

## Market Commentary

**Recap:** An upsurge in U.S oil production, combined with an increase in the number of active oil rigs, pushed WTI to its lowest level since April 10. July WTI slipped below \$65.51, the 50% retracement from February's low of \$58.11, when prices began their ascent, and May's high of \$72.90. This sell-off comes as the number of short positions held by hedge funds sits at its highest level in six months.

After spending most of the overnight session in a tight 31 cent range, July WTI broke through the aforementioned retracement number and continued to slip for most of the session until paring losses just prior to the settlement period. After reaching a low of \$64.57, July WTI regained some ground to settle at \$64.75 a barrel, down \$1.06, or 1.61%. August Brent fell \$1.50, or 1.95%, to settle at \$75.29 a barrel.

July RBOB fell 1% to \$2.122 a gallon, while June heating oil lost 1.1% to \$2.153 a gallon.

**Fundamental News:** Kuwait's state news agency, KUNA, reported that OPEC and non-OPEC Arab oil ministers stressed the need for continued cooperation between oil producers who are part of the output cut agreement that is due to expire at the end of 2018. OPEC ministers from Saudi Arabia, the UAE, Kuwait and Algeria along with their counterpart from non-OPEC Oman gathered in Kuwait on Saturday for an unofficial meeting of a joint ministerial committee that monitors compliance with the agreement. The ministers stressed the need to maintain the existing cooperation and continue the successful endeavor carried out by the participating countries.

Saudi Arabia's Oil Minister, Khalid Al-Falih, who said as recently as April that the group's output cuts should be extended, has gone from advocating higher prices to trying to stop the rally at \$80/barrel, in response to US President Donald Trump's April 20<sup>th</sup> tweet about the group. He will attempt to convince fellow OPEC ministers at their next meeting on June 22<sup>nd</sup> that they need to raise production. However, Iran facing renewed sanctions on its oil exports, is looking at a decline in output that could be at least as much as the 1 million to 1.2 million bpd it suffered shortly after the 2011 OPEC meeting. Meanwhile, Venezuela also has nothing to gain by agreeing to raise its production. Its oil industry is collapsing under economic and political strains. Venezuela's output has fallen by 520,000 bpd from the October 2016 baseline for cuts, against a promised cut of just 95,000 bpd. There are also other members in addition to Venezuela and Iran who are unable to raise output and who could argue that easing production restrictions fails to safeguard their interests. Saudi Arabia and Russia may follow their own path if they fail to carry the rest of the OPEC and non-OPEC group with them.

Iran's Supreme Leader, Ayatollah Ali Khamenei, said that Iran had no intention of cutting its influence in the Middle East and urged Arab youth to stand up to US pressure. He said Iran will not yield to foreign pressure and will reject extensive demands. He also stated that US sanctions on Iran are aimed at weakening the country.

Goldman Sachs said high US oil demand trends continued in March, with overall demand increasing by 2.6%, well ahead of its forecast of 1%. It continues to forecast 1.8 million bpd in 2018 global oil demand growth, ahead of the IEA forecast of 1.4 million bpd.

IIR Energy reported that US oil refiners are expected to shut in 310,000 bpd of capacity in the week ending June 8<sup>th</sup>, increasing available refining capacity by 189,000 bpd on the week. IIR expects offline capacity to fall to 255,000 bpd in the week ending June 15<sup>th</sup>.

**Early Market Call - as of 9:00 AM EDT**

**WTI - July \$64.62 down 13 cents**  
**RBOB - July \$2.1042 down 1.82 cents**  
**HO - July \$2.1320 down 2.06 cents**

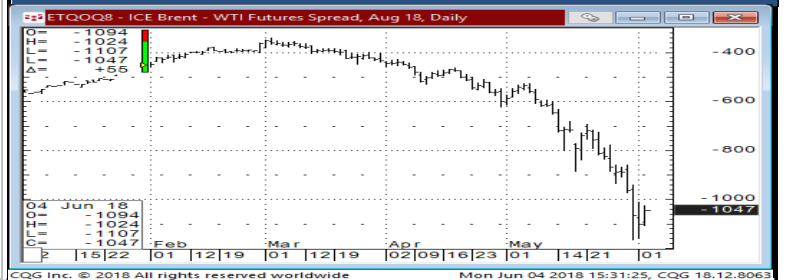
## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-18	\$2.1525	-\$0.0238	-\$0.0527
Aug-18	\$2.1558	-\$0.0246	-\$0.0492
Sep-18	\$2.1598	-\$0.0256	-\$0.0481
Oct-18	\$2.1633	-\$0.0260	-\$0.0457
Nov-18	\$2.1677	-\$0.0248	-\$0.0414
Dec-18	\$2.1698	-\$0.0235	-\$0.0370
Jan-19	\$2.1733	-\$0.0226	-\$0.0338
Feb-19	\$2.1732	-\$0.0218	-\$0.0309
Mar-19	\$2.1685	-\$0.0213	-\$0.0276
Apr-19	\$2.1493	-\$0.0211	-\$0.0249
May-19	\$2.1526	-\$0.0215	-\$0.0255
Jun-19	\$2.1479	-\$0.0213	-\$0.0266
Jul-19	\$2.1469	-\$0.0202	-\$0.0255
Aug-19	\$2.1493	-\$0.0189	-\$0.0236
Sep-19	\$2.1560	-\$0.0186	-\$0.0229
Oct-19	\$2.1619	-\$0.0182	-\$0.0233
Nov-19	\$2.1648	-\$0.0231	-\$0.0262

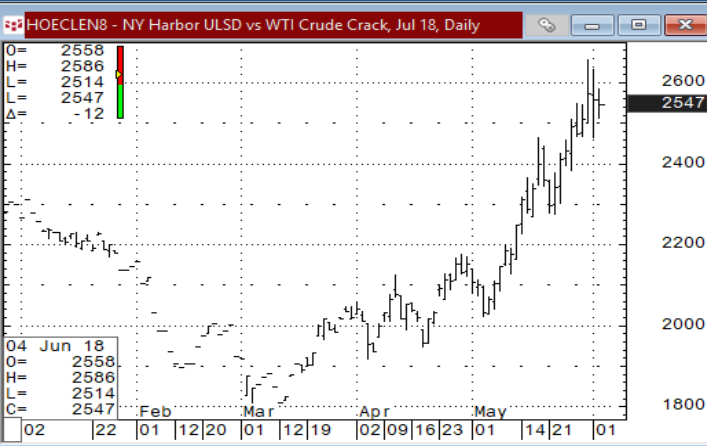
### Sprague HeatCurve Oct 2018-April 2019 \$2.1693

Other Front Month NYMEX	Close	Change
Crude - WTI	\$64.6800	-\$1.0900
Crude - Brent	\$75.2900	-\$1.5000
Natural Gas	\$2.9300	-\$0.0320
Gasoline	\$2.1224	-\$0.0210

### ICE August WTI-Brent Spread



## July Heating Oil Crack Spread



## July RBOB Crack Spread

