cents
 RBOB - July \$2.1552, down 52 points
 HO - July \$2.1899, down 1.43 cents

All NYMEX | Prior Settlements

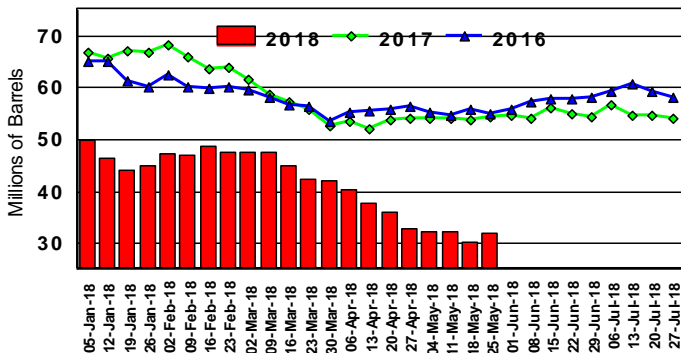
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jun-18	\$2.1914	-\$0.0403	-\$0.0753
Jul-18	\$2.2046	-\$0.0209	-\$0.0579
Aug-18	\$2.2072	-\$0.0179	-\$0.0547
Sep-18	\$2.2109	-\$0.0170	-\$0.0541
Oct-18	\$2.2132	-\$0.0162	-\$0.0532
Nov-18	\$2.2141	-\$0.0157	-\$0.0525
Dec-18	\$2.2131	-\$0.0153	-\$0.0511
Jan-19	\$2.2145	-\$0.0147	-\$0.0498
Feb-19	\$2.2126	-\$0.0136	-\$0.0479
Mar-19	\$2.2064	-\$0.0117	-\$0.0454
Apr-19	\$2.1801	-\$0.0097	-\$0.0434
May-19	\$2.1886	-\$0.0094	-\$0.0436
Jun-19	\$2.1830	-\$0.0099	-\$0.0445
Jul-19	\$2.1801	-\$0.0095	-\$0.0442
Aug-19	\$2.1801	-\$0.0094	-\$0.0441
Sep-19	\$2.1858	-\$0.0095	-\$0.0444
Oct-19	\$2.1913	-\$0.0095	-\$0.0454

Sprague HeatCurve Oct 2018-April 2019			\$2.2109
Other Front Month NYMEX		Close	Change
Crude - WTI	July Brent- WTI Spread	\$67.0400	-\$1.1700
Crude - Brent		\$77.5900	\$0.0900
Natural Gas	\$10.55	\$2.9520	\$0.0670
Gasoline		\$2.1603	-\$0.0239

EIA Natural Gas Storage Report				
	25-May-18	18-May-18	Change	Year Ago
East	328	299	29	415
Midwest	315	288	27	582
Mountain	113	107	6	166
Pacific	221	213	8	257
South Central	748	722	26	1,094
Salt	235	226	9	341
Nonsalt	514	496	18	753
Total	1,725	1,629	96	2,513

EIA Weekly Petroleum Status Report for the Week Ending May 25, 2018

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 3.62 million barrels
 Cushing, OK Crude Stocks Down 556,000 barrels
Gasoline Stocks Up 534,000 barrels
Distillate Stocks Up 634,000 barrels
Refinery % Operated 93.9%, Up 2.1%

PADD #1

Distillate Stocks (in million bbls)	Week Ending May 25, 2018	Week Ending May 18, 2018	Week Ending May 26, 2017
New England	4.3	4.1	8.0
Central Atlantic	15.3	15.3	33.1
Total PADD #1	31.7	30.0	54.4
Distillate Imports (thousands b/d)	199	24	45