

## Market Commentary

## All NYMEX | Prior Settlements

**Recap:** Oil prices were mixed on Tuesday, with WTI spending the better part of the session trading to the downside, while Brent held early gains. After posting a fresh multi-year high, but failing to trade above the \$72 mark, June WTI slipped below unchanged. July Brent traded over \$79 a barrel, reaching a high of \$79.47. Prices were lifted by strong Chinese demand, OPEC's monthly report claiming the global over supply of crude oil is all but depleted and pending U.S. sanctions against Iran. Weighing on WTI was continued increases in U.S. production. About mid-session and for no apparent reason, the two blends switched places, with WTI strengthening against the Brent. For a brief period, Brent dipped below unchanged, while WTI posted gains. June WTI finished the session with a 35 cent gain, to settle at \$71.34, while Brent settled at \$78.43, up 20 cents.

Geopolitical risk continues to hammer the Brent/WTI spread, with WTI's discount to Brent reaching -\$8.06, the widest this spread has traded since April of 2015. As the outright market bounced all over the place, so did this spread, managing to overcome its losses to settle at -\$7.06, after reaching a low of -\$8.06. Traders have been positioning themselves in wake of the U.S. vacating the nuclear arms deal with Iran, and are now keeping a close eye on the situation in the Gaza Strip.

June RBOB rose 0.6% to \$2.213 a gallon, while June heating oil added nearly 0.3% to \$2.255 a gallon.

**Fundamental News:** The head of Iran's Atomic Energy Organization, Ali Akbar Salehi, said that the European Union should make up for the US withdrawal from the nuclear deal or Iran will increase its nuclear program to a level more advanced than before the accord. Meanwhile, Tehran's government spokesman, Mohammad Bagher Nobakht, said Iran will restart its uranium enrichment if it cannot find a way to save the 2015 nuclear agreement with the European Union after the US pulled out last week.

Venezuela's PDVSA bought nearly \$440 million worth of foreign crude and shipped it directly to Cuba. The shipments are the first documented instances of the country buying crude to supply regional allies instead of selling them oil from its own vast reserves. Venezuela made the discounted deliveries despite its need for foreign currency to support its collapsing economy and to import food and medicine amid widespread shortages. The crude purchase came as Venezuela's crude production fell by 28% in 12 months. Its refineries are operating at a third of its capacity, and its workers are resigning by the thousands. According to diplomats, politicians and PDVSA executives, the subsidized deliveries are aimed at maintaining political support from Cuba, one of a dwindling group of Venezuelan allies.

Meanwhile, ten oil tankers remained anchored on Monday at ports throughout the Caribbean, awaiting payment from Venezuela's PDVSA to discharge 3.124 million barrels of refined products.

According to US customs data, preliminary US waterborne crude imports increased by 1.36 million bpd to 4.79 million bpd in the week ending May 10<sup>th</sup>. Imports into the Gulf and West Coasts increased by 1.07 million bpd and 433,000 bpd, respectively. Shipments to the East Coast fell by 144,300 bpd.

According to Bloomberg, crude oil stocks in Cushing, Oklahoma are expected to increase by 550,000 barrels in the week ending May 11<sup>th</sup> to 37.72 million barrels.

Genscape reported that total gasoline and components shipped to the US from Europe, Baltic and east of Suez refineries was at 1.98 million metric tons in April 2018, a record high.

**Early Market Call - as of 8:30 AM EDT**

WTI - June \$70.97, down 35 cents

RBOB - June \$2.1990, down 59 points

HO - June \$2.2346, down 1.47 cents

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jun-18	\$2.2490	-\$0.0006	\$0.0913
Jul-18	\$2.2431	\$0.0019	\$0.0927
Aug-18	\$2.2407	\$0.0029	\$0.0937
Sep-18	\$2.2419	\$0.0045	\$0.0946
Oct-18	\$2.2426	\$0.0059	\$0.0949
Nov-18	\$2.2418	\$0.0061	\$0.0942
Dec-18	\$2.2391	\$0.0058	\$0.0934
Jan-19	\$2.2387	\$0.0056	\$0.0932
Feb-19	\$2.2332	\$0.0057	\$0.0923
Mar-19	\$2.2211	\$0.0060	\$0.0915
Apr-19	\$2.2051	\$0.0072	\$0.0936
May-19	\$2.1959	\$0.0084	\$0.0951
Jun-19	\$2.1889	\$0.0098	\$0.0952
Jul-19	\$2.1853	\$0.0096	\$0.0939
Aug-19	\$2.1854	\$0.0093	\$0.0927
Sep-19	\$2.1909	\$0.0090	\$0.0926
Oct-19	\$2.1970	\$0.0091	\$0.0922

### Sprague HeatCurve Oct 2018-April 2019

Other Front Month NYMEX		Close	Change
Crude - WTI	July Brent-	\$71.3700	\$0.3800
Crude - Brent	WTI Spread	\$78.4300	\$0.2000
Natural Gas	\$7.06	\$2.8360	-\$0.0060
Gasoline		\$2.2048	\$0.0046

### API Report for the Week Ending May 11, 2018

	Actual	Mkt Expectations
Crude Oil Stocks(excluding SPR)	Up 4.9 million barrels	Down 2.3 million barrels
Cushing, OK Crude Stocks	Up 62,000 barrels	Up 550,000 barrels
Gasoline Stocks	Down 3.4 million barrels	Down 2 million barrels
Distillate Stocks	Down 768,000 barrels	Down 1.3 million barrels
Refinery Runs	Up 33,000 bpd	Up 0.3%, at 90.7%

## NYMEX June-July WTI Spread

## NYMEX June-July Heating Oil Spread

