

Market Commentary

Recap: It was another wild ride for crude oil prices, as they reacted to an array of factors, among which were the surprise 5.9 million barrel build in U.S. crude oil inventories and a jump in refinery runs, which reached 17.7 million barrel per day, just shy of the all-time record set last summer. August WTI, which was trading at \$65.59 prior to the report, made a quick and short lived jump to \$66.14, before falling briefly to a low of \$65.26. The seesaw activity continued, with this new spot contract bouncing to a fresh high of \$66.35. And if your neck wasn't hurting enough from watching this play out, it was twisted once again, as prices rebounded, only to revert back to the downside, reaching a fresh low of \$64.95. Losses were pared, with August WTI settling at \$65.71 a barrel, up 81 cents. August Brent settled at \$74.74 a barrel, down 34 cents. July RBOB fell 0.7% to \$2.024 a gallon, while July heating oil slipped 0.7% to settle at \$2.107 a gallon.

Fundamental News: Libya's oil production has been cut by about 450,000 bpd to between 600,000 and 700,000 bpd from more than 1 million bpd following clashes at its Ras Lanuf and Es Sider oil terminals. The National Oil Corp is looking at options to divert some oil exports from Ras Lanuf to Brega and Zueitina terminals. Ras Lanuf and Es Sider have been closed since June 14th, when armed factions opposed to Khalifa Haftar's Libyan National Army attacked the two ports, forcing the NOC to close them and declare force majeure on exports. Two storage tanks at Ras Lanuf were set on fire during the fighting, cutting storage capacity there by 400,000 barrels.

Sources stated that Saudi Arabia is struggling to convince fellow OPEC members including Gulf allies on the need to increase their oil output, ahead of OPEC meeting on Friday. Gulf oil producers did not agree on the need for any oil output increase during talks on Tuesday night. Iran's OPEC Governor, Hossein Kazempour Ardebili, said on Wednesday that OPEC should maintain its existing deal to cut oil supply until the end of 2018. Adding to the complications is a lack of compromise among usually aligned Gulf oil producers ahead of the Friday meeting. The UAE, Kuwait, Oman and Bahrain believe Saudi Arabia was too quick to respond to US calls for higher production and have been rattled by the country's close coordination with non-OPEC Russia. A source said there are different views on how much to increase production and whether such a move should be gradual.

While Iran said on Tuesday that OPEC was unlikely to reach a deal, Iran's Oil Minister, Bijan Zanganeh, on Wednesday signaled it could compromise on a small increase in OPEC oil production. He said OPEC members that had over delivered on cuts in recent months should return to compliance with agreed quotas. This would effectively mean a modest increase from producers such as Saudi Arabia, which has been cutting more than planned. Meanwhile, an Iranian official said the country may conditionally accept an oil production increase. It would accept an increase under the condition that no other country has the right to compensate for another country's oil production decrease. Sources also stated that Iran may discuss the scale of possible oil output adjustment as part of a global deal with Russia.

Saudi Arabia's Prince Abdulaziz bin Salman, Minister of State for Energy Affairs, said current market conditions and fundamentals remain healthy. He added that Saudi Arabia is committed to ensuring adequate oil supplies. He also stated that OPEC will review a wide range of options, including increasing production at its meeting on Friday.

IIR Energy reported that US oil refiners are expected to shut in 110,000 bpd of capacity in the week ending June 22nd, increasing available refining capacity by 52,000 bpd on the week. IIR expects offline capacity to fall to 105,000 bpd in the week ending June 29th.

Early Market Call - as of 8:40 AM EDT

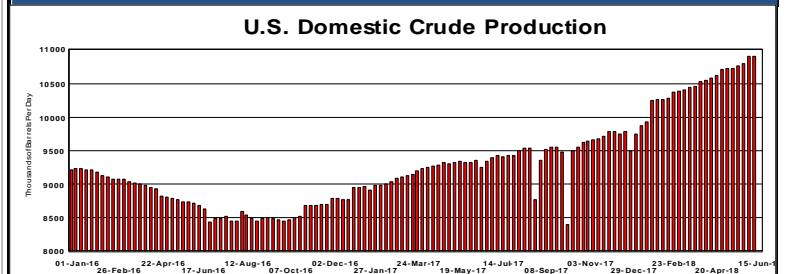
WTI - Aug \$64.99 down 72 cents
 RBOB - July \$2.0138 down 97 points
 HO - July \$2.0839 down 2.32

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-18	\$2.1071	-\$0.0147	-\$0.0780
Aug-18	\$2.1107	-\$0.0131	-\$0.0768
Sep-18	\$2.1154	-\$0.0123	-\$0.0754
Oct-18	\$2.1200	-\$0.0121	-\$0.0750
Nov-18	\$2.1243	-\$0.0121	-\$0.0745
Dec-18	\$2.1282	-\$0.0113	-\$0.0724
Jan-19	\$2.1339	-\$0.0104	-\$0.0706
Feb-19	\$2.1340	-\$0.0095	-\$0.0710
Mar-19	\$2.1271	-\$0.0091	-\$0.0724
Apr-19	\$2.1126	-\$0.0092	-\$0.0733
May-19	\$2.1051	-\$0.0093	-\$0.0731
Jun-19	\$2.1021	-\$0.0096	-\$0.0717
Jul-19	\$2.1074	-\$0.0098	-\$0.0691
Aug-19	\$2.1126	-\$0.0101	-\$0.0671
Sep-19	\$2.1203	-\$0.0102	-\$0.0658
Oct-19	\$2.1251	-\$0.0101	-\$0.0658
Nov-19	\$2.1293	-\$0.0103	-\$0.0654

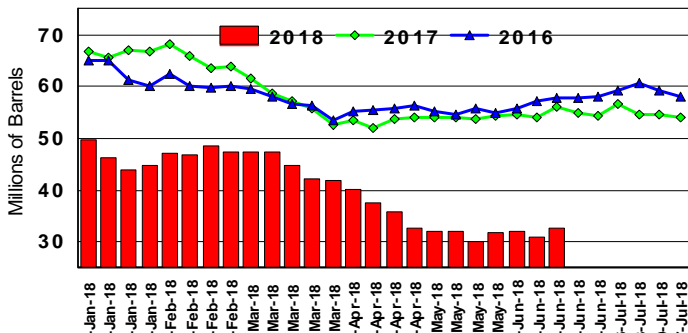
Sprague HeatCurve Oct 2018-April 2019 \$2.1468

Other Front Month NYMEX	Close	Change
Crude - WTI	\$65.7100	\$0.8100
Crude - Brent	\$74.7400	-\$0.3400
Natural Gas	\$2.9640	\$0.0640
Gasoline	\$2.0235	-\$0.0144



EIA Weekly Petroleum Status Report for the Week Ending June 15, 2018

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 5.914 million barrels
Cushing, OK Crude Stocks Down 1.296 million barrels
Gasoline Stocks Up 3.277 million barrels
Distillate Stocks Up 2.715 million barrels
Refinery % Operated 96.7%, Up 1%

PADD #1

	Week Ending June 15, 2018	Week Ending June 8, 2018	Week Ending June 16, 2017
Distillate Stocks (in million bbls)			
New England	4.8	4.3	8.1
Central Atlantic	15.2	14.7	33.9
Total PADD #1	32.6	30.8	56.0
Distillate Imports (thousands b/d)			
	42	73	84