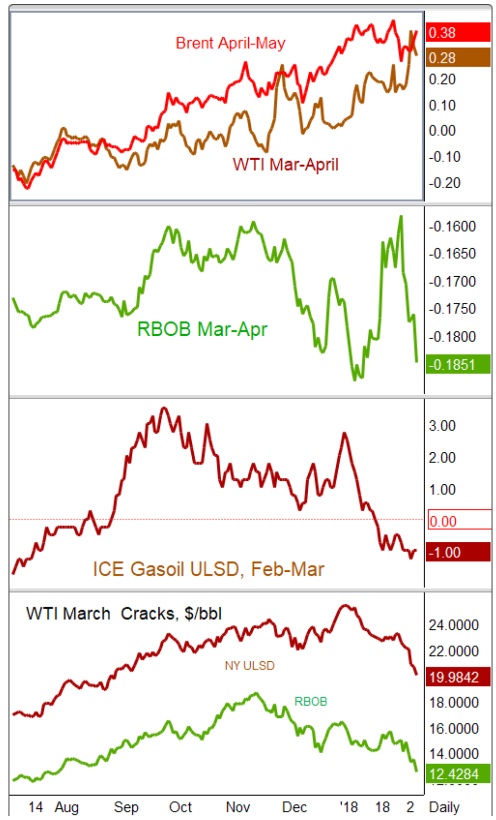
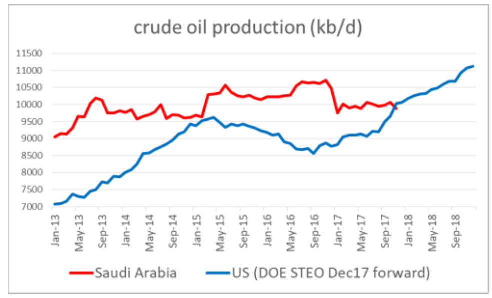
DAILY MARKET REPORT 07-FEB-18

		Latest c.o.b.	Daily Change	Daily Change %
WTI ($/bbl)	Mar	63.39	-0.76	-1.18%
Brent ($/bbl)	Apr	66.86	-0.76	-1.12%
RBOB ($/gal)	Mar	1.8052	-0.0414	-2.24%
NY ULSD ($/gal)	Mar	1.9851	-0.0345	-1.71%
Natgas US ($/mmbtu)	Mar	2.7590	0.0120	0.44%
Heat Crack vs WTI ($/bbl)	Mar	19.98	-0.69	
RBOB Crack vs WTI ($/bbl)	Mar	12.43	-0.98	
321 Crack vs WTI ($/bbl)	Mar	14.95	-0.88	
Heat Crack vs Brent ($/bbl)	Apr	16.10	-0.76	
RBOB Crack vs Brent ($/bbl)	Apr	16.72	-0.63	
321 Crack vs Brent ($/bbl)	Apr	16.55	-0.63	
Brent/WTI ($/bbl)	Apr	-3.75	0.04	
WTI Timespread ($/bbl)	Mar/Apr	0.28	-0.04	
Brent Timespread ($/bbl)	Apr/May	0.38	0.04	
RB Timespread (cts/gal)	Mar/Apr	-18.51	-0.88	
NY ULSD Timespread (cts/gal)	Mar/Apr	0.78	-0.07	
ICE Gasoil Timespread ($/MT)	Feb/Mar	-1.00	0.00	
Gold		1,329.50	-7.00	-0.52%
GSCI		2,591.73	-24.33	-0.93%
S&P 500		2,695.14	46.20	1.74%
Amex Oil Index		1,324.89	16.38	1.25%
Dollar Index		89.59	0.03	0.03%
VIX		29.98	-7.34	-19.67%



US OIL PRODUCTION

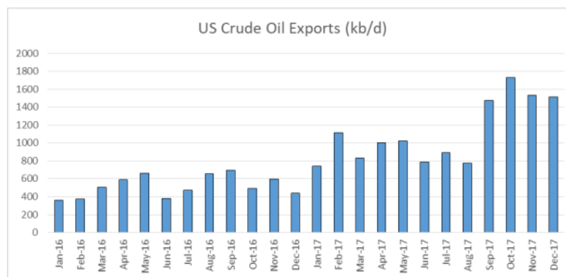


The DOE in its STEO report has revised its estimate of US crude oil production for February by +210 kb/d to 10.26 myn b/d. This also means that the DOE will have to start adjusting its estimate in the weekly reports +300 kb/d in order to move up to the STEO benchmark. The revision higher by the STEO is a logical step after the sharp revision higher to the November data.

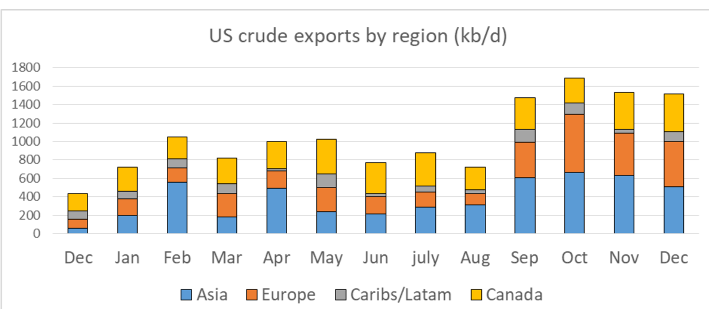
The STEO made revisions also to the rest of 2018 and it now sees US production in Dec18 at 11.13 myn b/d, which is an increase of +0.5 myn b/d versus the estimate of a month ago. To have such an increase of forecast in just a month is illustrative of the inefficiency of the industry (and that includes OPEC) in forecasting US shale oil production. The problem is not new, but there has been no visible improvement of forecasting over the last few years. If the new DOE STEO forecast is right then the price-rebalancing efforts of OPEC will have resulted in a crude oil production increase of +2.4 myn b/d in the US (Dec18 vs Dec16).

The bearish IEA (OECD, Paris) is now -200 kb/d below the EIA (US) for US crude oil production in 2018, there is therefore a risk to see the IEA increase again its outlook for US crude oil production when it publishes its Oil Market Report next Tuesday (OPEC will publish its update next Monday).

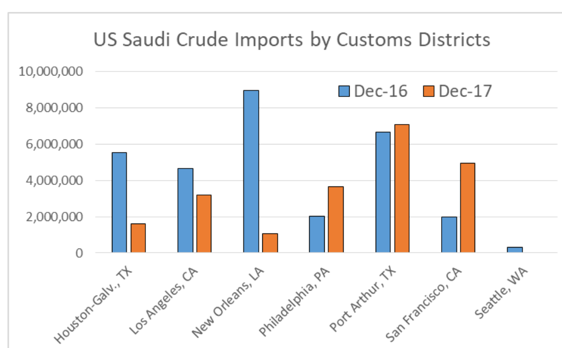
US OIL TRADE-DECEMBER



US crude oil exports in December, at 1'514 kb/d were close to unchanged versus November but about +100 kb/d higher than in the weekly estimates. They are +1.1 myn b/d higher than a year ago.



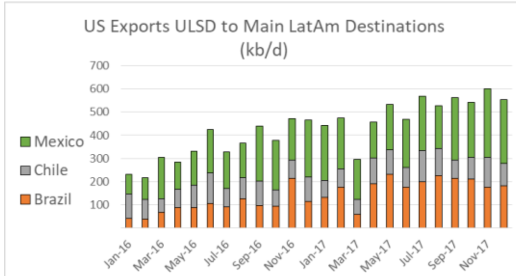
By destinations, US crude oil exports to Asia were –147 kb/d lower than in November but they increased to the Caribbean/Latin America by +62 kb/d and to Europe by +38 kb/d. Shipments to Canada were stable at 406 kb/d, exports excluding Canada amount to 1.1 myn b/d. In the odd department there was a shipment to the UAE (23 kb/d). Exports to China at 264 kb/d were at the lowest since September. Exports marked for Curacao reached a record 75 kb/d.

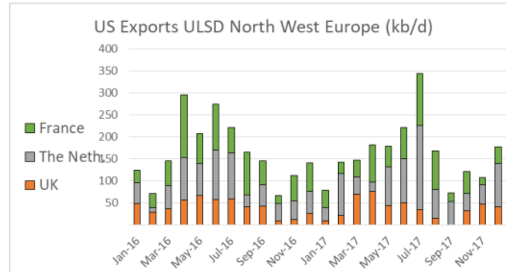


Imports of crude oil from Saudi Arabia in December were at 694 kb/d compared to 786 kb/d in November. By customs districts, compared to December 2016, most of the drop in imports from Saudi Arabia were to Louisiana while imports in California were higher than a year ago.

PETROMATRIX

Exports of diesel to the main destinations in Latin America were stable versus November. Exports of diesel to Europe picked-up, mostly to France and the Netherlands.





API Weekly

The API is showing a small stock draw in crude oil of -1.1 myn bbls, which is mostly in Cushing (-0.6 myn bbls). The absolute level of crude oil stocks reported by the API is exactly the same as the stock level reported by the DOE last week. The convergence risk is fully neutral and on that basis the DOE could as well show a small crude build or a small crude draw. Gasoline stocks had a small draw but distillate stocks a large build. As per our comments above, there is a risk to see the DOE weekly report adjust the production estimate higher due to the revisions made in the STEO.

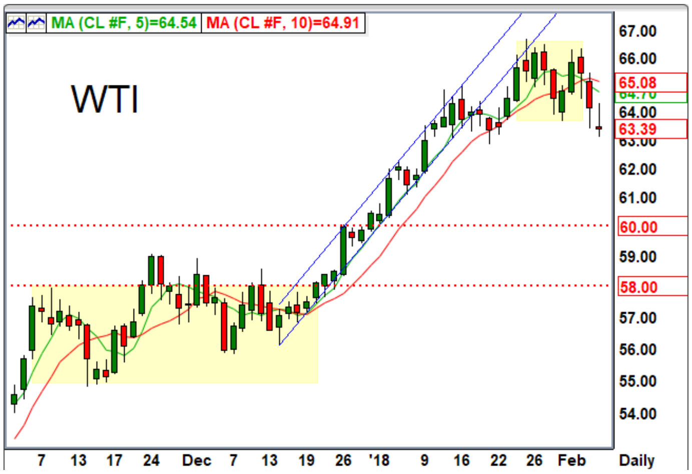
Year ago DOE same week stock-change (k bbls)			
	Crude	Gasoline	Distillate
2017	13,830	(869)	29
2016	(668)	1,258	1,281
2015	4,868	1,977	(3,252)
API 2018	**(1,100)**	**(277)**	**4,600**
API/DOE Crude Convergence Risk:			0

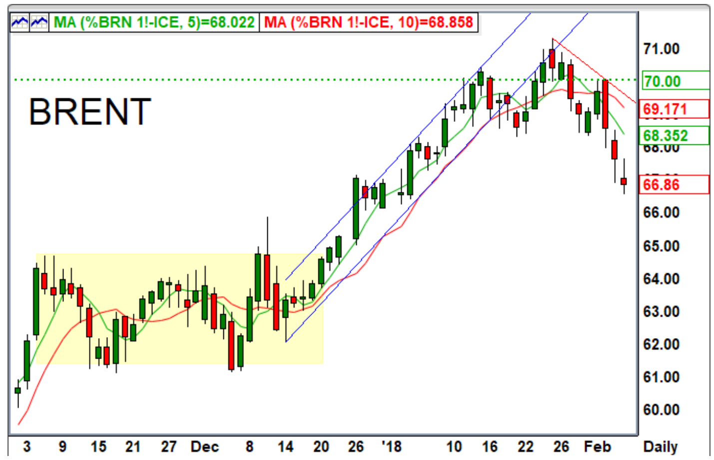
Cushing is still drawing stocks, but WTI at Midland dropped back to a discount to WTI Cushing for the first time since October. Magellan East Houston (MEH) remains at a narrow premium to WTI, the lowest since August.

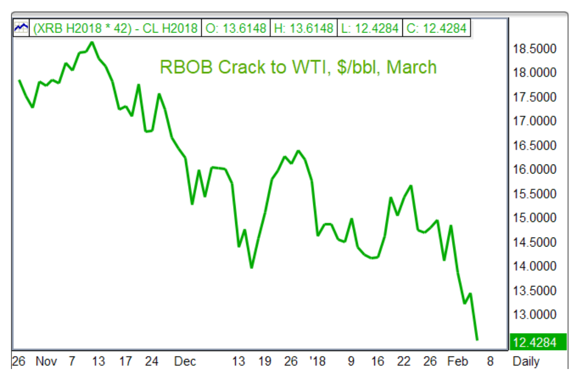
Other Main Developments

- China's CNOOC announced the start-up of the Stampede oil field in the US Gulf. Capacity 80 kb/d. Hess, Chevron and Statoil are the other partners in the field.
- Statoil cuts the full development break- even price of the Sverdrup field (Norway) to below 20 $/bbl and the first phase to below 15 $/bbl (in 2016 Statoil estimated the break-even for phase-1 to be below 25 $/bbl). Statoil is more than one year ahead of plans on drilling. Phase 1 is expected to start at the end of 2019 (first oil expected in October 2019) and will have a capacity of 440 kb/d. Phase 2 would bring capacity up to 660 kb/d by 2022 and the reserve estimates are increasing, which will ensure a very long life to the field. We view the Sverdrup project as a milestone in terms of application of new technologies and cost management, OPEC is being challenged in terms of the break-even price of production not just by US shale oil, but also by the North Sea.
- Petrobras started the sale process of its Pasadena, Texas, refinery (110 kb/d).
- Iran's President wants armed forces to divest from energy assets. This would make it easier to protect oil revenues from sanctions against the para-military and also make it easier to attract foreign investments. However we view this as a big and challenging target which is unlikely to happen overnight and will surely be met by some resistance.
- Paris, France, is coming to a standstill due to snowfalls.
- Unions of commercial drivers in Ghana protest against the high oil prices.

OIL PRICE OUTLOOK







The S&P500 managed a strong rebound yesterday (+1.74%) with some huge intra-day volatility. The high volatility increases the Value-At-Risk and that can still represent a problem for a full return of investment flows. The US 10-year bond yield also rebounded yesterday, hence if the stock market correction was triggered about concerns of rising yields on the long-term bonds, then the issue and risk has not changed much. The volatility increase is for now limited to equities and has not spilled into crude oil or the Dollar Index.

Yesterday, crude oil started the day under pressure but that was not enough to push WTI in a test of 63.00 $/bbl (low of 63.12 $/bbl). WTI managed a rebound during the US hours but could not hold a break of 64.00 $/bbl. Brent could not make it above the previous close (high of 67.60 $/bbl versus a previous close of 67.62 $/bbl) and at 66.86 $/bbl it closed just below the end-2017 level of 66.87 $/bbl. With lower lows and lower highs, crude oil futures continued the downward slides but found some rebounding support in the small API stock draw. Refined products were however a source of resistance, leading to a further contraction of the ULSD and RBOB crack to WTI. The main commodity indices start their roll today.

In WTI we trace a first support at 63.30 $/bbl followed by 63.00 $/bbl and 62.85 $/bbl. First resistance at 64.30 $/bbl followed by 65.00 $/bbl. The 20-day moving average is at 64.46 $/bbl

In Brent we trace a first support at 66.87 $/bbl followed by 66.21 $/bbl. First resistance at 67.60 $/bbl followed by 68.00 $/bbl.