

Market Commentary

All NYMEX | Prior Settlements

Recap: The rally in oil prices continued to deteriorate, with oil futures falling to their lowest level in over a week. Pressure was provided by increasing U.S. production, a rising dollar and a falling equities market. In overnight trading, prices failed to hold above the \$65.13, the 10-day moving average, which in turn sparked panic selling by bulls. March WTI fell as much as 2.8%, to a low of \$63.59 a barrel before paring losses, settling at \$64.15 a barrel, down \$1.30, or 1.99%. April Brent slipped 96 cents, or 1.40%, to settle at \$67.62 a barrel.

March RBOB fell 1.4% to \$1.847 a gallon, while March heating oil lost 1.7% to \$2.02 a gallon.

Fundamental News: Iran's Oil Minister, Bijan Namdar Zanganeh, said the country can quickly increase its crude production if OPEC decides to scrap limits on global output when the group meets next in June. Iran can raise daily production by at least 100,000 barrels within five or six days if OPEC decides that crude prices are high enough to justify abandoning its oil cuts agreement with other producers.

The former head of reservoir management at Saudi Aramco and current CEO of Quantum Reservoir Impact, Nansen Saleri, said the Permian Basin is looking like Saudi Arabia, with as much as 1 million barrels of spare oil capacity ready to go into production. Oil producers in the Permian Basin have at least a combined 500,000 bpd of idle oil production capacity.

US Secretary of State, Rex Tillerson, said the US is weighing sanctions on Venezuela's oil sector as a way to push Venezuelan President Nicolas Maduro to abide by his own country's constitution.

The Commodity Futures Trading Commission data showed that short positions held by swap dealers in NYMEX crude increased further into record high territory in the week ending January 30th. The short position held by swap dealers increased by 16,043 contracts to 852,769 contracts. A year ago, the short position equaled 345,626 contracts. This suggests producers have increased their hedging activity with crude futures rising into the mid-\$60s. Some producers may be motivated to hedge because of the increase in oil prices, but another factor is the additional barrels coming out of the ground. A reason why producers might seek out swap dealers is because futures exchanges have margin requirements, and that means tying up cash that otherwise could be spent on drilling.

Flows on the Louisiana-to-Illinois Capline crude pipeline fell by almost 34% in December to 64,000 bpd, pushed down by competing flows from the Diamond and Dakota Access pipelines. With a total capacity of 1.2 million bpd on the Capline, the fall in volume means only about 5.5% of the pipeline's capacity is being utilized. The significant fall in shipped volume on the Capline pipeline coincides with the startup of the Cushing, Oklahoma to Memphis, Tennessee, Diamond pipeline in the fourth quarter 2017. The pipeline supplies up to 190,000 bpd of light sweet Permian and Bakken barrels from Cushing to Valero's Memphis refinery.

Early Market Call - as of 9:00 AM EDT

WTI - Mar \$63.41, down 74 cents

RBOB - Mar \$1.8115, down 3.51 cents

HO - Mar \$1.9955, down 2.42 cents

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Mar-18	\$2.0196	-\$0.0339	-\$0.0782
Apr-18	\$2.0111	-\$0.0330	-\$0.0663
May-18	\$2.0014	-\$0.0311	-\$0.0571
Jun-18	\$1.9926	-\$0.0292	-\$0.0525
Jul-18	\$1.9878	-\$0.0276	-\$0.0505
Aug-18	\$1.9831	-\$0.0261	-\$0.0488
Sep-18	\$1.9819	-\$0.0245	-\$0.0465
Oct-18	\$1.9805	-\$0.0227	-\$0.0445
Nov-18	\$1.9797	-\$0.0215	-\$0.0438
Dec-18	\$1.9786	-\$0.0205	-\$0.0436
Jan-19	\$1.9774	-\$0.0197	-\$0.0434
Feb-19	\$1.9718	-\$0.0190	-\$0.0434
Mar-19	\$1.9594	-\$0.0181	-\$0.0415
Apr-19	\$1.9398	-\$0.0179	-\$0.0407
May-19	\$1.9271	-\$0.0176	-\$0.0400
Jun-19	\$1.9198	-\$0.0174	-\$0.0390
Jul-19	\$1.9175	-\$0.0169	-\$0.0381
Aug-19	\$1.9175	-\$0.0163	-\$0.0367

		Close	Change
Crude - WTI	Apr Brent- WTI Spread \$3.79	\$63.8300	-\$1.2400
Crude - Brent		\$67.6200	-\$0.9600
Natural Gas		\$2.7470	-\$0.0990
Gasoline		\$1.8466	-\$0.0254

ICE April WTI-Brent Spread



March Heating Oil Crack Spread

March RBOB Crack Spread

