

## Market Commentary

**Recap:** The oil market opened lower and erased its previous gains, as concerns over the trade war between the US and China outweighed supply disruptions. The market was weighed down by the weakness in the equities market as China signaled readiness to escalate the trade war with the US. Chinese newspapers warned that China implied that it was ready to use rare earths, which are a group of 17 chemical elements used in everything from high-tech consumer electronics to military equipment, to strike back at the US. The oil market posted a high of \$59.09 on the opening and gradually sold off to a low of \$56.88 by mid-day. The crude market later bounced off its low and rallied back towards its high in afternoon trading. The July WTI contract settled down 33 cents at \$58.81. The July Brent contract settled down 66 cents at \$69.45. The product markets also ended the session in negative territory, with the heating oil market settling down 2.5 cents at \$1.9675 and the RBOB market settling down 1.15 cents at \$1.9452.

**Technical Analysis:** The crude market, which bounced off its low, is seen remaining supported on the expected draws in crude stocks. The market will likely trade within its recent trading range, with support at its lows of \$58.13 and \$56.88. Resistance is seen at its high of \$59.09, \$59.57, \$60, \$61.41 and \$63.00.

**Fundamental News:** Iran's President, Hassan Rouhani, signaled on Wednesday that talks with the US may be possible if the US lifted sanctions imposed on the country, days after US President, Donald Trump, said a deal with Iran on its nuclear program was conceivable. Separately, Iran's Supreme Leader, Ayatollah Ali Khamenei, said the country will not negotiate with the US over its nuclear and missile programs after Iran's President, Hassan Rouhani, signaled talks with the US may be possible if sanctions were lifted.

Russia's First Deputy Prime Minister, Anton Siluanov, said the country will carefully consider extending its oil output cut agreement with OPEC and other producers. He said Russia will weigh the deal's positive effect on oil prices against losses in market share to US companies. OPEC and non-OPEC producers, who agreed to cut their output by 1.2 million bpd from January for six months, are scheduled to meet on June 25<sup>th</sup> and 26<sup>th</sup>.

Refinitiv Eikon reported that Iran's crude exports in May fell sharply to about 400,000 bpd, with the majority of the crude bound for Asia. Aiming to cut Iran's oil sales to zero, the US ended sanctions waivers for importers of Iranian oil in May.

Norway's Lederne labor union said about 200 Norwegian offshore oil and gas workers plan to go on strike on June 4<sup>th</sup> unless wage negotiations lead to a deal with employers. A strike would impact seven offshore fields, and similar disputes in the past have resulted in lower output from Western Europe's largest producer of crude and natural gas. Equinor's Kristin, Oseberg East and Gudrun platforms would be affected, as would Neptune Energy's Gjoea, Okea's Draugen and Aker BP's Ivar Aasen. ConocoPhillips-operated Ekofisk installations were also on the list. The Lederne union could later escalate the strike to 1,000 workers.

IIR Energy reported that US oil refiners are expected to shut in 593,000 bpd of capacity in the week ending May 31<sup>st</sup>, increasing the available refining capacity by 269,000 bpd from the previous week. Offline capacity is expected to fall to 133,000 bpd in the week ending June 7<sup>th</sup>.

Colonial Pipeline Co is allocating space for Cycle 33 shipments on Line 1, its main gasoline line from Houston, Texas to Greensboro, North Carolina. It is also allocating Cycle 33 shipments on Line 2, its main distillate line from Houston, Texas to Greensboro, North Carolina.

**Early Market Call - as of 8:10 AM EDT**  
**WTI - July \$58.77, down 4 cents**  
**RBOB - June \$1.9245, down 2.07 cents**  
**HO - June \$1.9599, down 70 points**

## All NYMEX | Prior Settlements

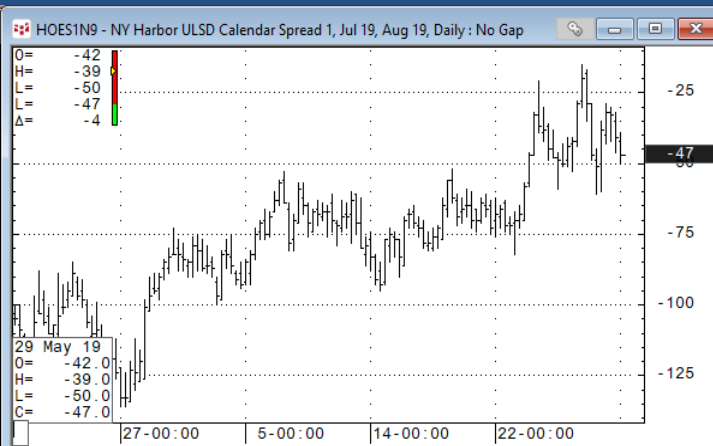
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jun-19	1.9675	-0.025	-0.0816
Jul-19	1.9693	-0.0245	-0.0813
Aug-19	1.9742	-0.0239	-0.0802
Sep-19	1.9822	-0.0229	-0.0783
Oct-19	1.9898	-0.0222	-0.0762
Nov-19	1.9955	-0.0219	-0.0741
Dec-19	1.9986	-0.0217	-0.0727
Jan-20	2.0006	-0.0212	-0.0712
Feb-20	1.9967	-0.0204	-0.0691
Mar-20	1.9873	-0.0196	-0.0668
Apr-20	1.9728	-0.0187	-0.0643
May-20	1.9632	-0.018	-0.0626
Jun-20	1.9573	-0.0175	-0.0612
Jul-20	1.9565	-0.0163	-0.0585
Aug-20	1.9569	-0.015	-0.0557
Sep-20	1.9578	-0.0139	-0.0535
Oct-20	1.9575	-0.0132	-0.0519

Sprague HeatCurve Oct 2019-Apr 2020			\$1.9937
Other Front Month NYMEX		Close	Change
Crude - WTI	July Brent-	\$58.8100	-\$0.3300
Crude - Brent	WTI Spread	\$69.4500	-\$0.6600
Natural Gas	\$10.64	\$2.6330	\$0.0510
Gasoline		\$1.9452	-\$0.0115

## API Weekly Report for the Week Ending May 24, 2019

	Actual	Mkt Expectations
<b>Crude Oil Stocks(exl SPR)</b>	Down 5.3 million barrels	Down 1.4 million barrels
Cushing, OK Crude Stocks	Down 176,000 barrels	
<b>Gasoline Stocks</b>	Up 2.7 million barrels	Down 800,000 barrels
<b>Distillate Stocks</b>	Down 2.1 million barrels	Down 225,000 barrels
<b>Refinery Runs</b>	Up 293,000 bpd	Up 1% at 90.9%

## NYMEX Heating Oil July-August Spread



## NYMEX RBOB July-August Spread

