

Market Commentary

Recap: Despite the shocking 12.6 million barrel draw in U.S. crude oil inventories, oil prices plunged on Wednesday. The decrease in inventories was offset by a 500,000 barrel per day jump in Saudi Arabia's oil production during the month of June. Upon the release of the EIA report, oil prices shot up to the highs of the day, but were unable to sustain strength. August WTI peaked at \$74.26, just above Tuesday's settlement of \$74.11, while Brent for September delivery missed the settlement mark of \$78.86, topping out at \$78.83. Both blends resumed their early session sell-off, falling a fresh 2-week low. Losses were slightly pared going into the settlement phase of the session, with August WTI settling at \$70.38 a barrel, down \$3.73, or 5.03%, and September Brent falling 45.46, or 6.92%, to settle at \$73.40 a barrel.

Heating oil slipped below \$2.10 a gallon for the first time in almost 3 weeks after the EIA reported a 4.1 million barrel draw in U.S. distillate stocks. Pressure in the heating oil forced a narrowing of crack spreads, with the August heating oil/WTI crack spread narrowing by \$1.36, to \$17.85. August heating oil fell 12.1 cents, or 5.5%, to \$2.1008 a gallon. This was the largest one-day drop for heating oil on a percentage basis since July 13, 2016. August RBOB fell 4.6%, or 9.89 cents, to \$2.0614 a gallon, marking its sharpest session decline since Sept. 1, 2017.

Fundamental News: Ali Akbar Velayati, a top adviser to Iran's Supreme Leader Ayatollah Ali Khamenei will meet Russia's Energy Minister, Alexander Novak, during a visit to Moscow. He is also scheduled to meet with Russia's President, Vladimir Putin, during the visit, which will be part of efforts to make Iran's stance clear after the US withdrawal from the nuclear deal.

According to Bloomberg, crude imports to the US Gulf Coast fell by 849,211 bpd to 2.19 million bpd in the week ending July 6th.

In its monthly report, OPEC forecast world demand for its crude will fall next year as growth in consumption declines and non-OPEC producers increase their production. OPEC said demand for its crude will average 32.18 million bpd of crude oil, down 760,000 bpd from this year. Global oil demand growth in 2019 is expected to slow to 1.45 million bpd from 1.65 million bpd this year. It said its oil output in June increased to 32.33 million bpd, above the demand forecast. Saudi Arabia produced 10.489 million bpd in June, up 459,000 bpd on the month and above its OPEC target. OPEC also reported that OECD oil inventories increased in May and stood at 40 million barrels below the latest 5-year average. It sees non-OPEC oil supply increasing by 2.1 million bpd, up from a previous growth forecast of 2 million bpd.

Libya's National Oil Corp said that four export terminals were reopening after eastern factions handed over the ports, ending a standoff that had shut down most of the country's oil output. It said production and export operations would be restored on Wednesday, though the restart at Es Sider and Ras Lanuf, where workers were evacuated and storage tanks damaged in fighting last month, was expected to be gradual. A force majeure was lifted on the ports of Ras Lanuf, Es Sider, Zueitina and Hariga. A tanker at the Hariga port was due to start loading 1 million barrels of crude on Wednesday afternoon.

IIR Energy reported that US oil refiners are expected to shut in 628,000 bpd of capacity in the week ending July 13th, cutting available refining capacity by 383,000 bpd from the previous week. IIR expects offline capacity to increase to 737,000 bpd in the week ending July 20th.

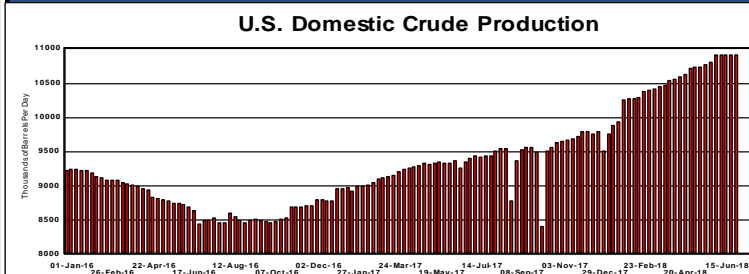
Early Market Call - as of 8:50 AM EDT

WTI - Aug \$70.93, up 56 cents
 RBOB - Aug \$2.0814, up 1.99 cents
 HO - Aug \$2.1168, up 1.64 cents

All NYMEX | Prior Settlements

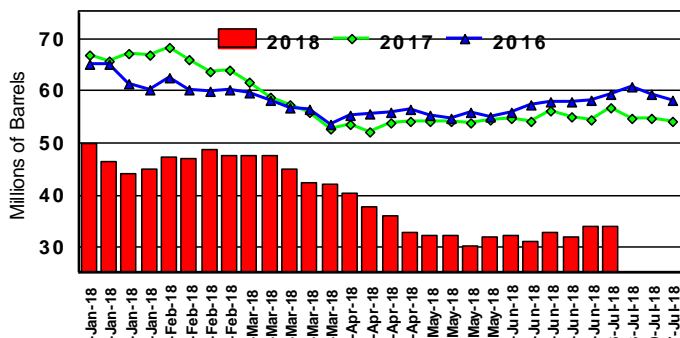
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-18	\$2.1008	-\$0.1210	-\$0.0634
Sep-18	\$2.1064	-\$0.1209	-\$0.0647
Oct-18	\$2.1124	-\$0.1212	-\$0.0651
Nov-18	\$2.1179	-\$0.1211	-\$0.0649
Dec-18	\$2.1229	-\$0.1202	-\$0.0655
Jan-19	\$2.1285	-\$0.1193	-\$0.0657
Feb-19	\$2.1278	-\$0.1185	-\$0.0647
Mar-19	\$2.1204	-\$0.1176	-\$0.0631
Apr-19	\$2.1133	-\$0.1153	-\$0.0615
May-19	\$2.1018	-\$0.1120	-\$0.0596
Jun-19	\$2.0997	-\$0.1087	-\$0.0573
Jul-19	\$2.1063	-\$0.1062	-\$0.0557
Aug-19	\$2.1133	-\$0.1046	-\$0.0548
Sep-19	\$2.1216	-\$0.1033	-\$0.0551
Oct-19	\$2.1272	-\$0.1030	-\$0.0555
Nov-19	\$2.1342	-\$0.1023	-\$0.0542
Dec-19	\$2.1454	-\$0.1018	-\$0.0532

Sprague HeatCurve Oct 2018-April 2019		\$2.1220	
Other Front Month NYMEX		Close	Change
Crude - WTI	Sep Brent- WTI Spread	\$68.8600	-\$3.7000
Crude - Brent	\$4.54	\$73.4000	-\$5.4600
Natural Gas		\$2.8290	\$0.0410
Gasoline		\$2.0614	-\$0.0989



EIA Weekly Petroleum Status Report for the Week Ending July 6, 2018

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 12.633 million barrels
 Cushing, OK Crude Stocks Down 2.062 million barrels
Gasoline Stocks Down 694,000 barrels
Distillate Stocks Up 4.125 million barrels
Refinery % Operated 96.7%, Down 0.4%

PADD #1

Distillate Stocks (in million bbls)	Week Ending July 6, 2018	Week Ending June 29, 2018	Week Ending July 7, 2017
New England	5.3	4.9	9.1
Central Atlantic	17.4	15.6	34.5
Total PADD #1	33.8	33.8	56.7
Distillate Imports (thousands b/d)	54	62	83