

## Market Commentary

**Recap:** Oil prices slipped to their lowest level in four weeks on Wednesday as total U.S. stockpiles of oil and fuel reached a seven-month high and trade wars between China and the U.S. heat up, giving rise to concern about demand. The build of 3.3 million barrels in total stocks hints at sluggish demand, overshadowing the reinstatement of U.S. sanctions against Iran, which has recently bolstered prices. Both blends fell as much as 4%, with September WTI reaching a low of \$66.32, and October Brent bottoming at \$71.65. September WTI fell \$2.23, or 3.22%, to settle at \$66.94 a barrel, while October Brent lost \$2.37, or 3.17%, ending the session at \$72.28 a barrel. Wednesday's trading range for oil was the widest in 3-weeks.

Worth noting, that while the reaction by traders to Chinese tariffs on U.S. oil was immediate, looming in the background are pending sanctions against Iran and falling U.S. inventories. Both of these factors are supportive for prices.

September RBOB settled 8.45 cents, or 4%, lower at \$2.0195 a gallon. The move represented the steepest drop for RBOB since July 16 and also its lowest settlement since that date. September heating oil fell 5.3 cents, or 2.5%, to settle at \$2.1157 a gallon.

**Fundamental News:** Kuwait's Deputy Oil Minister, Sheikh Talal Nasser Al Azabi Al-Sabah, said oil prices are expected to remain at current levels through the end of the year. He said geopolitics and turbulence in some oil-producing countries will keep prices between \$70 and \$75/barrel.

Iran's Oil Minister, Bijan Zanganeh, said OPEC may need to hold an extraordinary meeting should OPEC fail to prevent member countries from adjusting their crude production without approval.

Baker Hughes reported that the oil rig count in Venezuela increased for the first time this year to 27 in July, rebounding from a 15-year low. The rig count increased by 1 on the month but was down 22 on the year.

China and Germany defended their business ties with Iran on Wednesday in the face of US President Donald Trump's warning that any companies trading with Iran would be barred from the US. China's Foreign Ministry said the country has consistently opposed unilateral sanctions and long-armed jurisdiction. Meanwhile, Germany's government said US sanctions against Iran that have an extra-territorial effect violate international law and Germany expects the US to consider European interests when coming up with such sanctions. Meanwhile, in Iran, Iran's Foreign Minister, Mohammad Javad Zarif, said that a US plan to reduce Iran's oil exports to zero would not succeed.

China's crude oil imports increased slightly in July after declining in the previous two months, but were still among the lowest this year due to a fall in demand from the country's independent or teapot refineries. China's General Administration of Customs reported that the country's crude shipments came in at 36.02 million tons in July or 8.48 million bpd, up from 8.18 million bpd a year ago and just up on June's 8.36 million bpd.

The Azeri BTC crude oil loading plan from the Ceyhan port is set to fall to 18.85 million barrels in September from 21.4 million barrels in August.

Indian Oil Corp bought 6 million barrels of US crude for delivery in November to January as the country seeks alternatives for Iranian oil ahead of impending US sanctions.

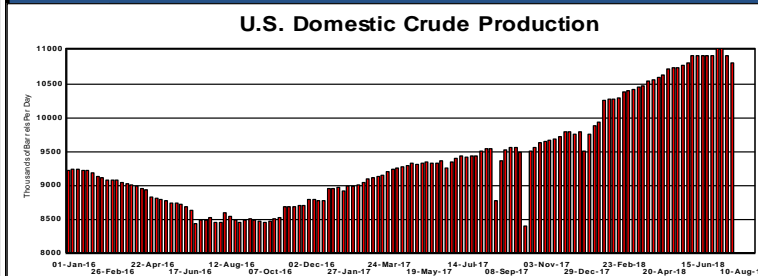
**Early Market Call - as of 8:45 AM EDT**

WTI - Sep \$67.10, up 16 cents  
 RBOB - Sep \$2.0180, down 19 points  
 HO - Sep \$2.1244, up 87 points

## All NYMEX | Prior Settlements

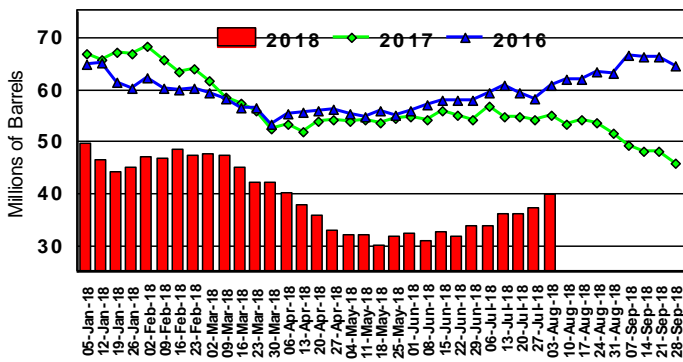
Month	USLD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-18	\$2.1157	-\$0.0534	\$0.0183
Oct-18	\$2.1207	-\$0.0535	\$0.0167
Nov-18	\$2.1238	-\$0.0534	\$0.0151
Dec-18	\$2.1261	-\$0.0539	\$0.0144
Jan-19	\$2.1298	-\$0.0538	\$0.0136
Feb-19	\$2.1265	-\$0.0534	\$0.0124
Mar-19	\$2.1176	-\$0.0528	\$0.0116
Apr-19	\$2.1061	-\$0.0521	\$0.0120
May-19	\$2.0992	-\$0.0509	\$0.0129
Jun-19	\$2.0957	-\$0.0494	\$0.0130
Jul-19	\$2.0996	-\$0.0485	\$0.0119
Aug-19	\$2.1061	-\$0.0480	\$0.0112
Sep-19	\$2.1151	-\$0.0474	\$0.0111
Oct-19	\$2.1226	-\$0.0473	\$0.0102
Nov-19	\$2.1296	-\$0.0469	\$0.0088
Dec-19	\$2.1388	-\$0.0463	\$0.0081
Jan-20	\$2.1525	-\$0.0461	\$0.0073

Sprague HeatCurve Oct 2018-April 2019		\$2.1231
Other Front Month NYMEX	Close	Change
Crude - WTI	Oct Brent- \$66.2500	-\$2.0800
Crude - Brent	WTI Spread \$72.2800	-\$2.3700
Natural Gas	\$6.03 \$2.9490	\$0.0520
Gasoline	\$2.0195	-\$0.0845



## EIA Weekly Petroleum Status Report for the Week Ending August 3, 2018

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Down 1.351 million barrels  
 Cushing, OK Crude Stocks Down 590,000 barrels  
**Gasoline Stocks** Up 2.9 million barrels  
**Distillate Stocks** Up 1.23 million barrels  
**Refinery % Operated** 96.6%, Up 0.5%

**PADD #1**

Distillate Stocks (in million bbls)	Week Ending Aug 3, 2018	Week Ending July 27, 2018	Week Ending Aug 4, 2017
New England	5.9	5.3	8.5
Central Atlantic	21.0	20.4	32.8
Total PADD #1	39.7	37.3	55.1
Distillate Imports (thousands b/d)	123	145	35