

Market Commentary

Recap: WTI rose by almost 2% on Wednesday after the EIA reported the fifth weekly decline in U.S. crude oil inventories. According to the report, U.S. crude oil stockpiles fell 2.1 million barrels last week, reaching their lowest level since February 2015. Although the decrease in supplies was smaller than expected, it conflicted with the increase reported by The API. October WTI bounced 26 cents upon the release of the report, hitting an intraday high of \$70.70, but just as quickly, fell back to \$70.40, the level it was trading at just prior to the report. Prices reverted back to the upside as traders weighed in on the U.S. sanctions against Iran. October WTI peaked the session at \$71.46, before paring gains for a settlement of \$71.12 a barrel, up \$1.27, or 1.82%. November Brent tacked on 37 cents, or 0.47%, to settle at \$79.40 a barrel.

When comparing the November heating oil crack spread to that of the past four years, we have come to the conclusion that this spread has the potential to widen further than its current level of \$23.73. We base this conclusion on the fact that current distillate stocks held in PADD 1 are currently 20% below the average of the past four years, with demand running 7.4% higher, while percent operated in PADD 1 is 5.5% below the four year average. This takes into account 2017, when Hurricane Harvey shut-in production on the West Coast, leaving the East Coast short on barrels of crude oil. With this in mind, we would look for the November heating oil crack spread to work toward the \$25.00 level. October RBOB added 0.8% to \$2.021 a gallon, while October heating oil tacked on 0.5% to \$2.247 a gallon.

Fundamental News: The EIA reported that US crude oil stocks fell for a fifth consecutive week, while gasoline stocks also fell sharply last week on strong demand. Crude inventories fell by 2.1 million barrels in the week ending September 14th to 394.1 million barrels, the lowest level since February 2015. Crude stocks at Cushing, Oklahoma fell by 1.25 million barrels. Gasoline stocks fell by 1.7 million barrels.

The Wall Street Journal reported that Iran stated that OPEC producers will run out of options to replace its oil.

Bloomberg reported that crude imports to the US Gulf Coast increased by 118,000 bpd to 2.39 million bpd in the week ending September 14th.

Genscape reported that crude inventories in the Amsterdam-Rotterdam-Antwerp region increased by 651,400 barrels in the week ending September 14th to 54.6 million barrels.

According to ESAI's Global Fuels Outlook, global demand for transport fuels will increase by more than 1 million bpd in 2019 following an 800,000 bpd increase this year. The growth will be driven by a recovery in gasoline and diesel demand.

S&P Global Platts has moved closer to revamping its dated Brent benchmark, launching new price assessments for two grades of US crude in Europe in response to the increase in imports into the region. S&P Global Platts said it would provide daily price assessments for WTI Midland and Eagle Ford 45, both light, sweet crudes for delivery to Rotterdam in Northwest Europe and Augusta in the Mediterranean.

Venezuela plans to use a new \$5 billion loan from China to nearly double oil production that has fallen to a seven-decade low. PDVSA would use the money to increase its daily oil production by 1 million bpd in a year. PDVSA's exports to China would increase to 1 million bpd from 350,000 bpd.

IIR Energy reported that US oil refiners are expected to shut in 1,073,000 bpd of capacity in the week ending September 21st, cutting available refining capacity by 370,000 bpd from the previous week. IIR expects offline capacity to increase to 1,455,000 bpd in the week ending September 28th.

Early Market Call - as of 7:30 AM EDT

WTI - Oct \$71.37, up 19 cents

RBOB - Oct \$2.0239, up 22 points

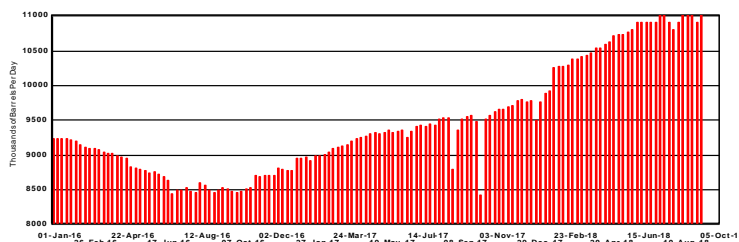
HO - Oct \$2.2521, up 50 points

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Oct-18	\$2.2466	\$0.0109	-\$0.0111
Nov-18	\$2.2500	\$0.0111	-\$0.0110
Dec-18	\$2.2534	\$0.0108	-\$0.0103
Jan-19	\$2.2568	\$0.0102	-\$0.0098
Feb-19	\$2.2547	\$0.0095	-\$0.0092
Mar-19	\$2.2469	\$0.0085	-\$0.0093
Apr-19	\$2.2359	\$0.0077	-\$0.0101
May-19	\$2.2293	\$0.0069	-\$0.0126
Jun-19	\$2.2245	\$0.0066	-\$0.0143
Jul-19	\$2.2267	\$0.0063	-\$0.0151
Aug-19	\$2.2318	\$0.0056	-\$0.0156
Sep-19	\$2.2396	\$0.0050	-\$0.0150
Oct-19	\$2.2476	\$0.0044	-\$0.0143
Nov-19	\$2.2543	\$0.0042	-\$0.0121
Dec-19	\$2.2617	\$0.0043	-\$0.0099
Jan-20	\$2.2682	\$0.0046	-\$0.0103
Feb-20	\$2.2710	\$0.0040	-\$0.0105

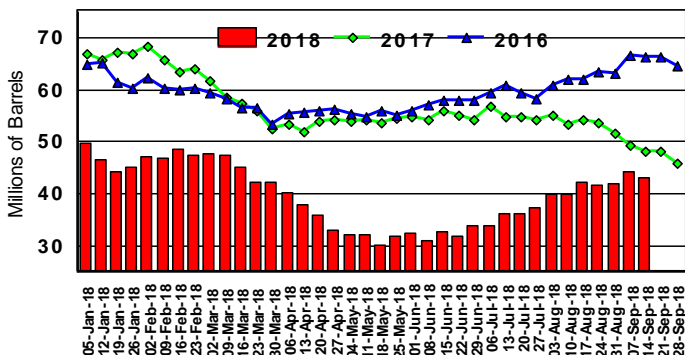
Sprague HeatCurve Oct 2018-April 2019		\$2.2509	
Other Front Month NYMEX		Close	Change
Crude - WTI	Nov Brent-	\$70.7700	\$1.1800
Crude - Brent	WTI Spread	\$79.4000	\$0.3700
Natural Gas	\$8.63	\$2.9080	-\$0.0250
Gasoline		\$2.0207	\$0.0158

U.S. Domestic Crude Production



EIA Weekly Petroleum Status Report for the Week Ending September 14, 2018

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 2.057 million barrels

Cushing, OK Crude Stocks Down 1.25 million barrels

Gasoline Stocks Down 1.719 million barrels

Distillate Stocks Up 839,000 barrels

Refinery % Operated 95.4%, Down 2.2%

PADD #1

Distillate Stocks (in million bbls)	Week Ending Sep 14, 2018	Week Ending Sep 7, 2018	Week Ending Sep 15, 2017
New England	6.4	6.1	8.9
Central Atlantic	25.2	25.6	27.4
Total PADD #1	43.0	44.1	48.0
Distillate Imports (thousands b/d)	113	35	82