

Market Commentary

Recap: Oil prices rose on Wednesday after Saudi Arabia announced that it would make further production cuts and lower its exports of crude oil. March WTI rose 2.8 percent, to a high of \$54.60 a barrel, while April Brent rose 2.4 percent to \$63.98 a barrel. Gains were kept at bay by the 3.6 million barrel increase in U.S. crude oil inventories, which put U.S. stockpiles at their highest level since November 2017. Worth noting, is that the rise in crude oil inventories came despite U.S. imports of crude oil dropping to their lowest level on record. The inability of March WTI to reach \$55.00 sparked a profit taking selloff, with this spot contract settling at \$53.90, up 80 cents, or 1.51 percent. April Brent added \$1.19, or 1.91 percent, to settle at \$63.61 a barrel. March RBOB added 2.7% to \$1.465 a gallon and March heating oil tacked on 1.7% to \$1.939 a gallon.

Technical Analysis: March WTI settled above \$53.61, the 10-day moving average, while moving oscillators crossed to the upside, signaling that WTI could be headed back toward \$55.75, the top of the sideways trading pattern that began in the beginning of January. We would like to see a settlement above \$54.00 before we buy into this move. Support is set at \$53.61 and \$50.94.

Fundamental News: The IEA said in its monthly report that the global oil market will struggle this year to absorb increasing crude supply from outside OPEC, even with the group's production cuts and US sanctions on Venezuela and Iran. The IEA left its demand growth forecast for 2019 unchanged from its previous report in January at 1.4 million bpd. It raised its estimate of growth in crude supply from outside OPEC to 1.8 million bpd in 2019 from a previous estimate of 1.6 million bpd. It also lowered its forecast for demand for OPEC crude to 30.7 million bpd in 2019, down from a previous estimate of 31.6 million bpd in January. It reported that OECD commercial inventories fell 5.6 million barrels on the month to 2.858 billion barrels in December.

Goldman Sachs expects larger than expected production cuts by some major oil suppliers and falling seasonal crude inventories due to increasing demand to support oil prices. It estimates Brent crude prices to reach \$67.50/barrel in the second quarter of 2019. It said the production losses to start 2019 are already larger than expected. It also added that crude supply was being disrupted by US sanctions that started last month on Venezuela's oil exports. Goldman Sachs forecast further backwardation in the Brent forward crude in the coming months. It said global oil demand growth forecast remains above consensus expectations at 1.4 million bpd year on year.

An energy industry source stated that Russia's average oil production was 11.34 million bpd on February 1-12, down 70,000 bpd from the October level used as a reference month for the global oil production cut agreement. Separately, Russia's Energy Minister, Alexander Novak, said the country aims to keep pace of oil output cuts as it gradually implements a deal with OPEC to cut the oversupply. He said the February plan is to reach average cuts of 90,000 to 100,000 bpd.

IIR Energy reported that US oil refiners are expected to shut in 1.8 million bpd of capacity in the week ending February 15th, increasing available refining capacity by 128,000 bpd from the previous week. IIR expects offline capacity to fall to 1.7 million bpd in the week ending February 12th.

US Department of Agriculture Deputy Secretary, Stephen Kenisky, said he is hopeful the administration will complete its rule allowing year-round sales of E15 gasoline by the summer, but stated that the government should use discretionary enforcement of the E15 summertime ban if there is a delay.

Early Market Call - as of 8:40 AM EDT

WTI - Mar \$54.06, up 16 cents

RBOB - Mar \$1.4851, up 2.01 cents

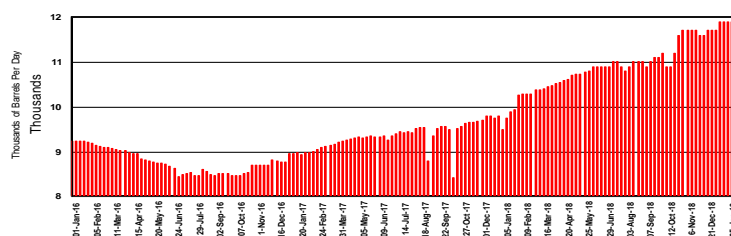
HO - Mar \$1.9548, up 1.65 cents

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Mar-19	\$1.9388	\$0.0316	\$0.0266
Apr-19	\$1.9357	\$0.0328	\$0.0299
May-19	\$1.9335	\$0.0326	\$0.0304
Jun-19	\$1.9341	\$0.0321	\$0.0288
Jul-19	\$1.9394	\$0.0317	\$0.0262
Aug-19	\$1.9457	\$0.0310	\$0.0241
Sep-19	\$1.9546	\$0.0306	\$0.0234
Oct-19	\$1.9631	\$0.0300	\$0.0221
Nov-19	\$1.9720	\$0.0295	\$0.0210
Dec-19	\$1.9803	\$0.0291	\$0.0203
Jan-20	\$1.9870	\$0.0288	\$0.0198
Feb-20	\$1.9884	\$0.0285	\$0.0195
Mar-20	\$1.9855	\$0.0281	\$0.0186
Apr-20	\$1.9757	\$0.0278	\$0.0182
May-20	\$1.9687	\$0.0266	\$0.0161
Jun-20	\$1.9660	\$0.0254	\$0.0144
Jul-20	\$1.9683	\$0.0247	\$0.0136

Sprague HeatCurve Oct 2019-Apr 2020		\$1.9814
Other Front Month NYMEX	Close	Change
Crude - WTI	Apr Brent- \$54.3100	\$0.8400
Crude - Brent	WTI Spread \$63.6100	\$1.1900
Natural Gas	\$9.30 \$2.5750	-\$0.1130
Gasoline	\$1.4651	\$0.0379

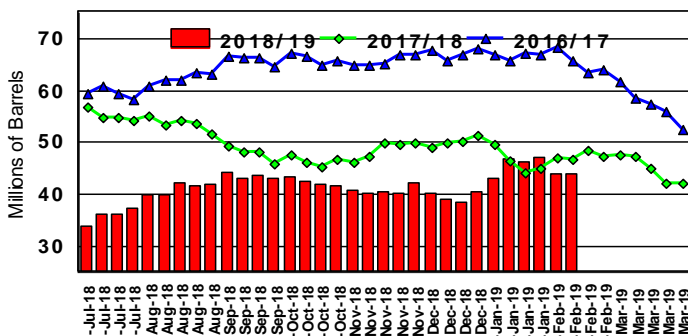
U.S. Domestic Crude Production



Weekly EIA Petroleum Status Report for the Week Ending February 8, 2019

Distillate Stocks

PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 3.633 million barrels

Cushing, OK Crude Stocks Down 1.016 million barrels

Gasoline Stocks Up 408,000 barrels

Distillate Stocks Up 1.187 million barrels

Refinery % Operated 85.9%, Down 4.8%

PADD #1

Distillate Stocks (in million bbls)	Week Ending Feb 8, 2019	Week Ending Feb 1, 2019	Week Ending Feb 9, 2018
New England	8.6	8.6	8.3
Central Atlantic	24.6	24.1	27.3
Total PADD #1	43.9	46.9	46.7
Distillate Imports (thousands b/d)	424	451	228