

## Market Commentary

**Recap:** The oil market posted an outside trading day as it moved between gains and losses on production uncertainty ahead of OPEC's upcoming meeting on June 22<sup>nd</sup>. The market opened 18 cents lower at \$65.56 and sold off to a low of \$64.85 early in the morning as traders reacted to rising production out of Saudi Arabia and Russia. However, the market bounced off its low and rallied higher after OPEC's President said the US had not asked OPEC to increase its production. The market extended its gains to 61 cents as it posted a high of \$66.35 by midday. The crude market later retraced some of its gains and settled in a sideways trading pattern ahead of the close. The July WTI contract settled up 36 cents at \$66.10 while the August Brent contract settled unchanged at \$76.46. The product markets settled in negative territory, with the RBOB market settling down 1.04 cents at \$2.1049 and the heating oil market settling down 36 points at \$2.1607.

**Fundamental News:** Saudi Arabia told OPEC that it raised its oil output to a little more than 10 million bpd in May but remained within its agreed target.

Qatar's Oil Minister, Mohammed al-Sada, said OPEC may still consider extending its cooperation with non-OPEC partners on managing supplies despite a tightening market and the recent geopolitics-led rise in oil prices. He said global upstream investment is still lagging and will be insufficient to meet projected future demand. He said ministers will review market conditions at the upcoming meeting on June 22<sup>nd</sup> and a decision will be made taking into consideration the short-term and long-term market stability.

While Saudi Arabia and Russia are trying to assemble support for lifting the group's output, they will likely face opposition led by Iran and Venezuela during their meeting on June 22<sup>nd</sup>. Bloomberg reported that if anything gets agreed on, it may simply be to maintain the current deal on paper while committing to ensure adequate supply to the market. OPEC is forecasting a large global oil deficit for the second half of the year. This is assuming that OPEC continues to produce as much oil as it did last month. However if supply from Venezuela and Iran falls that deficit will increase further. Although Russia and Saudi Arabia should be able to make up the shortfall, doing so would stoke tensions in the Middle East and reduce the spare capacity available to counter any further disruption to supply. Russia, Saudi Arabia and other Gulf producers will need to increase their output by 875,000 bpd over the next six months just to offset expected declines from Iran and Venezuela and prevent the anticipated second half shortfall from getting larger.

Iraq's Oil Minister, Jabar al-Luaibi, said Iraq will look at whether to increase its oil output if OPEC decides to lift production at a meeting on June 22<sup>nd</sup>. He said Iraq's current output was within the agreed limit with OPEC at about 4.325 million bpd.

Russia's oil production increased to 11.1 million bpd in the first week of June, far exceeding production limits outlined in the OPEC and non-OPEC output cut agreement. Russia agreed to cut its output by 300,000 bpd from 11.247 million bpd.

Iran's President, Hassan Rouhani, criticized US unilateralism in withdrawing from the Iran nuclear deal and said he appreciated efforts by China and Russia to maintain the agreement. He said the US efforts to impose its policies on others are expanding as a threat to all. China's President, Xi Jinping, also expressed regret that Washington had withdrawn from the nuclear deal. He said the nuclear agreement helped promote peace and stability in the Middle East and nuclear non-proliferation.

Aiteo E&P reported that the Nembe Creek Trunk Line, 1 of 2 pipelines that goes to Shell's Bonny Light terminal, was halted on June 8<sup>th</sup> due to leaks.

**Early Market Call - as of 8:40 AM EDT**

WTI - July \$65.99, down 11 cents

RBOB - July \$2.0942, down 1.05 cents

HO - July \$2.1570, down 39 points

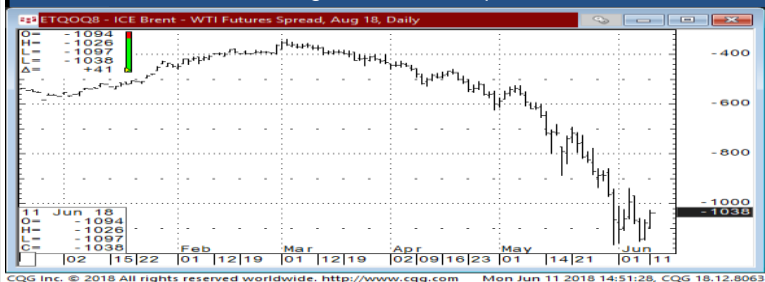
## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-18	\$2.1607	-\$0.0036	\$0.0082
Aug-18	\$2.1675	-\$0.0164	-\$0.0129
Sep-18	\$2.1720	-\$0.0161	-\$0.0134
Oct-18	\$2.1768	-\$0.0156	-\$0.0125
Nov-18	\$2.1811	-\$0.0154	-\$0.0114
Dec-18	\$2.1831	-\$0.0152	-\$0.0102
Jan-19	\$2.1873	-\$0.0152	-\$0.0086
Feb-19	\$2.1882	-\$0.0147	-\$0.0068
Mar-19	\$2.1842	-\$0.0138	-\$0.0056
Apr-19	\$2.1617	-\$0.0136	-\$0.0072
May-19	\$2.1652	-\$0.0130	-\$0.0089
Jun-19	\$2.1591	-\$0.0122	-\$0.0101
Jul-19	\$2.1591	-\$0.0117	-\$0.0080
Aug-19	\$2.1617	-\$0.0116	-\$0.0065
Sep-19	\$2.1677	-\$0.0112	-\$0.0069
Oct-19	\$2.1730	-\$0.0112	-\$0.0071
Nov-19	\$2.1772	-\$0.0109	-\$0.0107

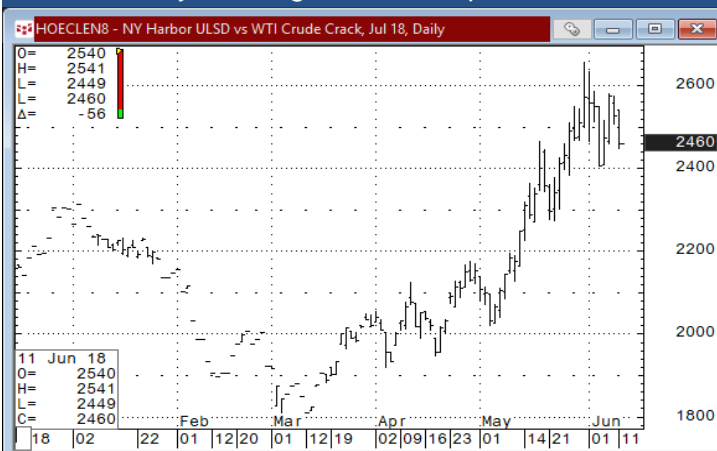
**Sprague HeatCurve Oct 2018-April 2019 \$2.1828**

Other Front Month NYMEX	Close	Change
Crude - WTI	\$66.0300	\$0.3600
Crude - Brent	\$76.4600	\$0.0000
Natural Gas	\$2.9490	\$0.0590
Gasoline	\$2.1049	-\$0.0104

**ICE August WTI-Brent Spread**



## July Heating Oil Crack Spread



## July RBOB Crack Spread

