

## Market Commentary

**Recap:** The crude market traded higher on Friday as it continued to retrace some of its recent sell off. Prices this week were weighed down by the Turkish currency crisis, a stronger dollar, signs of weaker global demand and the unexpected build in crude stocks. However, the market started to retrace its losses on Thursday after the US and China said they would resume talks over their trade dispute. The crude market rallied to a high of \$66.39 in morning trading before it erased most of its earlier gains, trading back below the \$65.50 level, towards its low of \$65.30. The market later found some late buying interest, which pushed it back to the \$66 level ahead of the close. The September WTI settled up 45 cents at \$65.91. Despite the oil market's strength on Friday, it settled down for the seventh consecutive week. The October Brent contract settled up 40 cents at \$71.83. Meanwhile, the product markets remained mixed, with the heating oil market settling up 18 points at \$2.0982 and the RBOB market settling down 65 points at \$1.9809.

**Fundamental News:** Baker Hughes reported that the number of rigs searching for oil in the week ending August 17<sup>th</sup> was unchanged at 869.

Imposing new US sanctions against Russia may have a limited impact on its oil industry because it has drastically reduced its reliance on Western funding and foreign partnerships and is lessening its dependence on imported technology. Western sanctions imposed in 2014 over Russia's annexation of Crimea have made it difficult for many state oil companies such as Rosneft to borrow abroad or use Western technology to develop shale, offshore and Arctic deposits. While those measures have slowed down a number of challenging oil projects, they have done little to halt Russia's growth with production near a record high of 11.2 million bpd in July. Russian firms have reduced their borrowing from the West and spending is funded by their own cash flow, state banks and China.

The US signaled it is prepared to take punitive action against China over the country's refusal to stop buying Iranian oil, in defiance of Washington's efforts to isolate Iran. China has repeatedly stated that it has no plans to comply with a wave of US sanctions that are due to be reimposed on Iran's energy sector on November 4<sup>th</sup>. Some oil analysts expect China to increase Iranian imports instead, potentially undermining US efforts to place economic restrictions on Iran.

Commerzbank raised its crude forecasts for the end of the year and for next year by \$5/barrel. It said spare production capacity is now falling on the back of OPEC and Russia's output increases, particularly given the expected decline in Iranian shipments.

The United union said it is planning 12-hour strikes at Total's Alwyn, Elgin and Dunbar platforms for five days in September and October. Strike action by about 45 of Total's 60 workers on the platforms is scheduled to start with a 24-hour stoppage on August 20<sup>th</sup>. It can take 12-24 hours to resume full production after such a stop. On the further strike dates set for September 3<sup>rd</sup>, September 17<sup>th</sup>, October 1<sup>st</sup>, October 15<sup>th</sup> and October 29<sup>th</sup>, operations on the platforms will stop for 12 hours.

IIR Energy reported that US oil refiners are expected to shut in 426,000 bpd of capacity in the week ending August 17<sup>th</sup>, cutting available refining capacity by 62,000 bpd from the previous week. IIR expects offline capacity to fall to 205,000 bpd in the week ending August 24<sup>th</sup> and 107,000 bpd in the following week.

Bloomberg reported that global refinery outages totaled 2.597 million bpd as of August 15<sup>th</sup>. Refinery outages in the US totaled 96,000 bpd and 480,000 bpd in Russia.

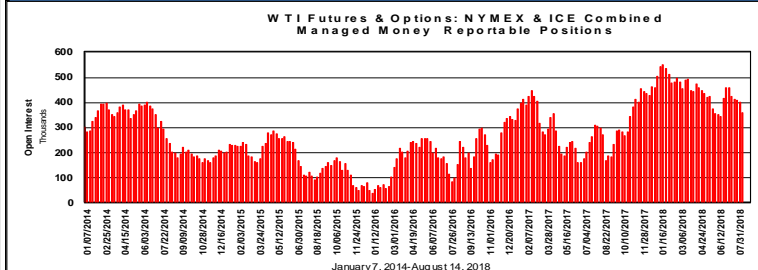
**Early Market Call - as of 8:50 AM EDT**

WTI - Sep \$65.75, down 14 cents  
 RBOB - Sep \$1.9901, up 88 points  
 HO - Sep \$2.0954, down 28 points

## All NYMEX | Prior Settlements

| Month  | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
|        | Close     | Change       | One Week  |
| Sep-18 | \$2.0982  | \$0.0018     | -\$0.0415 |
| Oct-18 | \$2.1028  | \$0.0020     | -\$0.0407 |
| Nov-18 | \$2.1065  | \$0.0021     | -\$0.0388 |
| Dec-18 | \$2.1101  | \$0.0031     | -\$0.0364 |
| Jan-19 | \$2.1144  | \$0.0038     | -\$0.0351 |
| Feb-19 | \$2.1119  | \$0.0042     | -\$0.0339 |
| Mar-19 | \$2.1035  | \$0.0043     | -\$0.0328 |
| Apr-19 | \$2.0888  | \$0.0041     | -\$0.0325 |
| May-19 | \$2.0836  | \$0.0040     | -\$0.0321 |
| Jun-19 | \$2.0800  | \$0.0040     | -\$0.0314 |
| Jul-19 | \$2.0835  | \$0.0040     | -\$0.0311 |
| Aug-19 | \$2.0888  | \$0.0037     | -\$0.0316 |
| Sep-19 | \$2.0970  | \$0.0035     | -\$0.0321 |
| Oct-19 | \$2.1033  | \$0.0031     | -\$0.0330 |
| Nov-19 | \$2.1085  | \$0.0023     | -\$0.0345 |
| Dec-19 | \$2.1149  | \$0.0008     | -\$0.0370 |
| Jan-20 | \$2.1280  | \$0.0010     | -\$0.0378 |

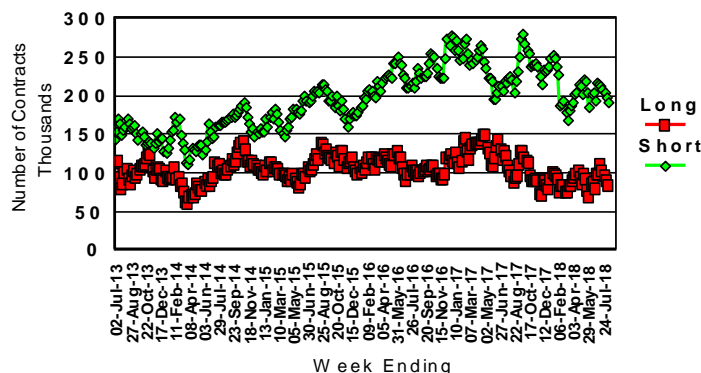
| Sprague HeatCurve Oct 2018-April 2019 |            | \$2.1075  |           |
|---------------------------------------|------------|-----------|-----------|
| Other Front Month NYMEX               |            | Close     | Change    |
| Crude - WTI                           | Oct Brent- | \$65.2100 | \$0.3300  |
| Crude - Brent                         | WTI Spread | \$71.8300 | \$0.4000  |
| Natural Gas                           | \$6.62     | \$2.9460  | \$0.0380  |
| Gasoline                              |            | \$1.9809  | -\$0.0065 |



## Commitment of Traders Report for the Week Ending August 14, 2018

### Producer/Merchant Heat Positons

CFTC Commitment of Traders Report



### Managed Money Heat Positons

CFTC Commitment of Traders Report

