

Market Commentary

Recap: Oil prices were mixed on Tuesday, with Brent coming under pressure as maintenance gets under way in that region and with WTI increasing on concerns of tighter supplies out of Canada. The divergence comes on the heels of differing U.S. data reported last week, which showed U.S. crude oil inventories held at Cushing shrinking, while shale output continued to rise. While traders grapple with these conflicting reports, maintenance in the North Sea has slowed demand. The expiring March WTI rose to its highest level in two weeks, going off the board at \$61.90 a barrel, up 22 cents, or 0.36%, while Brent for April delivery fell 42 cents, or 0.64%, to settle at \$65.25 a barrel.

March RBOB fell .0006, to settle at \$1.7503 a gallon, while March heating oil tacked on .0173, to settle at \$1.9277 a gallon.

Fundamental News: OPEC's Secretary General, Mohammad Barkindo, said global oil demand for 2018 is estimated to grow 1.6 million bpd due to an encouraging environment. He said commercial oil stocks for the OECD increased in January 2018 and were about 74 million barrels over the latest five year average. He said OPEC registered 133% compliance with agreed output cut targets in January across all participating OPEC and non-OPEC countries.

The Louisiana Offshore Oil Port completed the first VLCC crude oil loading operation at its deepwater port. The vessel that loaded the crude for export is the Saudi-flagged Shaden. LOOP said the vessel was chartered by Shell. Sources stated that the tanker is bound for Asia, with some options to discharge in China.

UAE Energy Minister, Suhail bin Mohammed al-Mazroui said that OPEC and non-OPEC oil producers will continue their cooperation beyond 2018 to help avoid any future oil oversupply or shortage. He said oil market monitoring beyond 2018 is the minimum OPEC and other producers participating in the supply-reduction agreement can do, adding that he expects that a framework cooperation will be presented to all members in June. He said the output cut agreement is working and has so far removed 266 million barrels from the 5-year average of oil inventories. He said OPEC wants to ensure enough upstream investment to adequately supply the market in the decades to come. However he had no details on what parameters the agreement would entail, saying it was still in the draft stage and needed to be discussed with other ministers. He said the oil market needs \$10 trillion of investments through 2040 to replace natural field declines.

The Joint Organizations Data Initiative reported that Saudi Arabia exported 7.045 million bpd of crude in December, up from 7.016 million bpd in November. Saudi Arabia's crude oil production increased by 890,000 bpd on the month to 9.98 million bpd in December. It also reported that the country's crude oil stocks fell 4.709 million barrels to 245.009 million barrels in December. Saudi Arabia's domestic refinery crude throughput increased by 50,000 bpd to 2.828 million bpd in December. Saudi Arabia's oil product exports fell by 63,000 bpd to 1.506 million bpd in December while its demand for oil products increased by 135,000 bpd to 2.294 million bpd in December.

Libya's crude oil output, which is now more than 1 million bpd, could suffer as National Oil Corp continues to wait for its budget from the government. The company's CEO, Mustafa Sanalla, said the slowdown will have serious consequences for the entire sector, which will lead to a decline in the level of production again in large proportions in addition to having a negative impact on development projects. Libya produced about 980,000 bpd in January.

Early Market Call - as of 9:00 AM EDT

WTI - Mar \$61.33, down 46 cents

RBOB - Mar \$1.7409, down 97 points

HO - Mar \$1.9273, down 7 points

All NYMEX | Prior Settlements

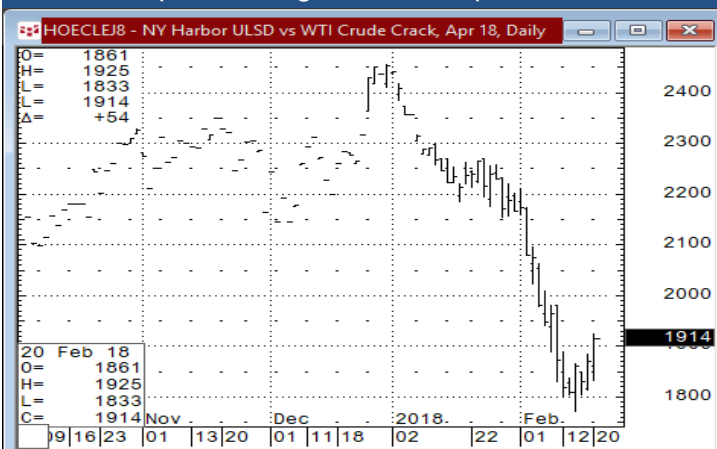
| Month | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
| | Close | Change | One Week |
| Mar-18 | \$1.9277 | \$0.0173 | \$0.0908 |
| Apr-18 | \$1.9263 | \$0.0179 | \$0.0899 |
| May-18 | \$1.9223 | \$0.0180 | \$0.0875 |
| Jun-18 | \$1.9176 | \$0.0184 | \$0.0853 |
| Jul-18 | \$1.9166 | \$0.0194 | \$0.0837 |
| Aug-18 | \$1.9158 | \$0.0208 | \$0.0830 |
| Sep-18 | \$1.9168 | \$0.0219 | \$0.0827 |
| Oct-18 | \$1.9170 | \$0.0224 | \$0.0812 |
| Nov-18 | \$1.9163 | \$0.0224 | \$0.0793 |
| Dec-18 | \$1.9148 | \$0.0221 | \$0.0770 |
| Jan-19 | \$1.9142 | \$0.0220 | \$0.0754 |
| Feb-19 | \$1.9105 | \$0.0220 | \$0.0739 |
| Mar-19 | \$1.9028 | \$0.0217 | \$0.0719 |
| Apr-19 | \$1.8859 | \$0.0217 | \$0.0698 |
| May-19 | \$1.8759 | \$0.0208 | \$0.0675 |
| Jun-19 | \$1.8694 | \$0.0196 | \$0.0644 |
| Jul-19 | \$1.8678 | \$0.0193 | \$0.0627 |
| Aug-19 | \$1.8688 | \$0.0185 | \$0.0612 |

| | | Close | Change |
|---------------|------------------------------------|-----------|-----------|
| Crude - WTI | Apr Brent- WTI Spread \$3.46 | \$61.7900 | \$0.2400 |
| Crude - Brent | | \$65.2500 | -\$0.4200 |
| Natural Gas | | \$2.6160 | \$0.0580 |
| Gasoline | | \$1.7503 | -\$0.0006 |

ICE April WTI-Brent Spread



April Heating Oil Crack Spread



April RBOB Crack Spread

