

# Macro Voices – Crude Oil Update

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## US resumption of Iran sanctions –

- A realignment of trade relationships
- Expectations of losses from 500-800K,
- EU secondary effects – Total as indicator
- Affect on China, shipping companies note that Iranian purchases are 600K per day, expect to be halved. Do not want to jeopardize active trade with the U.S.
- India – Reliance industries stops importing Iranian crude.

# WTI first month futures

INTERACTIVE CHART for Wed, May 30th, 2018

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CLN18

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1M

3M

6M

1Y

5Y

20Y



Daily

1Y



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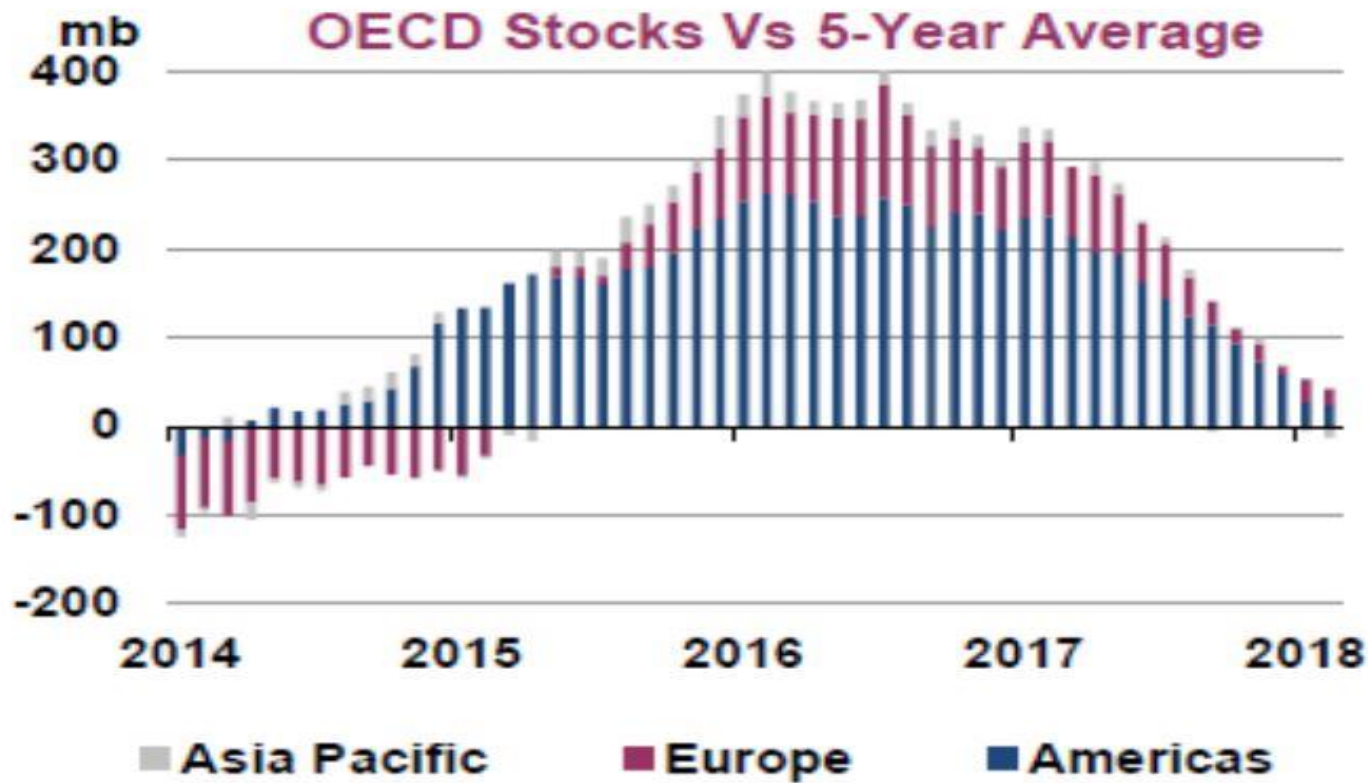
Crude Oil WTI Jul '18 (CLN18) - Barchart.com



## Venezuela – Fat tail?

- Devolving situation – production has dropped 1mbpd y/y. Now 1.45 mpbd.
- Domestic consumption+Payment in kind to Russia+China leaves about 500K for hard currency earnings.
- Conoco Phillips wins court settlement for 2007 expropriation and begins to seize PDVSA assets in the Caribbean, storage in Bonaire, vessels containing crude oil, interrupting the logistical chain for exports to US. Opens the door for other creditors to follow suit.
- Estimates for production to drop below 1 mbpd.
- Bond default?
- Where does all of this occur on the curve?

These events occur against the backdrop of a robust market growth and global reduction of crude inventories.



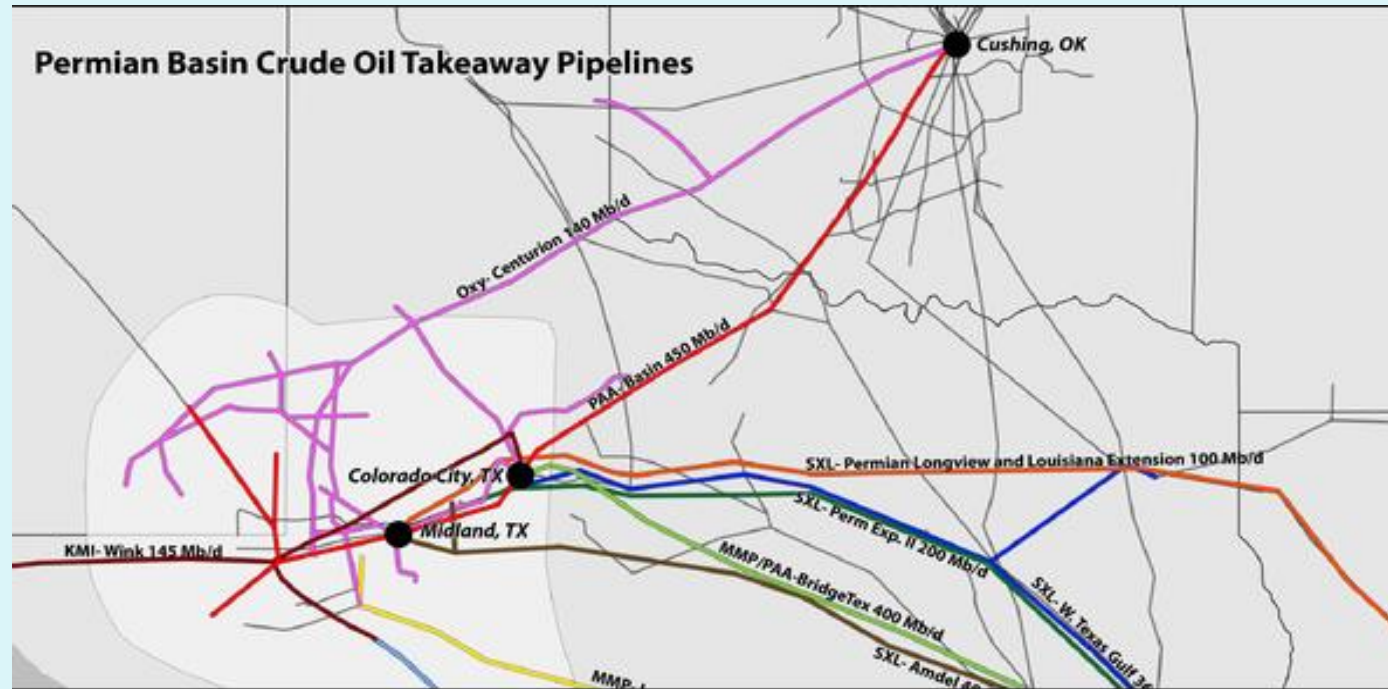
# DOE Crude Inventories



# Market Response:

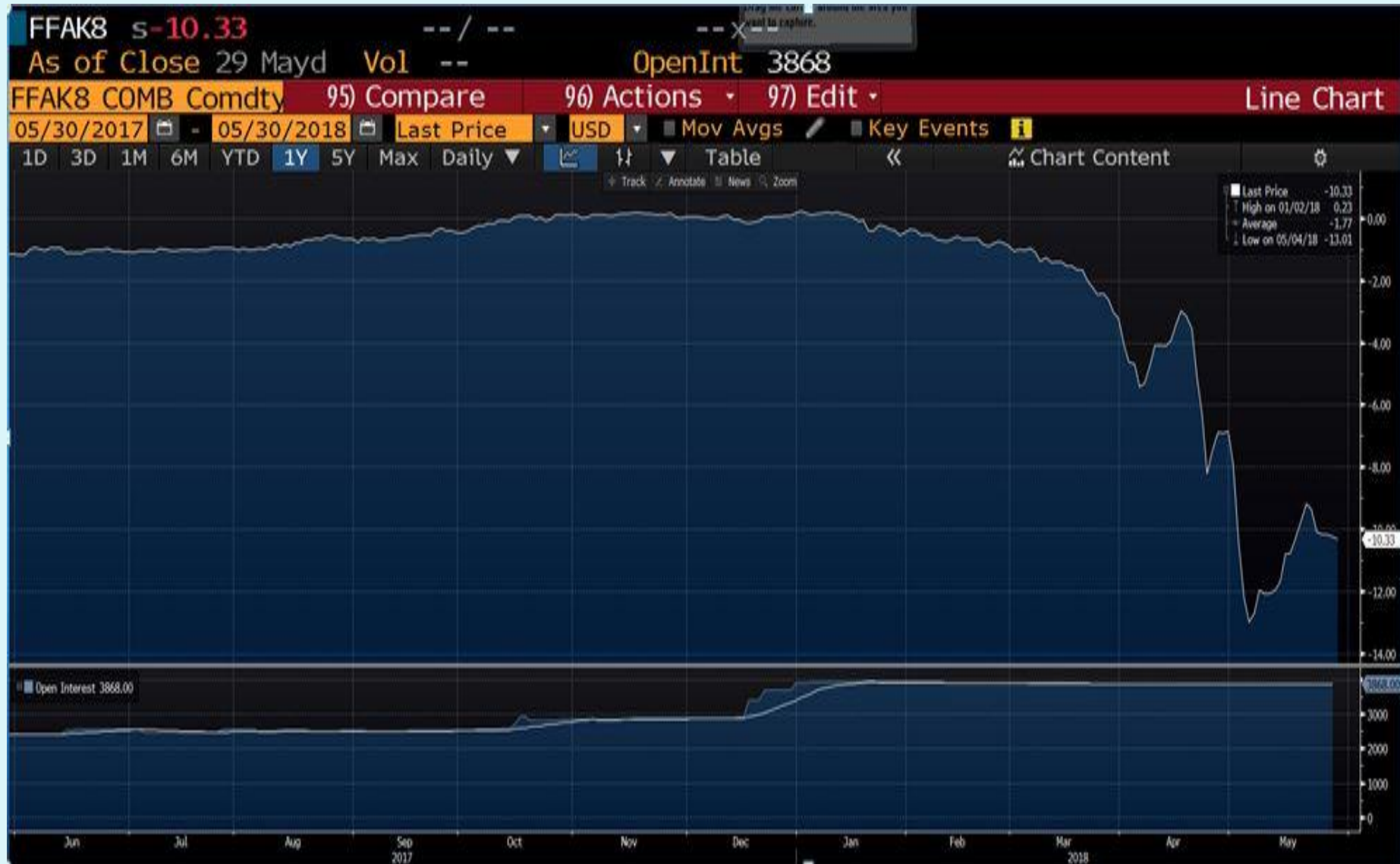
- OPEC/ Russia – discussed at recent technical meeting increasing production by appx 1 mbpd to cover losses by Iran and Venezuela. After sharp market response, OPEC states that increases will be gradual. Other challenges matching increases with when the interruptions occur.
- United States – The US is now at record crude production, all growth is out of the Permian basin. Inadequate transportation logistics and quality mismatch with global much of the world's refining capacity (avg 32 API, most shale 40 +) Huge local discounts vs WTI Cushing, LLS and MEH.
- Back to the future on WTI/Brent as a result. Today July -9.10

US crude production growth is limited by inadequate midstream logistical infrastructure. This is measured by discounts of Midland TX crude to Cushing, MEH (Magellan East Houston) and LLS. Today discounts were as ff: -1300 July Midland, MEH +715, LLS +780.

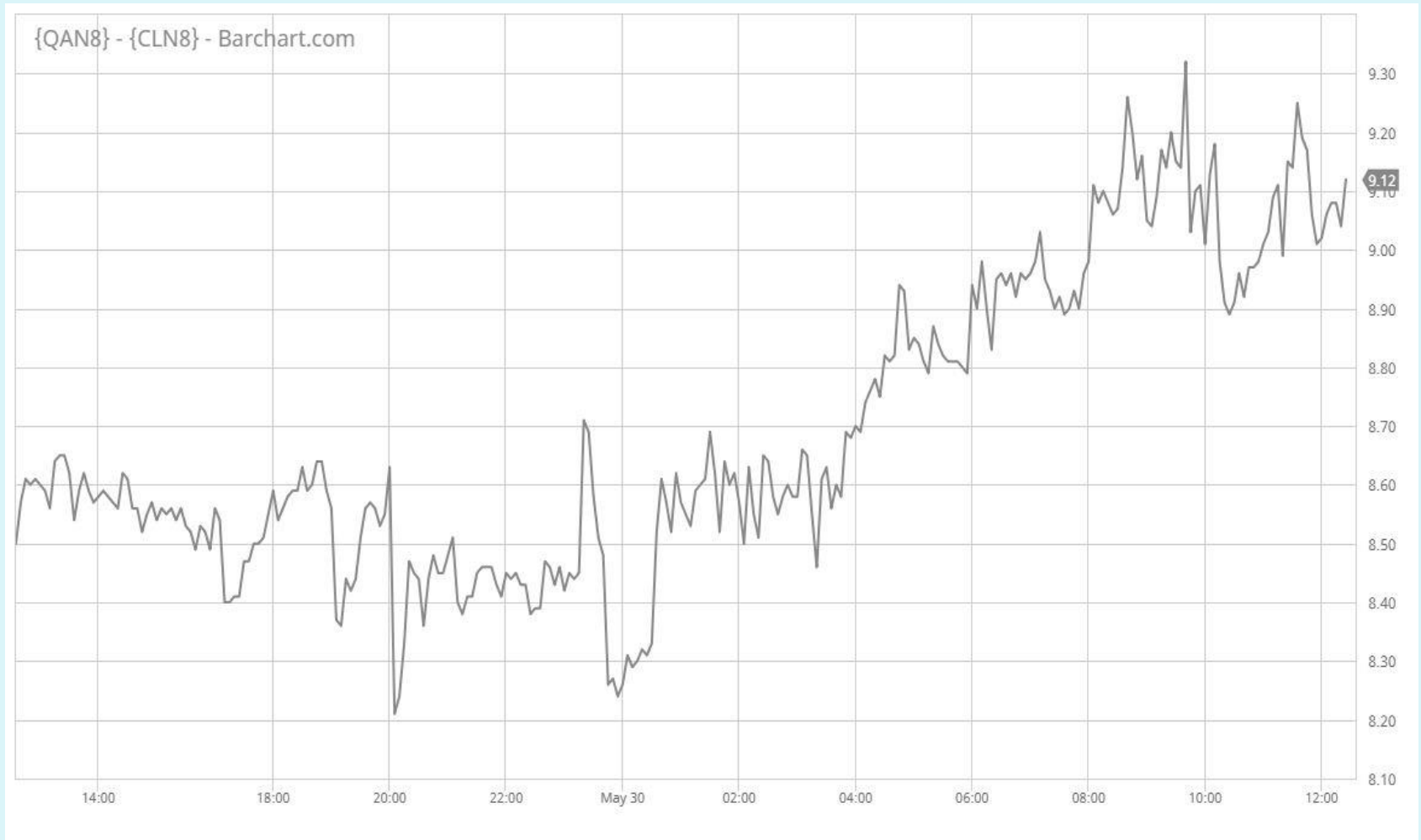




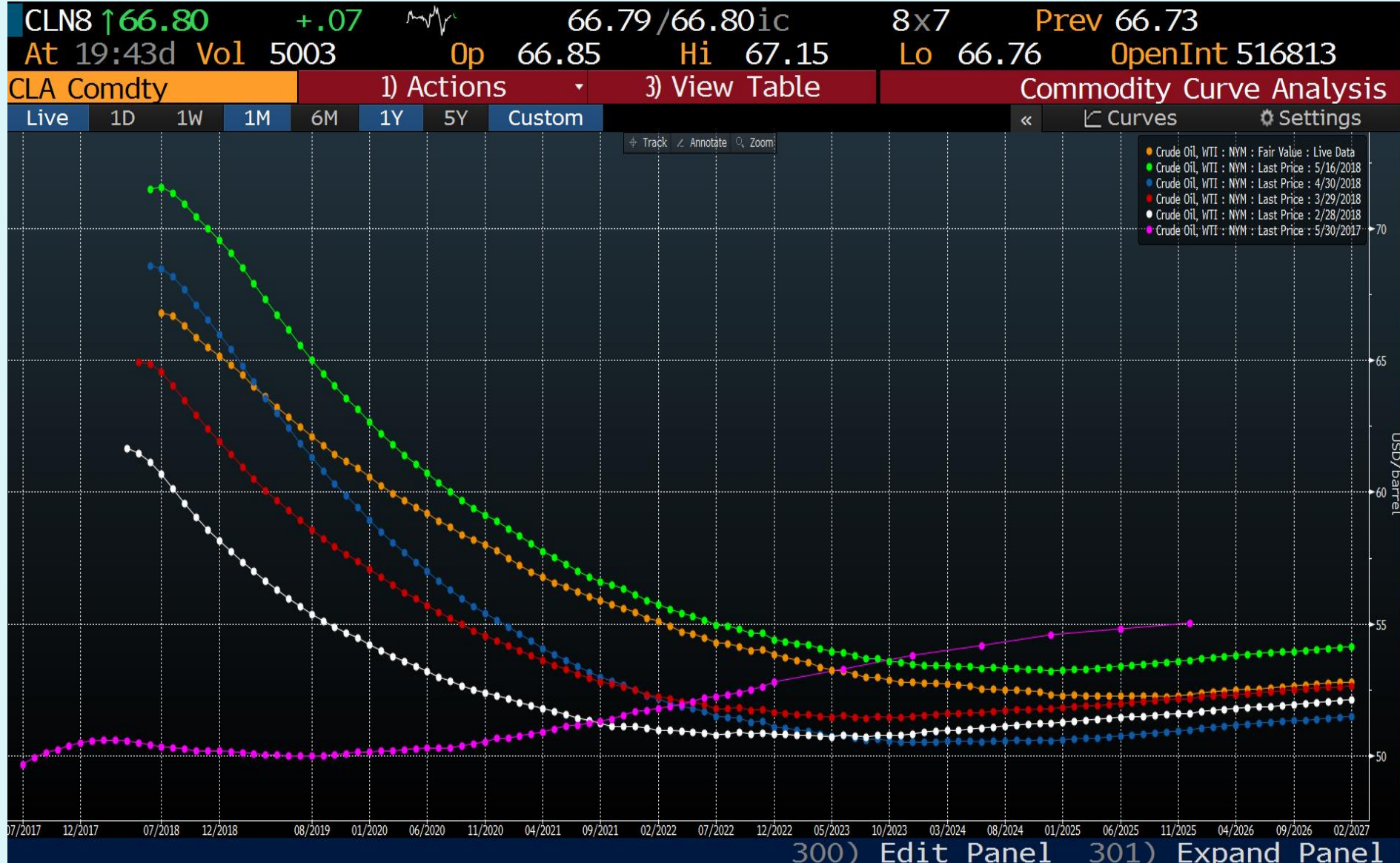
# Midland VS WTI today trades -1300



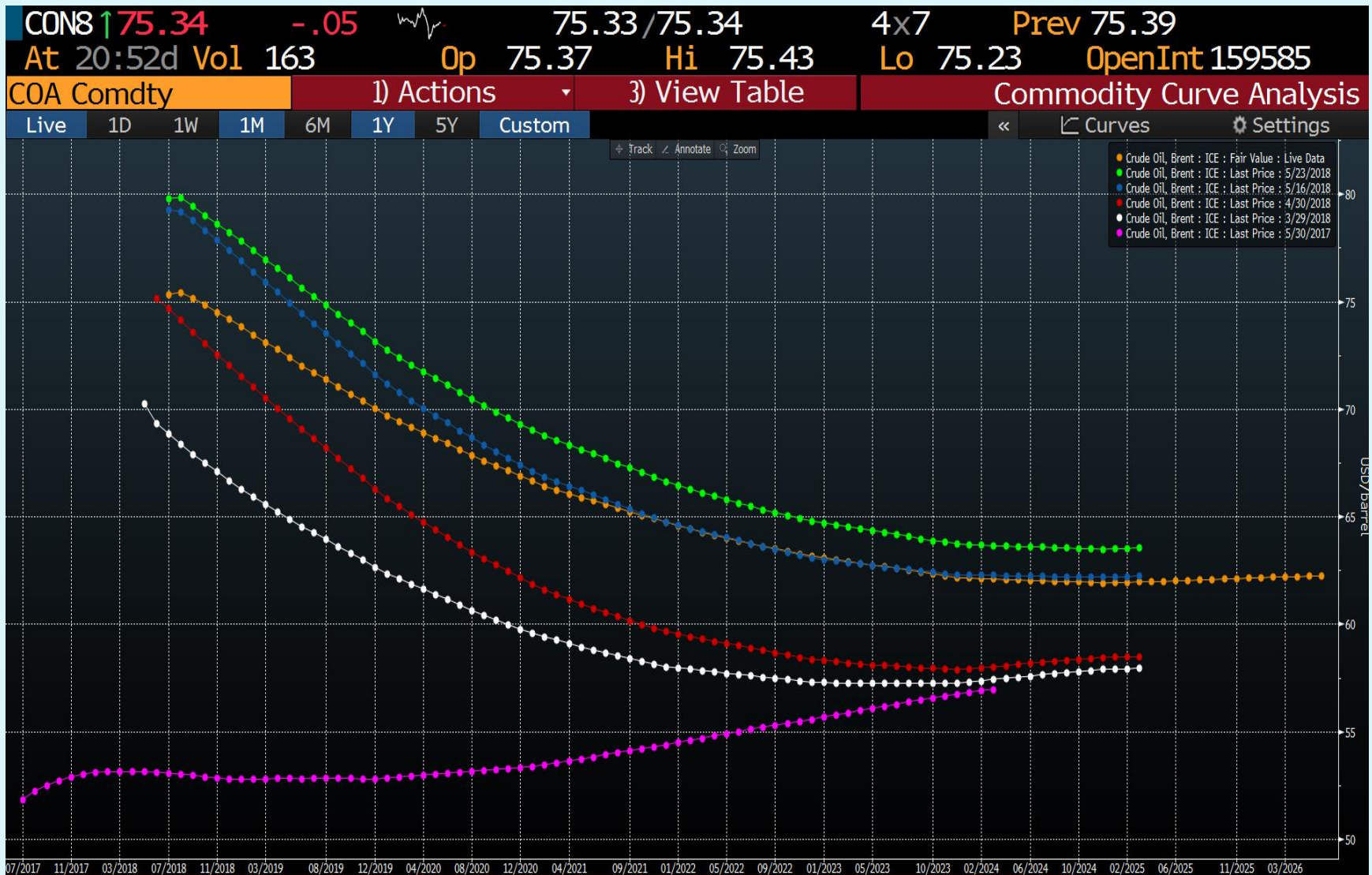
# July Brent minus WTI futures



# WTI forward Curves

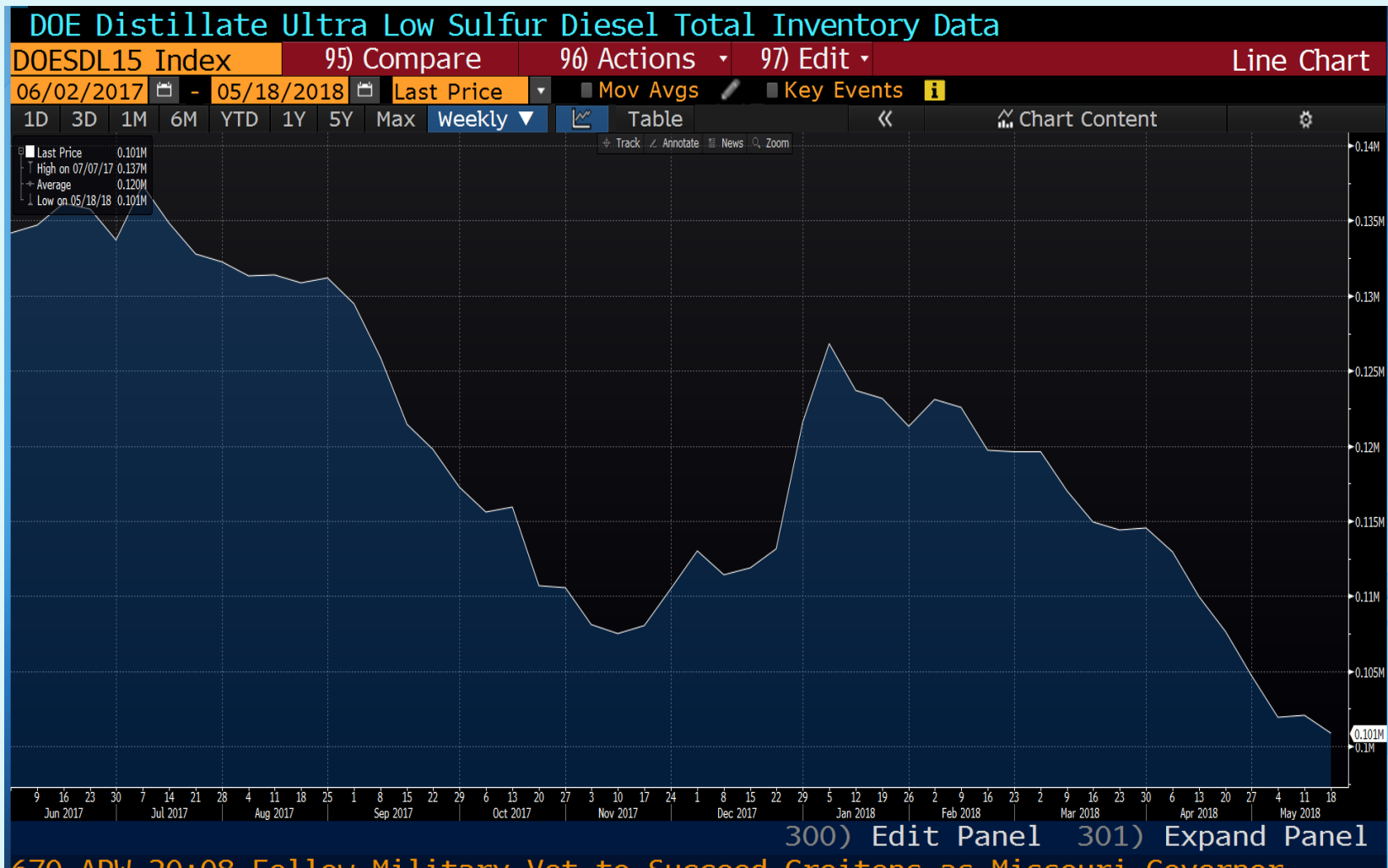


# Brent Forward Curves





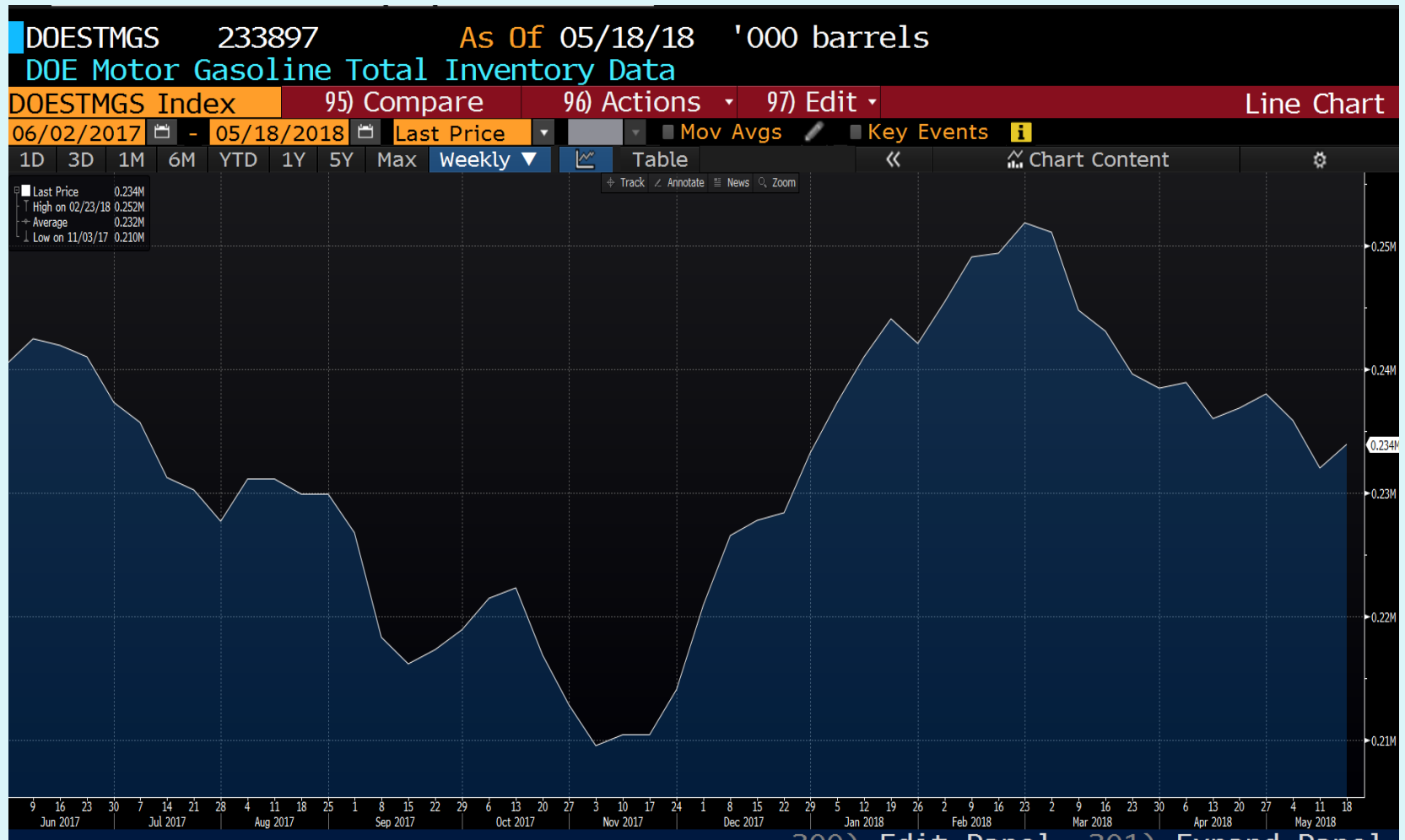
# DOE Distillate Inventories



# ULSD Front Month Futures



# DOE gasoline stocks



# RBOB





# Gas Crack – Front Month futures vs WTI

