

Market Commentary

Recap: Oil prices were mixed in early hour trading, with August WTI spending the overnight session trading in a sideways pattern, close to Friday's settlement of \$68.58, while August Brent slipped more than 2%, reaching an overnight low of \$73.75. While all of Brent and the balance of the calendar in WTI fell weak, August WTI made a successful push through Friday's high, peaking the session at \$69.44. Its rally was short-lived however, as this spot contract succumbed to pressure, pushing its way through the \$68.00 level, but failing to achieve a test at \$67.51, the 50-day moving average. Losses were pared, with August WTI settling at \$68.08 a barrel, down 50 cents, or 0.73%, and August Brent falling 82 cents, or 1.09%, to settle at \$74.73 a barrel.

July RBOB fell 0.9% to \$2.052 a gallon, while July heating oil shed 1.2% to \$2.10 a gallon.

Fundamental News: OPEC agreed with Russia and other oil-producing allies on Saturday to raise output starting in July, with Saudi Arabia pledging a measurable supply increase. Non-OPEC producers agreed to participate in the agreement, however a communique issued after talks with OPEC provided no concrete numbers amid disagreements between Saudi Arabia and Iran. OPEC and non-OPEC producers said that they would raise supply by returning to 100% compliance with previously agreed output cuts. Saudi Arabia's Energy Minister, Khalid al-Falih, said OPEC and non-OPEC producers would produce an extra 1 million bpd in coming months, equal to 1% of global supply. Russia's Energy Minister, Alexander Novak, said his country would add 200,000 bpd in the second half of the year. Meanwhile, Iran's Oil Minister, Bijan Zanganeh, said the real increase could amount to as little as 500,000 bpd because Saudi Arabia would not be allowed to produce more on behalf of Venezuela.

US Energy Secretary, Rick Perry, said he believes a deal between OPEC and non-OPEC countries reached last week may not be enough to relieve global oil markets that are stressed by supply constraints.

Algeria's Prime Minister, Ahmed Ouyahia, said an agreement by OPEC oil producers to raise output will rein in prices.

Saudi Aramco said it has spare capacity of 2 million bpd and can meet additional oil demand in case of any interruption in supplies. Saudi Aramco is producing about 10 million bpd and has the capacity to produce 12 million bpd. He expects OPEC's decision to be implemented very soon.

The head of Russia's sovereign wealth fund, Kirill Dmitriev, said the joint deal by OPEC and non-OPEC producing allies to raise output demonstrates the strength of the Russia-Saudi energy alliance, which will help stabilize the market for many years to come.

Goldman Sachs said greater clarity on a large increase in OPEC and non-OPEC production has reduced the upside risk to our price forecast in the second half of 2018. It said that with the global market pricing to pull crude out of the US, the loss of US supplies will exacerbate the current global deficit, making the increase in OPEC production all the more required. It said its base case remains that Brent prices will fall to \$75/barrel by year end. Goldman Sachs believes that the core OPEC and Russia production increase will target higher output, stable inventories and not a sharp fall in prices. Separately, Goldman Sachs warned that an outage at Syncrude Canada's oil sands facility could leave North America short of 360,000 bpd of supply for all of July.

IIR Energy reported that US oil refiners are expected to shut in 105,000 bpd of capacity in the week ending June 29th, increasing available refining capacity by 5,000 bpd on the week. IIR expects offline capacity to increase to 184,000 bpd in the week ending July 6th.

Early Market Call - as of 9:30 AM EDT

WTI - Aug \$68.68, up 60 cents

RBOB - July \$2.0596, up 83 points

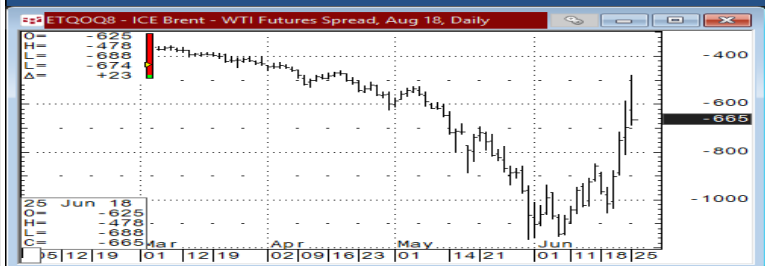
HO - July \$2.1055, up 52 points

All NYMEX | Prior Settlements

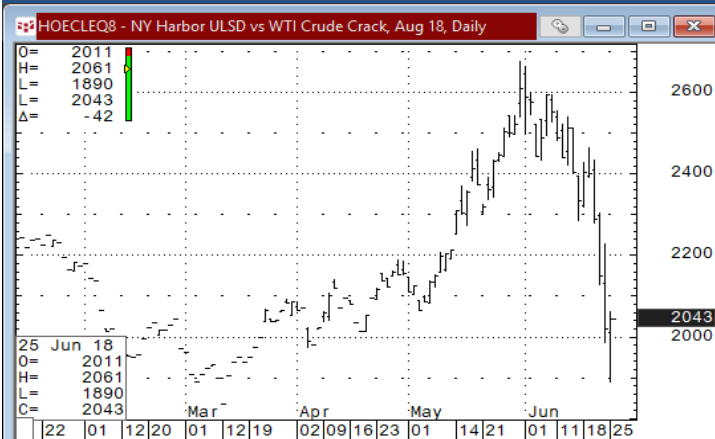
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-18	\$2.1004	-\$0.0250	-\$0.0312
Aug-18	\$2.1042	-\$0.0251	-\$0.0295
Sep-18	\$2.1108	-\$0.0232	-\$0.0268
Oct-18	\$2.1172	-\$0.0227	-\$0.0245
Nov-18	\$2.1231	-\$0.0223	-\$0.0228
Dec-18	\$2.1290	-\$0.0211	-\$0.0200
Jan-19	\$2.1356	-\$0.0201	-\$0.0177
Feb-19	\$2.1356	-\$0.0196	-\$0.0168
Mar-19	\$2.1291	-\$0.0192	-\$0.0165
Apr-19	\$2.1196	-\$0.0184	-\$0.0159
May-19	\$2.1096	-\$0.0172	-\$0.0146
Jun-19	\$2.1078	-\$0.0158	-\$0.0128
Jul-19	\$2.1137	-\$0.0146	-\$0.0113
Aug-19	\$2.1196	-\$0.0135	-\$0.0098
Sep-19	\$2.1281	-\$0.0128	-\$0.0085
Oct-19	\$2.1329	-\$0.0128	-\$0.0079
Nov-19	\$2.1377	-\$0.0125	-\$0.0069

Sprague HeatCurve Oct 2018-April 2019		\$2.1383	
Other Front Month NYMEX		Close	Change
Crude - WTI	Aug Brent-	\$68.0800	-\$0.5000
Crude - Brent	WTI Spread	\$74.7300	-\$0.0820
Natural Gas	\$6.65	\$2.9230	-\$0.0220
Gasoline		\$2.0515	-\$0.0190

ICE August WTI-Brent Spread



August Heating Oil Crack Spread



August RBOB Crack Spread

