

Market Commentary

Recap: Oil prices climbed more than 1% after the release of the EIA report, which showed a decline of 6.1 million barrels in U.S. crude oil inventories. Expectations were calling for a decrease of 2.3 million barrels. September WTI rose to a high of \$69.70 a barrel, its highest level in over a week, while September Brent topped the session at \$73.44 a barrel. Gains were limited due to the fact that the bulk of the draw occurred in PADD 5. Although prices trickled from the highs of the day, WTI remained above \$69.00 a barrel, finishing above this level for the first time in almost 2 weeks. September WTI settled at \$69.30 a barrel, up 78 cents, or 1.1%, while Brent for September delivery tacked on 49 cents, or 0.7%, to settle at \$73.93 a barrel.

September RBOB rose 2.64 cents, to settle at \$2.0851 a gallon, while September heating oil finished up 1.81 cents, settling at \$2.156 a gallon.

Fundamental News: The IEA's Energy Markets Director, Keisuke Sadamori, said US efforts to reduce Iran's oil exports are expected to contribute to global oil price volatility in the short-term.

South Korea's Hyundai Oilbank predicts higher short-term volatility in crude prices during the three months to September. Volatility is expected to increase as OPEC increases its output, the US-China trade dispute persists and Libya's supply disruptions ease.

According to the Tasnim news agency, the head of the Revolutionary Guards said America's oil threats against Iran can be easily answered.

Bloomberg reported that Saudi Arabia is shipping US crude pumped from the Gulf of Mexico to Asia at a time when China is cutting US cargoes. The trading unit of Saudi Aramco is said to have sold about 1 million barrels of US Mars crude to Taiwan's Formosa Petrochemical for delivery in September-October. This follows shipments of oil produced at shale fields to markets such as the UAE and South Korea as Saudi Arabia seeks to capitalize on increasing US output that has threatened the market share of its own supply in Asia.

Russia's Energy Minister, Alexander Novak, said the country's oil production is expected to increase this year to 551 million tons or 11.02 million bpd, a new 30-year high and up by 3.5 million tons from previous expectations. He said Russia would increase its oil production to 555 million tons in 2019.

A field engineer said a control station at Libya's Sharara oilfield has resumed operation but foreign engineers who help operate the field have not returned yet due to security reasons. Station 186 was shut down after two oilfield staff were abducted in an attack by an unknown group more than a week ago, forcing Libya's National Oil Corp to cut production. There was no current production figure available but the engineer said that with the station coming back, output would increase again.

IIR Energy reported that US oil refiners are expected to shut in 462,000 bpd of capacity in the week ending July 27th, increasing available refining capacity by 411,000 bpd from the previous week. IIR expects offline capacity to fall to 296,000 bpd in the week ending August 3rd.

About 1.5 million tons of diesel are expected to flow to the US Gulf Coast to Europe in July, with most of the volumes being absorbed in the Mediterranean market. Meanwhile, gasoline exports to North America increased sharply in recent days and are now expected to reach about 1.3 million tons in July.

Early Market Call - as of 8:20 AM EDT

WTI - Sep \$69.25, down 5 cents

RBOB - Aug \$2.1271, up 38 points

HO - Aug \$2.1598, up 92 points

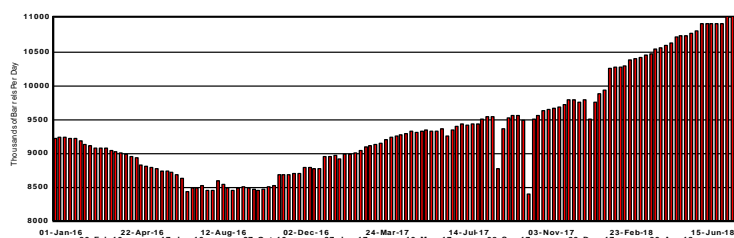
All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-18	\$2.1512	\$0.0186	\$0.0609
Sep-18	\$2.1560	\$0.0181	\$0.0608
Oct-18	\$2.1622	\$0.0181	\$0.0623
Nov-18	\$2.1676	\$0.0177	\$0.0625
Dec-18	\$2.1711	\$0.0174	\$0.0610
Jan-19	\$2.1753	\$0.0173	\$0.0597
Feb-19	\$2.1728	\$0.0176	\$0.0587
Mar-19	\$2.1650	\$0.0181	\$0.0586
Apr-19	\$2.1533	\$0.0184	\$0.0584
May-19	\$2.1453	\$0.0181	\$0.0575
Jun-19	\$2.1419	\$0.0173	\$0.0553
Jul-19	\$2.1466	\$0.0170	\$0.0535
Aug-19	\$2.1533	\$0.0170	\$0.0533
Sep-19	\$2.1606	\$0.0171	\$0.0534
Oct-19	\$2.1674	\$0.0170	\$0.0533
Nov-19	\$2.1749	\$0.0169	\$0.0535
Dec-19	\$2.1842	\$0.0169	\$0.0534

Sprague HeatCurve Oct 2018-April 2019 \$2.1686

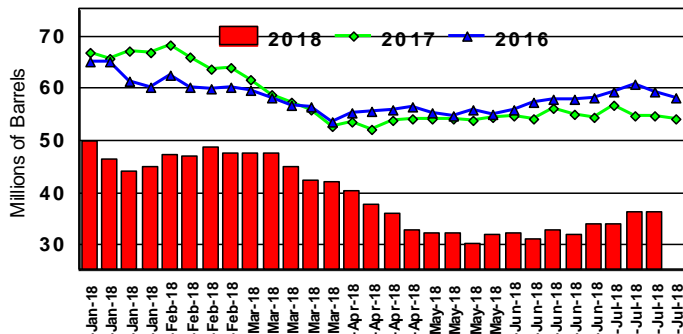
Other Front Month NYMEX		Close	Change
Crude - WTI	Sep Brent-	\$69.3000	\$0.7800
Crude - Brent	WTI Spread	\$73.9300	\$0.4900
Natural Gas	\$4.63	\$2.7750	\$0.0430
Gasoline		\$2.1231	\$0.0275

U.S. Domestic Crude Production



EIA Weekly Petroleum Status Report for the Week Ending July 20, 2018

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 6.147 million barrels

Cushing, OK Crude Stocks Down 1.127 million barrels

Gasoline Stocks Down 2.328 million barrels

Distillate Stocks Down 101,000 barrels

Refinery % Operated 93.8%, Down 0.5%

PADD #1

Distillate Stocks (in million bbls)	Week Ending July 20, 2018	Week Ending July 13, 2018	Week Ending July 21, 2017
New England	5.1	5.5	8.8
Central Atlantic	19.2	18.5	32.3
Total PADD #1	36.0	36.0	54.6
Distillate Imports (thousands b/d)	121	109	125