

Market Commentary

Recap: Oil prices were mixed on Thursday, with U.S. oil trading higher for most of the session, while Brent was held under pressure, as traders reacted to the 8 million barrel build in U.S. crude oil inventories and the possibility of U.S. sanctions on Venezuelan oil exports. WTI for March delivery rose as much as 1.6 percent reaching a high of \$53.47 before paring gains to settle at \$53.13 a barrel, up 51 cents or 0.97 percent. March Brent posted a modest loss of 5 cents, to settle at \$61.09 a barrel. February RBOB added 0.1% to \$1.388 a gallon, while February heating oil slipped 0.2% to \$1.886 a gallon.

In comparison to the same period last year, demand for gasoline in the U.S. is moderately weak, while at the same time, production appears to be ahead of pace. During the week ending Jan 18th, U.S. gasoline stocks jumped 4.1 million barrels, marking the eighth straight week of gains. This scenario has begun to put pressure on refining margins. These two factors, along with record level U.S. gasoline inventories have begun to put pressure on refining margins. The March19 RBOB crack fell 43 cents to settle at \$5.82.

Fundamental News: The EIA reported that US crude oil stocks increased sharply in the week ending January 18th as refineries cut output, while gasoline stocks increased and distillate stocks fell. Crude oil inventories built by 8 million barrels on the week, compared with market expectations of a 42,000 barrel draw. Refinery crude runs fell by 174,000 bpd. Gasoline stocks increased by 4.1 million barrels to 259.7 million barrels, the highest level on record, while distillate stocks fell by 617,000 barrels on the week. Net US crude oil imports increased by 1.6 million bpd on the week.

Venezuela's Defense Minister, Vladimir Padrino, said that Nicolas Maduro was the country's legitimate president and that the opposition was carrying out a coup after Juan Guaido, the leader of Congress, declared himself president. He said the US and other governments were carrying out an economic war against Venezuela.

OPEC's Secretary General, Mohammad Barkindo, said OPEC and its allies do not rule out taking further action at their next meeting in April should oil inventories increase above the five-year average in the first quarter.

Russia's Energy Minister, Alexander Novak, said there have been no proposals to convene an emergency meeting of the OPEC and non-OPEC monitoring committee because of political turmoil in OPEC member, Venezuela.

Rystad Energy stated the US is on track to produce more crude oil and liquids than Russia and Saudi Arabia put together by 2025. US liquids output is expected to surpass 24 million bpd over the next six years, assuming average US crude prices of \$58/barrel during the period. The growth in US liquids production will be driven by major shale basins such as the Permian in parts of Texas and New Mexico.

White House National Security Adviser, John Bolton, said the Trump administration believes revenues should go to the "legitimate" Venezuelan government led by interim President Juan Guaido. He said the administration is focused on disconnecting Nicolas Maduro from revenue sources.

Early Market Call - as of 8:20 AM EDT

WTI - Mar \$53.23, up 10 cents
 RBOB - Feb \$ 1.3865, down 12 points
 HO - Feb \$1.8867, up 19 points

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-19	\$1.8856	-\$0.0030	\$0.0013
Mar-19	\$1.8799	-\$0.0035	\$0.0022
Apr-19	\$1.8695	-\$0.0034	\$0.0053
May-19	\$1.8673	-\$0.0031	\$0.0070
Jun-19	\$1.8708	-\$0.0028	\$0.0070
Jul-19	\$1.8798	-\$0.0024	\$0.0072
Aug-19	\$1.8885	-\$0.0024	\$0.0071
Sep-19	\$1.8983	-\$0.0025	\$0.0073
Oct-19	\$1.9073	-\$0.0029	\$0.0072
Nov-19	\$1.9156	-\$0.0030	\$0.0068
Dec-19	\$1.9227	-\$0.0030	\$0.0063
Jan-20	\$1.9291	-\$0.0032	\$0.0060
Feb-20	\$1.9297	-\$0.0032	\$0.0058
Mar-20	\$1.9260	-\$0.0032	\$0.0052
Apr-20	\$1.9168	-\$0.0037	\$0.0045
May-20	\$1.9137	-\$0.0044	\$0.0025
Jun-20	\$1.9130	-\$0.0050	\$0.0009

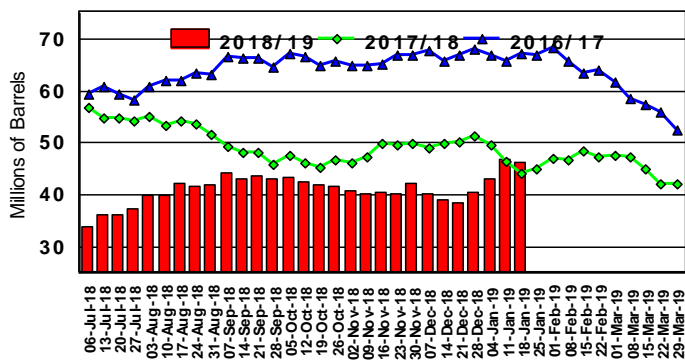
Other Front Month NYMEX		Close	Change
Crude - WTI	Mar Brent-	\$53.1300	\$0.5100
Crude - Brent	WTI Spread	\$61.0900	-\$0.0500
Natural Gas	\$7.96	\$3.0990	\$0.1190
Gasoline		\$1.3876	\$0.0019

EIA Weekly Report

	18-Jan-19	11-Jan-19	Change	Year Ago
East	566	620	-54	563
Midwest	673	729	-56	646
Mountain	121	127	-6	147
Pacific	185	196	-11	235
South Central	823	861	-38	746
Salt	295	303	-8	159
Nonsalt	528	557	-29	588
Total	2,370	2,533	-163	2,337

EIA Weekly Petroleum Status Report for the Week Ending January 18, 2019

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 7.97million barrels
 Cushing, OK Crude Stocks Down 190,000 barrels
Gasoline Stocks Up 4.05 million barrels
Distillate Stocks Down 617,000 barrels
Refinery % Operated 92.9%, Down 1.7%

PADD #1

Distillate Stocks (in million bbls)	Week Ending Jan 18, 2019	Week Ending Jan 11, 2019	Week Ending Jan 18, 2018
New England	8.9	8.9	6.4
Central Atlantic	25.6	25.2	25.5
Total PADD #1	46.1	46.8	44.0
Distillate Imports (thousands b/d)	322	314	231