

Market Commentary

Recap: According to an OPEC report put out on Monday, the global oil glut has almost been eliminated; however, its members and outside participants in the cuts continue to operate at lower rates. This pushed oil prices higher, with Brent reaching its highest level since November 2014. The extra added boost Brent received helped to widen the already deep discount in the WTI/Brent spread, pushing the July spread out past -\$7.00, to a low of -\$7.28. This is the widest discount since August of 2015. With Iranian crude possibly coming off the market, this spread could widen even further.

For the second straight session June WTI tested the \$71 level, but was unable to settle above it for, possibly alluding a period of consolidation, whereby the market could trade sideways before resuming its up trend. June WTI settled at \$70.96 a barrel, up 26 cents, or 0.37%, while Brent for July delivery tacked on \$1.11, or 1.44%, to settle at \$78.23 a barrel.

June RBOB added 0.5% at \$2.20 a gallon, while June heating oil tacked on 1.2% to \$2.25 a gallon.

Fundamental News: According to OPEC figures, a global oversupply of oil has been virtually eliminated due in part to the OPEC-led output cut agreement and fast-rising global demand. OPEC stated that oil inventories in developed countries in March fell to 9 million barrels above five-year average, down from 340 million barrels above the average in January 2017. OPEC said it always stands ready to support oil market stability, together with non-OPEC oil producing countries participating in the output cut agreement. OPEC stated that global oil demand is seen rising to 1.65 million bpd this year while demand for its crude is seen averaging 32.74 million bpd, up 140,000 bpd from the previous forecast. OPEC reported that its output in April increased by 12,000 bpd to 31.93 million bpd. Saudi Arabia produced 9.868 million bpd in April, down 39,000 bpd on the month. It was its lowest production level since January 2017. Venezuela's output fell to a new long-term low of 1.505 million bpd.

The UAE's Energy Minister, Suhail Al Mazrouei, said OPEC has enough spare production capacity to cushion oil markets if the US re-imposes sanctions on Iran. He said three members of OPEC, Saudi Arabia, Kuwait and the UAE, together have enough capacity.

Russia's Acting Energy Minister, Alexander Novak, said he planned to discuss the US withdrawal from the Iran nuclear deal with Saudi Energy Minister, Khalid al-Falih, when they meet at an economic forum in St. Petersburg later this month.

According to a White House memo, global oil supplies are plentiful enough to withstand a significant reduction in petroleum exports from Iran.

Iran's Oil Ministry's news service Shana reported that buyers of Iranian crude such as China and India, along with European customers, such as Italy, have continued to load cargoes from Kharg terminal in the Persian Gulf.

BP CEO, Bob Dudley, said the US withdrawal from the Iran nuclear agreement could lead to 1 million barrels off the market.

Societe Generale analysts said that while there will likely be much less impact on the oil market from US sanctions on Iran than in previous years, there will still be 400,000 to 500,000 bpd removed by November.

IIR Energy reported that US oil refiners are expected to shut in 1.051 million bpd of capacity in the week ending May 18th, increasing available refining capacity by 221,000 bpd on the week. IIR expects offline capacity to fall to 542,000 bpd in the week ending May 25th.

Early Market Call - as of 8:40 AM EDT

WTI - June \$71.61, up 66 cents
 RBOB - June \$2.2054, up 54 points
 HO - June \$2.2600, up 1.03 cents

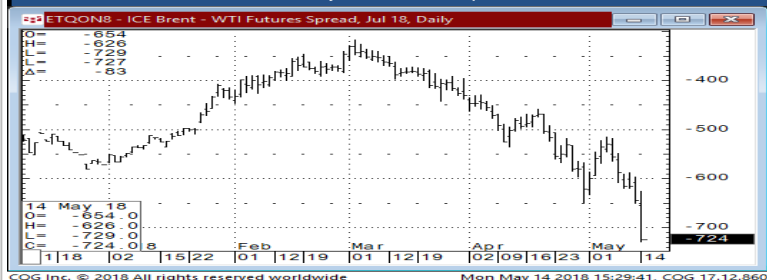
All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jun-18	\$2.2496	\$0.0276	\$0.0646
Jul-18	\$2.2412	\$0.0258	\$0.0604
Aug-18	\$2.2378	\$0.0235	\$0.0581
Sep-18	\$2.2374	\$0.0217	\$0.0562
Oct-18	\$2.2367	\$0.0210	\$0.0547
Nov-18	\$2.2357	\$0.0208	\$0.0537
Dec-18	\$2.2333	\$0.0206	\$0.0537
Jan-19	\$2.2331	\$0.0203	\$0.0540
Feb-19	\$2.2275	\$0.0197	\$0.0531
Mar-19	\$2.2151	\$0.0193	\$0.0521
Apr-19	\$2.1979	\$0.0197	\$0.0532
May-19	\$2.1875	\$0.0198	\$0.0538
Jun-19	\$2.1791	\$0.0192	\$0.0528
Jul-19	\$2.1757	\$0.0184	\$0.0522
Aug-19	\$2.1761	\$0.0177	\$0.0518
Sep-19	\$2.1819	\$0.0175	\$0.0526
Oct-19	\$2.1879	\$0.0170	\$0.0526

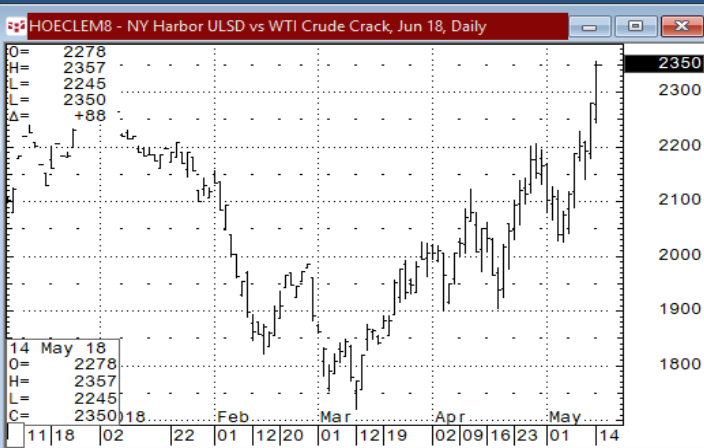
Sprague HeatCurve Oct 2018-April 2019 \$2.2268

Other Front Month NYMEX	Close	Change
Crude - WTI	\$70.9900	\$0.3100
Crude - Brent	\$78.2300	\$1.1100
Natural Gas	\$2.8420	\$0.0360
Gasoline	\$2.2002	\$0.0114

ICE July WTI-Brent Spread



June Heating Oil Crack Spread



June RBOB Crack Spread

