

Market Commentary

Recap: Oil prices rose on Wednesday after the EIA report showed a less than expected build in U.S. crude oil inventories. Market analysts were expecting a build of 3.4 million barrels, while the EIA reported a build of 919,000 barrels. The anemic rise in crude oil stocks was due to a drop in imports, which fell 1.02 million barrels, to 5.14 million barrels per day. Meanwhile, traders remained on alert due to U.S. sanctions imposed on Venezuela, and their impact on exports out of that country. March WTI rose as much as 3 percent to a high of \$54.93, while March Brent rose as much as 2.2 percent to a high of \$62.67. Oil markets remain in a sideways trading pattern, with traders uncertain as to effect of the aforementioned sanctions. Gains were pared as the settlement period approached with March WTI settling at \$54.23 a barrel, up 92 cents, or 1.73 percent and March Brent finishing at \$61.65 a barrel, up 33 cents, or 0.54%.

U.S. gasoline inventories slipped from record levels, falling 2.2 million barrels last week, greater than the expected 1.9 million barrel gain. This is directly tied to the 586,000 barrel drop in refinery runs. The drop in inventories helped refining margins, with the March gasoline crack spread gaining 74 cents to settle at \$4.87. February RBOB added 2.3% to \$1.382 a gallon and February heating oil rose 0.05% to \$1.898 a gallon.

Fundamental News: Iran's Oil Minister, Bijan Namdar, Zanganeh, said Iran has a range of plans to increase its oil income by \$20 billion. He did not specify which oilfields would be targeted for development. Separately, Iran's Oil Minister said the country has been negotiating with China to develop phase two of the Yadavaran oilfield in the southwest of the country on the border with Iraq but added that talks did not lead to the signing of any agreement.

Venezuela's President Nicolas Maduro said calls to hold early presidential elections amounted to blackmail and that the countries calling for them must wait until 2025. Venezuela's President also called US sanctions imposed on Venezuela's PDVSA this week illegal. He said Caracas is taking all efforts to stabilize the Venezuelan economy. He also stated that Venezuela always honors its financial obligations to creditors when asked if his government could offer guarantees it would repay loans to Russia and China.

Venezuela's PDVSA is facing problems discharging some tankers carrying imported fuel because new US sanctions are making it difficult to complete payments. A PDVSA board member said PDVSA will insist the fuel cargoes are discharged and will try to pay for them.

The IEA's Executive Director, Fatih Birol, said the agency had yet to assess the impact of the latest US sanctions on Venezuelan oil supplies.

Russia's Deputy Prime Minister, Dmitry Kozak, said Russia hopes Venezuela, irrespective of internal political developments, will honor its obligations to Moscow, including towards oil projects. Separately, Russia's Energy Minister, Alexander Novak, said there had been almost no volatility at all on global oil markets from the turmoil in Venezuela but that it was hard to gauge what the impact could be in the future. He said there were currently no plans to call an emergency meeting of OPEC and non-OPEC producers to discuss their global oil output deal in light of the situation in Venezuela. In regards to Russia's oil production, he said Russia's oil production fell by 50,000 bpd and added that it will try to cut oil production by about 50,000 bpd in February.

IIR Energy reported that US oil refiners are expected to shut in 1.2 million bpd of capacity in the week ending February 1st, increasing available refining capacity by 17,000 bpd from the previous week. IIR expects offline capacity to increase to 1.3 million bpd in the week ending February 8th.

Early Market Call - as of 8:30 AM EDT

WTI - Mar \$54.40, up 18 cents

RBOB - Feb \$ 1.3986, up 1.33 cents

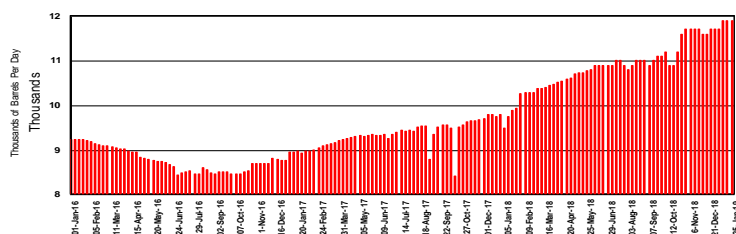
HO - Feb \$1.9089, up 1.06 cents

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-19	\$1.8984	\$0.0009	\$0.0098
Mar-19	\$1.8969	\$0.0024	\$0.0135
Apr-19	\$1.8894	\$0.0029	\$0.0165
May-19	\$1.8865	\$0.0028	\$0.0161
Jun-19	\$1.8887	\$0.0025	\$0.0151
Jul-19	\$1.8969	\$0.0026	\$0.0147
Aug-19	\$1.9054	\$0.0029	\$0.0145
Sep-19	\$1.9151	\$0.0029	\$0.0143
Oct-19	\$1.9243	\$0.0028	\$0.0141
Nov-19	\$1.9332	\$0.0026	\$0.0146
Dec-19	\$1.9411	\$0.0022	\$0.0154
Jan-20	\$1.9479	\$0.0020	\$0.0156
Feb-20	\$1.9489	\$0.0018	\$0.0160
Mar-20	\$1.9458	\$0.0016	\$0.0166
Apr-20	\$1.9362	\$0.0011	\$0.0157
May-20	\$1.9326	\$0.0005	\$0.0145
Jun-20	\$1.9317	\$0.0002	\$0.0137

Other Front Month NYMEX		Close	Change
Crude - WTI	Mar Brent-	\$54.2300	\$0.9200
Crude - Brent	WTI Spread	\$61.6500	\$0.3300
Natural Gas	\$7.42	\$2.8540	-\$0.0490
Gasoline		\$1.3823	\$0.0314

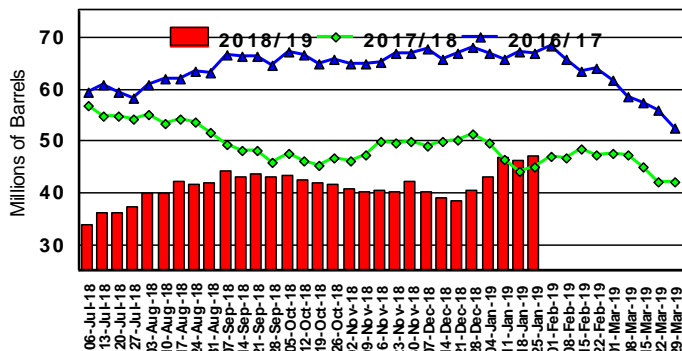
U.S. Domestic Crude Production



EIA Weekly Petroleum Status Report for the Week Ending January 25, 2019

Distillate Stocks

PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 919,000 barrels

Cushing, OK Crude Stocks Down 145,000 barrels

Gasoline Stocks Down 2.235 million barrels

Distillate Stocks Down 1.122 million barrels

Refinery % Operated 90.1%, Down 2.8%

PADD #1

Distillate Stocks (in million bbls)	Week Ending Jan 25, 2019	Week Ending Jan 18, 2019	Week Ending Jan 26, 2018
New England	8.6	8.9	7.2
Central Atlantic	25.6	25.2	26.5
Total PADD #1	46.9	46.1	44.9
Distillate Imports (thousands b/d)	89	322	514