

## Market Commentary

**Recap:** Oil prices were mixed right out of the gate, with Brent posting early gains, while WTI remained below unchanged. This scenario lasted up until the release of the EIA report, which showed a 4.1 million barrel draw in U.S. crude oil inventories. Expectations were calling for a decrease of 2.7 million barrels. July WTI shot up 62 cents, or 0.9%, to a fresh high of \$66.85 before falling into a state of equilibrium, trading within a 23 cent range during a mid-afternoon lull, but remained above unchanged. A successful last ditch effort to break out of the sideways trading pattern ensued, with traders being able to push this market to a new high of \$66.89. Brent followed suit, trading at a new high of \$76.87. The rally ran out of steam, and gains were slightly trimmed, with July WTI settling at \$66.64 a barrel, up 28 cents, or 0.42% and the highest settlement since May 31. August Brent added 86 cents, or 1.13%, to settle at \$76.74 a barrel.

July RBOB finished up 1.7% to \$2.125 a gallon, while July heating oil added 1.1% to \$2.185 a gallon.

**Fundamental News:** US President Donald Trump renewed his attack on OPEC and again criticized the coalition of petroleum producing countries for rising oil prices. In a tweet, he said oil prices are too high. He blamed OPEC for high oil prices. In response, Iran accused him of stoking volatility after he withdrew from the nuclear agreement last month. Iran's OPEC governor, Hossein Kazempour Ardebili, said "you cannot place sanctions on two OPEC founder members and still blame OPEC for oil price volatility."

A spokesman for the Atomic Energy Organization of Iran said Iran will begin uranium enrichment at its Fordow plant and will install new nuclear equipment at its Natanz facility if it withdraws from a nuclear deal with major powers.

The IEA stated that Iran and Venezuela could lose about 30% of their oil output next year due to US sanctions and economic problems, requiring extra supplies from OPEC's Gulf members. The IEA said new oil supply from outside OPEC, particularly US shale, should be enough to cover growth in demand. However countries such as Saudi Arabia may still need to increase output to compensate for lost supply from other members. The IEA also stated that spare production capacity held by OPEC members in the second half of 2019 could fall to 1.5 million bpd, its lowest level since the end of 2016, if supplies from Iran are impacted by sanctions and Venezuela's output continues to fall. OPEC's spare capacity is about 3.4 million bpd, with Saudi Arabia holding about 60%. The IEA oil demand is expected to increase steadily in 2019 thanks to a solid economy but added that the world may face a large supply gap by late next year if OPEC cannot cover any supply shortfalls. It expects global oil demand to increase by 1.4 million bpd in 2019 to top 100 million bpd by the second quarter of the year. The agency expects demand to increase by the same rate this year, unchanged from its last report in May.

Russia plans to propose that OPEC and its allies be allowed to return production to October 2016 levels, rolling back most but not all of their output cuts within three months. The countries would proportionally share a 1.8 million bpd increase to their output limit starting as soon as July.

The boom in US shale shipments has surpassed OPEC's production cuts and pushed millions of barrels into European waters, where more crude is being stored on ships than at any time in the last 18 months. At a monthly average in May of 12.9 million barrels, or 26% of total global floating storage, Europe had more oil in floating storage than the Asia-Pacific region at 9.7 million barrels. In March-April, Europe's share was 10% compared with 40% in Asia-Pacific.

**Early Market Call - as of 8:40 AM EDT**

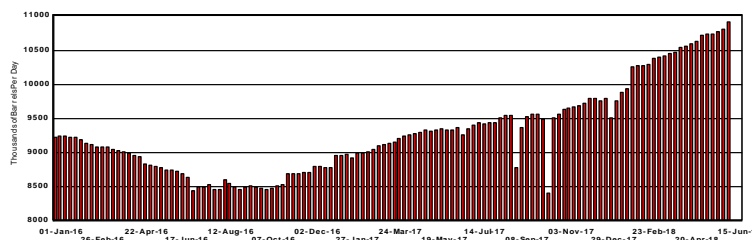
WTI - July \$67.11, up 48 cents  
 RBOB - July \$2.1162, down 87 points  
 HO - July \$2.1802, down 51 points

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-18	\$2.1851	\$0.0233	\$0.0585
Aug-18	\$2.1875	\$0.0231	\$0.0552
Sep-18	\$2.1908	\$0.0227	\$0.0532
Oct-18	\$2.1950	\$0.0226	\$0.0531
Nov-18	\$2.1988	\$0.0223	\$0.0523
Dec-18	\$2.2006	\$0.0219	\$0.0513
Jan-19	\$2.2045	\$0.0218	\$0.0503
Feb-19	\$2.2050	\$0.0213	\$0.0499
Mar-19	\$2.1995	\$0.0203	\$0.0488
Apr-19	\$2.1797	\$0.0194	\$0.0450
May-19	\$2.1782	\$0.0191	\$0.0443
Jun-19	\$2.1738	\$0.0189	\$0.0453
Jul-19	\$2.1765	\$0.0193	\$0.0483
Aug-19	\$2.1797	\$0.0191	\$0.0487
Sep-19	\$2.1861	\$0.0194	\$0.0488
Oct-19	\$2.1909	\$0.0191	\$0.0478
Nov-19	\$2.1947	\$0.0184	\$0.0475

Sprague HeatCurve Oct 2018-April 2019		\$2.1610	
Other Front Month NYMEX		Close	Change
Crude - WTI	Aug Brent- WTI Spread	\$66.5200	\$0.2400
Crude - Brent	\$10.22	\$76.7400	\$0.8600
Natural Gas		\$2.9630	\$0.0240
Gasoline		\$2.1252	\$0.0353

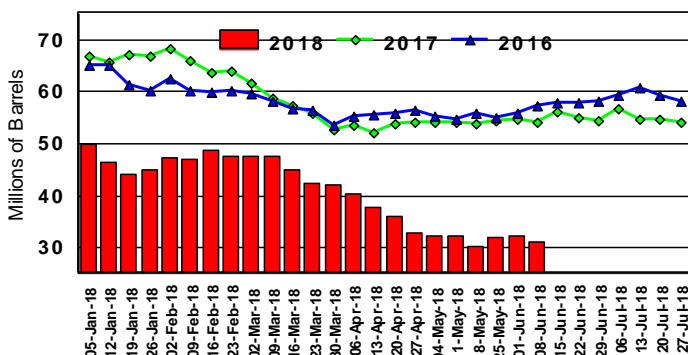
### U.S. Domestic Crude Production



## EIA Weekly Petroleum Status Report for the Week Ending June 8, 2018

### Distillate Stocks

#### PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Down 4.1 million barrels  
 Cushing, OK Crude Stocks Down 700,000 barrels  
**Gasoline Stocks** Down 2.3 million barrels  
**Distillate Stocks** Down 2.1 million barrels  
**Refinery % Operated** 95.7%, Up 0.3%

#### PADD #1

Distillate Stocks (in million bbls)	Week Ending June 8, 2018	Week Ending June 1, 2018	Week Ending June 9, 2017
New England	4.3	4.5	8.3
Central Atlantic	14.7	16.0	32.7
Total PADD #1	30.8	32.2	54.1
Distillate Imports (thousands b/d)	104	146	61