

Market Commentary

Recap: On Tuesday, the oil market extended Friday's rebound following the long Memorial Day weekend. The market weighed Friday's Baker Hughes report showing that the number of rigs searching for oil fell to the lowest level since March 2018 and the escalating US-Iran tensions. Over the weekend, a top Iranian oil official said the country would be prepared to respond to a possible confrontation with the US after the Trump administration dispatched troops to the region and arranged the sale of billions of dollars in weapons to its Arab allies. The market was further supported by reports that flooding in the Midwest constrained crude flow from Cushing, Oklahoma. The National Weather Service said up to 19 inches of rain has fallen so far in parts of Oklahoma over the month of May, with more on the way. The crude market rallied to a high of \$59.57 early in the session before it gave up some of its gains and settled in a sideways trading range. The July WTI contract settled up 51 cents at \$59.14, while the July Brent contract settled unchanged on the day at \$70.11. Meanwhile, the product markets ended the session higher once again, with the heating oil market settling up 2.12 cents at \$1.9925 and the RBOB market settling up 2.22 cents at \$1.9567.

Technical Analysis: The crude market will continue to trade within last Thursday's trading range as it trends higher amid the constraints seen in Cushing. The weather forecasts are still calling for more rain in the region, which will continue to impact the distribution hubs. The market will also remain supported ahead of the release of the API and DOE reports on Wednesday evening and Thursday morning, respectively, which are expected to show a draw in crude stocks of about 800,000 barrels. The market is seen finding resistance at its high of \$59.57, \$60, \$61.41 and \$63.00. Meanwhile, support is seen at \$58.13, \$57.50, \$57.33 and \$56.04.

Fundamental News: Urals crude supplies to Poland and Germany via the Druzhba pipeline is planned at 65,000 tons/day after the pipeline restarts in June. Supplies are expected to be fully restored to a normal level of 145,000 tons/day in July.

India's oil production in April fell by 6.9% on the year to 2.71 million tons, while its natural gas output fell by 0.3% to 2.66 billion cubic meters. India's refinery output increased by 4.3% to 20.7 million tons.

Norway's statistics agency (SSB) said oil and gas companies working in the country have increased their 2019 and 2020 investment forecasts as they add more field development plans. Higher investment increases the prospect for further interest rate hikes by Norway's central bank. Investments are now seen at a four-year high of 183.7 billion Norwegian crowns or \$21.11 billion in 2019, up from 172.7 billion crowns seen in February. In 2020, investments are projected to total 172.4 billion crowns, up from a previous estimate of 158.5 billion crowns.

An Iranian Foreign Ministry spokesman, Abbas Mousavi, said Iran sees no prospect of negotiations with the US, a day after US President, Donald Trump, said a deal with Iran on its nuclear program was possible. Meanwhile, Iran's Vice President, Eshaq Jahangiri, said the country was not allowed to pursue the development of nuclear weapon as this was banned by Supreme Leader, Ayatollah Ali Khamenei.

The US West Texas Intermediate crude roll for June/July weakened on Tuesday after an outage on the 360,000 bpd Ozark crude pipeline, which runs from Cushing, Oklahoma to Wood River, Illinois. Pipeline flow is currently averaging an estimated 1,000 bpd this week so far. The WTI cash roll was last bid at about minus 40 cents on Tuesday, compared with -20 cents on Friday ahead of the long holiday weekend.

Early Market Call - as of 8:20 AM EDT

WTI - July \$57.26, down \$1.88

RBOB - June \$1.9059, down 5.18 cents

HO - June \$1.9500, down 4.23 cents

All NYMEX | Prior Settlements

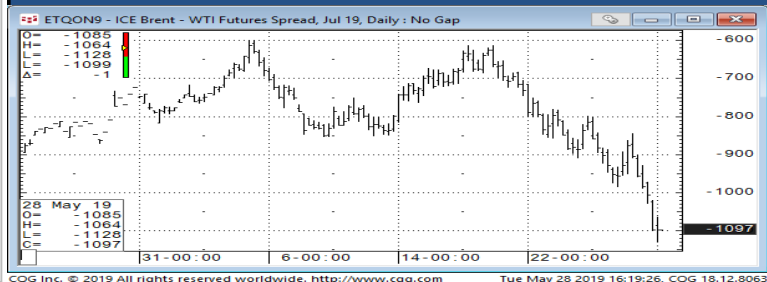
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jun-19	\$1.9925	\$0.0212	-\$0.0869
Jul-19	\$1.9938	\$0.0218	-\$0.0889
Aug-19	\$1.9981	\$0.0224	-\$0.0899
Sep-19	\$2.0051	\$0.0228	-\$0.0894
Oct-19	\$2.0120	\$0.0231	-\$0.0881
Nov-19	\$2.0174	\$0.0233	-\$0.0866
Dec-19	\$2.0203	\$0.0235	-\$0.0854
Jan-20	\$2.0218	\$0.0234	-\$0.0846
Feb-20	\$2.0171	\$0.0232	-\$0.0834
Mar-20	\$2.0069	\$0.0229	-\$0.0815
Apr-20	\$1.9915	\$0.0225	-\$0.0796
May-20	\$1.9812	\$0.0220	-\$0.0783
Jun-20	\$1.9748	\$0.0216	-\$0.0770
Jul-20	\$1.9728	\$0.0215	-\$0.0749
Aug-20	\$1.9719	\$0.0212	-\$0.0730
Sep-20	\$1.9717	\$0.0209	-\$0.0714
Oct-20	\$1.9707	\$0.0206	-\$0.0700

Sprague HeatCurve Oct 2019-Apr 2020

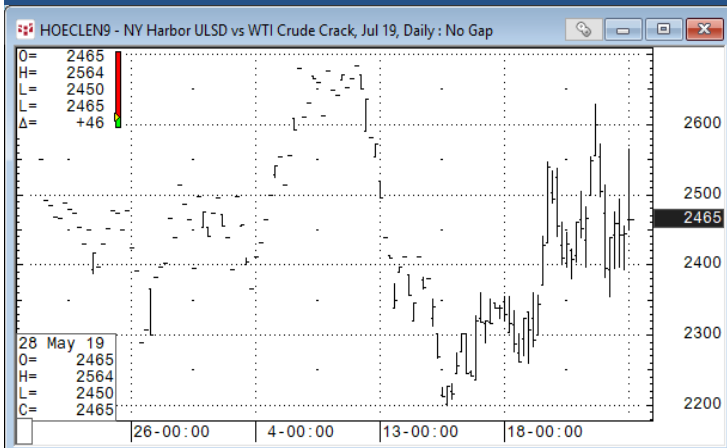
\$2.0145

Other Front Month NYMEX		Close	Change
Crude - WTI	July Brent-	\$59.1400	\$0.5100
Crude - Brent	WTI Spread	\$70.1100	unchanged
Natural Gas	\$10.97	\$2.5820	-\$0.0160
Gasoline		\$1.9567	\$0.0222

ICE July Brent-WTI Spread



July Heating Oil Crack Spread



July RBOB Crack Spread

