

Market Commentary

All NYMEX | Prior Settlements

Recap: The downside correction in oil prices continued on Wednesday, encouraged by the larger than expected increase in U.S. crude oil inventories. According to the EIA, crude oil stockpiles rose 6.8 million barrels, much greater than the 3.230 million barrel build reported by the API and the estimated 1.6 million barrel draw. WTI fell to its lowest level in 8 sessions, but came up short of our downside target of \$62.62. However, prices rebounded after traders absorbed the entire report, which also indicated a drop of 2.2 million barrels at stockpiles held at Cushing, Ok, and strong demand for refined products. March WTI ended the session up 23 cents, or 0.36%, to settle at \$64.73 a barrel, while the expiring March Brent settled at \$69.05 a barrel, up 3 cents, or 0.04%. February RBOB added 0.5%, to settle at \$1.908 a gallon, while February heating oil lost 0.1%, to close at \$2.069 a gallon.

Fundamental News: The EIA stated in a monthly report that US oil production in November surpassed 10 million bpd for the first time since 1970. Oil output increased by 384,000 bpd in November from October to 10.038 million bpd. The EIA also increased its October estimate by 17,000 bpd to 9.654 million bpd.

According to a Reuters survey, output from the 13 OPEC members originally part of the deal increased by 90,000 bpd to 32.26 million bpd, while supply from the 11 members with production targets under the original accord was down by 10,000 bpd to 29.36 million bpd. The OPEC members subject to the oil supply targets achieved 138% of pledged cuts in January, compared with 137% in December.

Kuwait's Oil Minister, Bakheet al-Rashidi, said the market is expected to reach its balance late this year or early next year. He personally expects the market to re-balance toward the end of this year, assuming producers continue their cuts.

The IEA's markets division head, Neil Atkinson, said OPEC-led production cuts will last for the rest of the year, and an early termination in June would be a surprise to the market.

Kuwait Petroleum Corp expects to spend over \$500 billion as it increases its crude oil production capacity to 4.75 million bpd in 2040. Kuwait's current oil production capacity is about 3.15 million bpd. It expects to spend \$114 billion in capex over the next five years and an additional \$394 billion beyond that to 2040.

Russia's ambassador to North Korea, Alexander Matzegora, said it was better not to cut deliveries of oil and oil products to North Korea, because doing so would be interpreted by Pyongyang as a declaration of war and lead to serious problems. Quotas set by the UN allow for about 540,000 tons/year of crude oil to be delivered to North Korea from China and over 60,000 tons of oil products from Russia, China and other countries.

Imports of Iranian crude by major buyers in Asia in December fell by 16.3% on the year to 1.58 million bpd.

IIR reported that US oil refiners are expected to shut in 697,000 bpd in the week ending February 2nd, increasing available refining capacity by 185,000 bpd on the week. IIR expects offline capacity to increase to 1.015 million bpd in the week ending February 9th.

Enterprise Products Partners said it could expand capacity on its Midland-to-Sealy crude oil pipeline by more than 20% to help transport even more oil from the Permian Basin of West Texas and New Mexico. Crude flows on the line averaged 330,000 bpd after the pipeline started operations in November. Flows are expected to reach 450,000 bpd as soon as April once the line is fully operational.

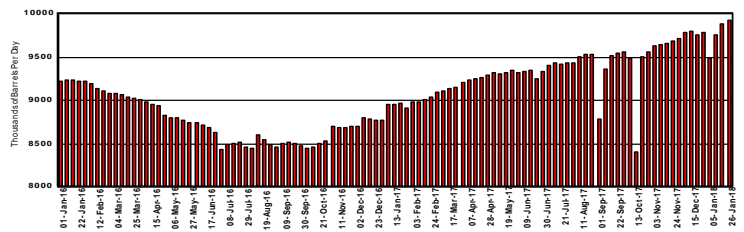
Early Market Call - as of 9:00 AM EDT

WTI - Mar \$65.30, up 57 cents
 RBOB - Mar \$1.9031, up 84 points
 HO - Mar \$2.0842, up 1.76 cents

Month	USLD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-18	\$2.0692	-\$0.0025	-\$0.0369
Mar-18	\$2.0664	-\$0.0007	-\$0.0359
Apr-18	\$2.0547	\$0.0022	-\$0.0301
May-18	\$2.0406	\$0.0048	-\$0.0276
Jun-18	\$2.0294	\$0.0064	-\$0.0274
Jul-18	\$2.0239	\$0.0071	-\$0.0278
Aug-18	\$2.0183	\$0.0074	-\$0.0283
Sep-18	\$2.0158	\$0.0077	-\$0.0276
Oct-18	\$2.0129	\$0.0077	-\$0.0279
Nov-18	\$2.0114	\$0.0074	-\$0.0284
Dec-18	\$2.0102	\$0.0071	-\$0.0285
Jan-19	\$2.0089	\$0.0068	-\$0.0282
Feb-19	\$2.0032	\$0.0066	-\$0.0278
Mar-19	\$1.9893	\$0.0068	-\$0.0276
Apr-19	\$1.9692	\$0.0070	-\$0.0272
May-19	\$1.9559	\$0.0071	-\$0.0271
Jun-19	\$1.9478	\$0.0072	-\$0.0274
Jul-19	\$1.9448	\$0.0073	-\$0.0268

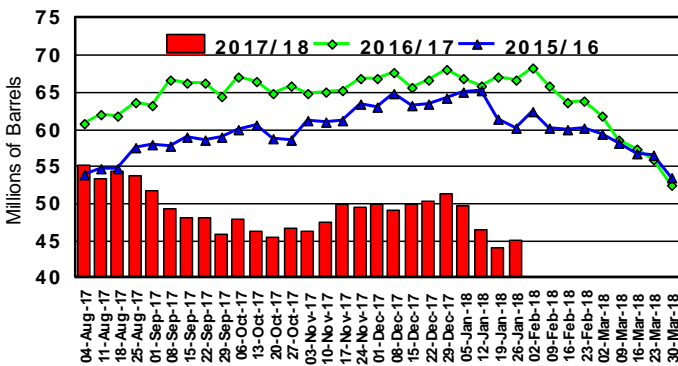
		Close	Change
Crude - WTI	Mar Brent-WTI Spread \$4.32	\$64.7300	\$0.2300
Crude - Brent		\$69.0500	\$0.0300
Natural Gas		\$2.9950	-\$0.2000
Gasoline		\$1.9075	\$0.0121

U.S. Domestic Crude Production



EIA Weekly Petroleum Status Report for the Week Ending January 26, 2018

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 6.776 million barrels
 Cushing, OK Crude Stocks Down 2.224 million barrels
Gasoline Stocks Down 1.98 million barrels
Distillate Stocks Down 1.94 million barrels
Refinery % Operated 88.1%, Down 2.8%

PADD #1

	Week Ending Jan 26, 2018	Week Ending Jan 19, 2018	Week Ending Jan 27, 2017
Distillate Stocks (in million bbls)			
New England	7.2	6.4	12.5
Central Atlantic	26.5	25.5	41.6
Total PADD #1	44.9	44.0	66.7
Distillate Imports (thousands b/d)	514	231	235