

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil prices posted gains early in the session, as the possibility of crude oil hitting \$100 a barrel began to sink in. Prices continue to gain strength from geopolitical tensions and strong demand, amid tighter global supply. Despite these early gains, prices slipped from session highs after U.S. President Donald Trump expressed his dissatisfaction with U.S.-China trade talks. July Brent traded above \$80 a barrel for the second time in four sessions, but could not muster enough strength to settle above it. This spot contract settled at \$79.57 a barrel, up 35 cents, or 0.44%, while June WTI went off the board at \$72.13 a barrel, down 11 cents, or 0.15%. June RBOB rose 0.6% to settle at \$2.270 a gallon, while June heating oil tacked on 0.3% to settle at \$2.280 a gallon.

The main trend in WTI remains to the upside, with the near term objective being the upward sloping trend line that dates back to February. This trend line is set at \$73.19. Through this level, additional resistance is set at \$73.55, with a break above this level allowing for a run at \$75. The 10-day moving average is the first line of support and is currently set at \$71.09. Additional support is set at \$69.85.

Fundamental News: According to Bloomberg, crude oil stocks held in Cushing, Oklahoma fell by 250,000 barrels to 36.973 million barrels in the week ending May 18th.

Bloomberg reported that US waterborne crude imports fell by 818,600 bpd to 4.15 million bpd in the week ending May 17th. Imports into the Gulf and West Coasts fell by 625,800 and 526,900 bpd, respectively. Shipments to the East Coast increased by 334,100 bpd.

Russia's Energy Ministry does not rule out a global oil production cut deal led by OPEC and Russia being extended to 2019.

US President Donald Trump increased pressure on Venezuela's President Nicolas Maduro with an order prohibiting purchases of debts owed to the government, including to PDVSA. The order covers all transactions involving debts owed to the Venezuelan government or state-owned enterprises, including accounts receivables.

The Iranian Students' News Agency reported that Iran exported 2.75 million bpd between April 21st and May 21st. Iran exported 300,000 barrels of gas condensate during the same period. One third of the oil exports during the period were sent to European companies.

Goldman Sachs stated that oil producers have increased their hedging against further production in 2019, with an average price of \$60/barrel. For 2018, about 48% of oil production is hedged at an average price of \$57/barrel, while 16% of 2019 oil production is hedged at \$60/barrel, compared with 9% at the end of the fourth quarter. It stated that hedging could restrain ramping activity and increase focus on capital discipline. It said the majority of production growth in 2018 was expected to come from producers hedged above 50%.

The Joint Organization Data Initiative reported that Saudi Arabia's crude oil exports in March fell by 1.8% on the month to 7.122 million bpd. It reported a decline of 129,000 bpd in Saudi output in March after five consecutive months of increasing shipments which reached a 13-month high in February. Crude exports fell by 1.5% on the year.

Libya's oil production faces further disruption after protesters threatened to close a key pipeline connecting the 125,000 bpd Gialo field to the Es Sider export terminal. Es Sider normally receives about 300,000 bpd of crude from fields operated by Waha Oil Corp.

OPEC and oil industry sources said OPEC may decide to raise oil output as soon as June due to worries over Iranian and Venezuelan supply and after Washington raised concerns the oil rally was going too far. OPEC will not necessarily adjust current output targets for all members in June and may opt to relax record high compliance with the supply cut agreement instead.

Early Market Call - as of 8:15 AM EDT

WTI - July \$71.84, down 36 cents

RBOB - June \$2.2531, down 1.68 cents

HO - June \$2.2753, down 49 points

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jun-18	\$2.2800	\$0.0062	\$0.0310
Jul-18	\$2.2771	\$0.0074	\$0.0340
Aug-18	\$2.2769	\$0.0083	\$0.0362
Sep-18	\$2.2800	\$0.0084	\$0.0381
Oct-18	\$2.2820	\$0.0083	\$0.0394
Nov-18	\$2.2822	\$0.0084	\$0.0404
Dec-18	\$2.2799	\$0.0083	\$0.0408
Jan-19	\$2.2801	\$0.0083	\$0.0414
Feb-19	\$2.2768	\$0.0088	\$0.0436
Mar-19	\$2.2677	\$0.0095	\$0.0466
Apr-19	\$2.2361	\$0.0099	\$0.0492
May-19	\$2.2464	\$0.0097	\$0.0505
Jun-19	\$2.2399	\$0.0089	\$0.0510
Jul-19	\$2.2362	\$0.0086	\$0.0509
Aug-19	\$2.2361	\$0.0080	\$0.0507
Sep-19	\$2.2419	\$0.0077	\$0.0510
Oct-19	\$2.2482	\$0.0076	\$0.0512

Sprague HeatCurve Oct 2018-April 2019 \$2.2756

Other Front Month NYMEX		Close	Change
Crude - WTI	July Brent- WTI Spread	\$72.2000	-\$0.1500
Crude - Brent		\$79.5700	\$0.3500
Natural Gas	\$7.37	\$2.9080	\$0.0980
Gasoline		\$2.2702	\$0.0137

API Report for the Week Ending May 18, 2018

	Actual	Mkt Expectations
Crude Oil Stocks(excluding SPR)	Down 1.334 million barrels	Down 1.7 million barrels
Cushing, OK Crude Stocks	Down 822,000 barrels	Down 250,000 barrels
Gasoline Stocks	Up 980,000 barrels	Down 620,000 barrels
Distillate Stocks	Down 1.324 million barrels	Down 1 million barrels
Refinery Runs	Up 55,000 bpd	Up 0.3%, at 91.4%

NYMEX July-Aug WTI Spread

NYMEX June-July Heating Oil Spread

