

Market Commentary

Recap: Oil prices turned higher on Wednesday, reversing yesterday's down move, indicating bulls are still in control of this market. Both Brent and WTI experienced outside trading sessions, as each posted lower lows and higher highs than that of the previous session. However, they both tacked on gains for the day. The gains came despite the EIA report showing the largest weekly rise of the year in U.S. crude oil inventories, which rose 8 million barrels during the week ending September 28. With U.S. sanctions against Iran looming in the background, moves to the downside will most likely be limited, and seen as buying opportunities. December Brent tacked on \$1.49, or 1.75%, to settle at \$86.26 barrel, while November WTI settled at \$76.41 a barrel, up \$1.18, up 1.57%. November RBOB rose 0.5% to \$2.138 a gallon and November heating oil settled at \$2.437 a gallon, up 1.2%.

Technical Analysis

Wednesday's outside trading session negated Tuesday's reversal top, confirming that the bulls are overshadowing the bears. Moving oscillators are set high in oversold territory, but have not given any indication of turning to the downside. Given this scenario, upside momentum should continue. Resistance is set at \$76.90 and \$77.40. Support is set at \$73.96 and \$72.95.

Fundamental News: Reuters reported that Russia and Saudi Arabia reached a private agreement in September to raise oil output from September through December to limit upward price moves by the oil market. Reuters noted that according to four persons familiar with the plan, the United States was informed of the agreement before the OPEC and Non-OPEC producers met in Algiers in September. Russia and Saudi Arabia wished to quietly increase production with a view not to look like they were acting on Trump's demand for OPEC to pump more oil. Late Tuesday, President Trump made an undiplomatic remark about Saudi Arabia, saying he warned Saudi Arabia's King Salman he would not last in power "for two weeks" without the backing of the U.S. military.

Saudi Oil Minister Khalid al-Falih said Wednesday that the kingdom had raised its oil output to 10.7 million b/d in October and would pump more in November. The all-time high for Saudi output was 10.72 million b/d, recorded in November 2016. The oil minister also noted that Saudi Arabia and Russia were in weekly communication to stabilize global oil markets. He noted that the current global oil price "was not based on fiscal lows of supply and demand". "This is created in financial markets."

Russia's oil minister said Wednesday that Russian oil producers will be able to raise oil production by 200,000-300,000 b/d within several months if needed. He noted that the oil global oil market has more or less stabilized but many uncertainties remain and could push prices higher. Earlier on Wednesday Russian President Putin said that Russia had already added 400,000 b/d of production and Russia will maintain its dialogue with global oil producers to keep oil markets balanced.

Bloomberg reported that as a result of new supply coming from Suncor Energy's Fort Hills mine, Western Canadian Select's discount for November fell \$1.25 to \$40.75 per barrel on Tuesday, the biggest discount since November 2013.

The research company IIR Energy estimates U.S. oil refiners will have 1,378,000 b/d of refining capacity offline in the week ending October 5th, this would be 124,000 b/d less offline than last week. The company though sees offline capacity increasing to 1.618 million b/d next week.

Early Market Call - as of 8:58 AM EDT

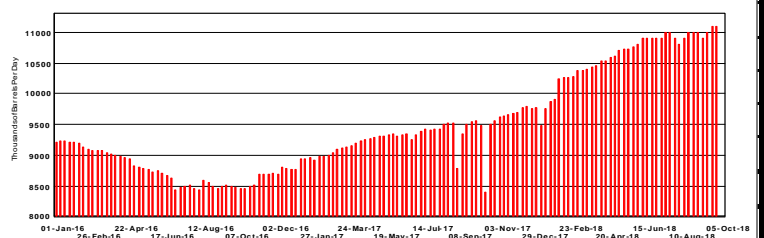
WTI - Nov \$75.95 down 46 cents
 RBOB - Nov \$ 2.1268 down 1.10 cents
 HO - Nov \$ 2.4310 down 62 points

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Nov-18	\$2.4372	\$0.0296	\$0.1335
Dec-18	\$2.4415	\$0.0300	\$0.1339
Jan-19	\$2.4450	\$0.0307	\$0.1346
Feb-19	\$2.4428	\$0.0309	\$0.1353
Mar-19	\$2.4363	\$0.0309	\$0.1366
Apr-19	\$2.4260	\$0.0308	\$0.1377
May-19	\$2.4187	\$0.0307	\$0.1385
Jun-19	\$2.4128	\$0.0310	\$0.1388
Jul-19	\$2.4137	\$0.0314	\$0.1384
Aug-19	\$2.4163	\$0.0317	\$0.1371
Sep-19	\$2.4209	\$0.0318	\$0.1357
Oct-19	\$2.4251	\$0.0318	\$0.1340
Nov-19	\$2.4287	\$0.0321	\$0.1327
Dec-19	\$2.4311	\$0.0327	\$0.1303
Jan-20	\$2.4313	\$0.0320	\$0.1280
Feb-20	\$2.4229	\$0.0314	\$0.1218
Mar-20	\$2.4114	\$0.0308	\$0.1173

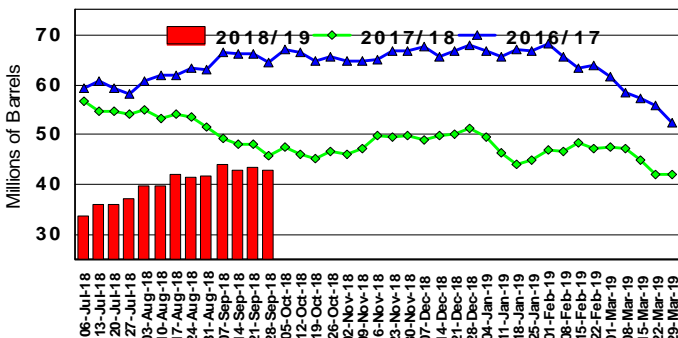
Sprague Heat Curve Nov-March		\$2.4411
Other Front Month NYMEX	Close	Change
Crude - WTI	Dec Brent- WTI Spread	\$76.2400
Crude - Brent		\$86.2900
Natural Gas	\$10.05	\$3.2300
Gasoline		\$2.1378
		\$0.0109

U.S. Domestic Crude Production



EIA Weekly Petroleum Status Report for the Week Ending September 28, 2018

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 8.0 million barrels
 Cushing, OK Crude Stocks Up 1.7 million barrels
Gasoline Stocks Down 459,000 barrels
Distillate Stocks Down 1.8 million barrels
Refinery % Operated 90.4%, Unchanged

PADD #1

	Week Ending Sep 28, 2018	Week Ending Sep 21, 2018	Week Ending Sep 29, 2017
Distillate Stocks (in million bbls)			
New England	7.4	6.7	8.4
Central Atlantic	23.6	24.9	27.1
Total PADD #1	43.1	43.6	45.8
Distillate Imports (thousands b/d)			
	125	113	37