

Market Commentary

Recap: With expectations that U.S. crude oil inventories fell for the eighth straight week, WTI rose to its highest level since December 2014 and Brent reached a new 2.5 year high. After opening higher on the day, prices retreated toward unchanged, but bounced on failure to trade below it. The bounce brought both contracts to fresh highs, with February WTI breaching the \$63 a barrel mark, and March Brent peaking just above \$69.00 a barrel. WTI settled at \$62.96 a barrel, up \$1.23, or 1.99%, while Brent tacked on \$1.04, or 1.53%, to settle at \$68.82. February RBOB climbed 2.5% to \$1.836 a gallon and February heating oil rose 1% to \$2.066 a gallon.

Fundamental News: Bloomberg estimated that crude stocks held in Cushing, Oklahoma fell by 1.5 million barrels to 47.4 million barrels in the week ending January 5th.

Iran's Oil Minister, Bijan Zanganeh, has expressed OPEC's concern over the recent rise in oil prices, saying that this could spark a new round of shale production. Zanganeh cited supply cuts and the seasonal rise in demand as the catalyst behind the higher prices. He stated that OPEC members do not want Brent to rise above \$60/barrel because higher prices could encourage more shale output.

The EIA stated in its Short Term Energy Outlook that it raised its 2018 world oil demand growth forecast by 100,000 bpd from its previous estimate. It now sees a 1.72 million bpd increase on the year. It reported that 2019 world oil demand is expected to reach 101.76 million bpd, up 1.65 million bpd on the year. OPEC's oil production in 2018 is expected to increase by 210,000 bpd to 32.68 million bpd in 2018 and by 270,000 bpd to 32.95 million bpd in 2019. The EIA reported that non-OPEC supply in 2018 is expected to increase by 2.08 million bpd to 60.69 million bpd and by 1.29 million bpd to 61.98 million bpd in 2019. Total US oil demand in 2018 is expected to increase by 470,000 bpd to 20.31 million bpd and by 340,000 bpd to 20.65 million bpd in 2019. Gasoline demand is expected to increase by 30,000 bpd to 9.33 million bpd in 2018 and by 60,000 bpd to 9.39 million bpd in 2019. Distillate fuel demand is expected to increase by 100,000 bpd to 4.03 million bpd in 2017 and by 10,000 bpd to 4.04 million bpd in 2019. Total US oil production is expected to increase by 970,000 bpd to 10.27 million bpd in 2018 and by 580,000 bpd to 10.85 million bpd in 2019. Brent crude prices averaged \$54/barrel in 2017 and are forecast to average \$60/barrel in 2018 and \$61/barrel in 2019. WTI prices are forecast to average \$4/barrel less than Brent prices in both 2018 and 2019.

According to Bloomberg, preliminary US waterborne crude imports increased by 427,000 bpd to 4.36 million bpd in the week ending January 4th.

Genscape reported that crude stocks held along the Texas Gulf Coast fell by more than 7 million barrels through December, coinciding with a seasonal trend in which market participants avoid storing barrels in Texas at the end of the year in preparation for taxes, which are imposed based on stored inventories. Texas Gulf Coast stocks averaged 3.7 million barrels lower in December than in November. Cushing stocks fell 7.6 million barrels between the end of November and December, compared with an average build of more than 4 million barrels across the three previous years.

Saudi Arabia is expected to supply full contractual volumes of crude to two North Asian refiners in February, unchanged on the month.

Early Market Call - as of 9:45 AM EDT

WTI - Feb \$63.43 up 47 cents
 RBOB - Feb \$1.8345 down 17 points
 HO - Feb \$2.0715 up 55 points

All NYMEX | Prior Settlements

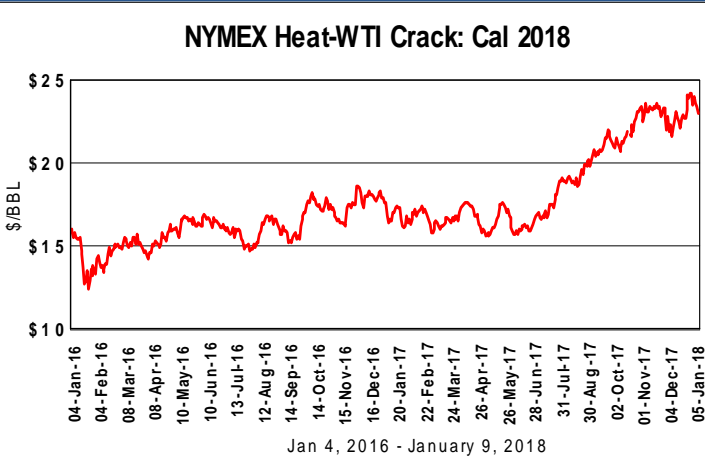
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-18	\$2.0662	\$0.0208	\$0.0078
Mar-18	\$2.0567	\$0.0217	\$0.0236
Apr-18	\$2.0381	\$0.0227	\$0.0341
May-18	\$2.0228	\$0.0230	\$0.0386
Jun-18	\$2.0109	\$0.0233	\$0.0419
Jul-18	\$2.0059	\$0.0230	\$0.0444
Aug-18	\$2.0024	\$0.0225	\$0.0468
Sep-18	\$2.0008	\$0.0219	\$0.0484
Oct-18	\$1.9994	\$0.0213	\$0.0492
Nov-18	\$1.9989	\$0.0206	\$0.0494
Dec-18	\$1.9982	\$0.0204	\$0.0494
Jan-19	\$1.9975	\$0.0200	\$0.0493
Feb-19	\$1.9902	\$0.0197	\$0.0494
Mar-19	\$1.9761	\$0.0196	\$0.0487
Apr-19	\$1.9564	\$0.0195	\$0.0485
May-19	\$1.9456	\$0.0193	\$0.0477
Jun-19	\$1.9384	\$0.0193	\$0.0471
Jul-19	\$1.9356	\$0.0195	\$0.0472

Other Front Month NYMEX		Close	Change
Crude - WTI	Mar Brent-WTI Spread	\$62.8700	\$1.1500
Crude - Brent		\$68.8200	\$1.0400
Natural Gas	\$5.95	\$2.9230	\$0.0880
Gasoline		\$1.8362	\$0.0444

API Report for the Week Ending January 5, 2018

	Actual	Mkt Expectations
Crude Oil Stocks(excluding SPR)	Down 11.2 million barrels	Down 3.5 million barrels
Cushing, OK Crude Stocks	Down 2.5 million barrels	Down 1.5 million barrels
Gasoline Stocks	Up 4.3 million barrels	Up 2.3 million barrels
Distillate Stocks	Up 4.7 million barrels	Up 2.1 million barrels
Refinery Runs	Up 211,000 bpd	Down 0.5% at 96.2%

NYMEX Cal 2018 Heating Oil Crack Spread



8-14 Day Weather Outlook

