

Market Commentary

Recap: Crude oil prices posted moderate gains following a reduction in Saudi production and fear that U.S. sanctions against Iran could lead to supply shortfalls. September WTI climbed back toward \$70 a barrel, but for the second straight session lacked enough strength to surpass it. In the meantime, October Brent rose to its highest level in 5 sessions, peaking the day at \$75.05. Tuesday marked the second straight day of gains as traders weigh in on the aforementioned factors. October Brent settled at \$74.65 a barrel, up 90 cents, while WTI for September delivery tacked on 16 cents, or 0.23%, to settle at \$69.17 a barrel.

September RBOB rose less than 0.1% to \$2.0651 a gallon, while September heating oil added 1.2 cents, or 0.6%, to \$2.1392 a gallon.

Fundamental News: New US sanctions against Iran took effect on Tuesday and US President Donald Trump vowed that firms doing business with Iran would be barred from conducting business with the US. Iran dismissed a last minute offer from the Trump administration for talks, saying it could not negotiate while the US had reneged on the 2015 nuclear agreement to lift sanctions in return for curbs on Iran's nuclear program.

In its Short Term Energy Outlook, the EIA cut its 2018 world oil demand growth forecast by 60,000 bpd to 1.66 million bpd. It also cut its oil demand growth estimate for 2019 by 140,000 bpd to 1.57 million bpd. World oil demand in 2018 is forecast to total 100.09 million bpd while demand in 2019 is forecast to total 101.66 million bpd. The EIA reported that OPEC production is expected to fall by 330,000 bpd to 32.35 million bpd in 2018 and fall further by 260,000 bpd in 2019 to 32.09 million bpd. OECD inventories in 2018 is forecast to fall by 3.3 million barrels to 2.811 billion barrels and increase by 9.8 million barrels to 2.909 billion barrels in 2019. Total US oil demand in 2018 is forecast to increase by 470,000 bpd to 20.35 million bpd while demand in 2019 is forecast to increase by 290,000 bpd to 20.64 million bpd. Gasoline demand is expected to fall by 10,000 bpd to 9.31 million bpd in 2018 but increase by 70,000 bpd to 9.38 million bpd. Distillate demand is expected to increase by 170,000 bpd to 4.11 million bpd in 2017 and by 40,000 bpd to 4.15 million bpd in 2019. US oil production in 2018 is forecast to increase by 1.31 million bpd to 10.68 million bpd while production in 2019 is expected to increase by 1.02 million bpd to 11.7 million bpd. The EIA expects Brent spot prices to average \$78/barrel in 2018 and \$71/barrel in 2019 while the price of WTI is expected to average about \$6/barrel below the price of Brent in 2018 and 2019. In regards to gasoline prices, the EIA expects regular gasoline prices to average \$2.76/gallon in 2018 and 2019.

PDVSA's President, Manuel Quevedo, said the company is in talks with ConocoPhillips following the US company's move to seize assets in the Caribbean as part of a decade-long nationalization dispute. A Conoco executive said that the company was in talks with Venezuela over a \$2 billion arbitration award.

Separately, PDVSA has limited the damage from an unprecedented decline in crude exports by transferring oil between tankers at sea and loading vessels in neighboring Cuba to avoid asset seizures. Venezuela is fulfilling less than 60% of its obligations under supply deals with customers. PDVSA has managed to export about 1.3 million bpd of oil since early July, up from 765,000 bpd in the first half of June. It was 59% of the country's 2.19 million bpd in contractual obligations to customers for that period, and some vessels are still waiting for weeks in Venezuelan waters to load oil. There are about two dozen tankers waiting this week to load over 22 million barrels of crude and refined products at the country's largest ports.

Early Market Call - as of 8:40 AM EDT

WTI - Sep \$68.28, down 89 cents

RBOB - Sep \$2.0765, down 2.77 cents

HO - Sep \$2.1580, down 1.13 cents

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-18	\$2.1691	\$0.0298	\$0.0317
Oct-18	\$2.1742	\$0.0291	\$0.0289
Nov-18	\$2.1772	\$0.0285	\$0.0266
Dec-18	\$2.1800	\$0.0284	\$0.0266
Jan-19	\$2.1836	\$0.0282	\$0.0262
Feb-19	\$2.1799	\$0.0274	\$0.0245
Mar-19	\$2.1704	\$0.0261	\$0.0223
Apr-19	\$2.1541	\$0.0249	\$0.0217
May-19	\$2.1501	\$0.0239	\$0.0216
Jun-19	\$2.1451	\$0.0228	\$0.0203
Jul-19	\$2.1481	\$0.0217	\$0.0188
Aug-19	\$2.1541	\$0.0212	\$0.0180
Sep-19	\$2.1625	\$0.0210	\$0.0184
Oct-19	\$2.1699	\$0.0207	\$0.0183
Nov-19	\$2.1765	\$0.0201	\$0.0168
Dec-19	\$2.1851	\$0.0195	\$0.0164
Jan-20	\$2.1986	\$0.0194	\$0.0156

Sprague HeatCurve Oct 2018-April 2019 **\$2.1764**

Other Front Month NYMEX		Close	Change
Crude - WTI	Oct Brent-	\$68.3300	\$0.3900
Crude - Brent	WTI Spread	\$74.6500	\$0.9000
Natural Gas	\$6.32	\$2.8970	\$0.0370
Gasoline		\$2.1040	\$0.0389

API Report for the Week Ending August 3, 2018

	Actual	Mkt Expectations
Crude Oil Stocks(excluding SPR)	Down 6 million barrels	Down 3.7 million barrels
Cushing, OK Crude Stocks	Down 576,000 barrels	
Gasoline Stocks	Up 3.1 million barrels	Down 1.9 million barrels
Distillate Stocks	Up 1.8 million barrels	Up 550,000 barrels
Refinery Runs	Up 132,000 bpd	Down 0.4%

NYMEX Sep-Oct WTI Spread



NYMEX Sep-Oct Heating Oil Spread

