

Energy Market Update June 21, 2017 NYMEX Prices

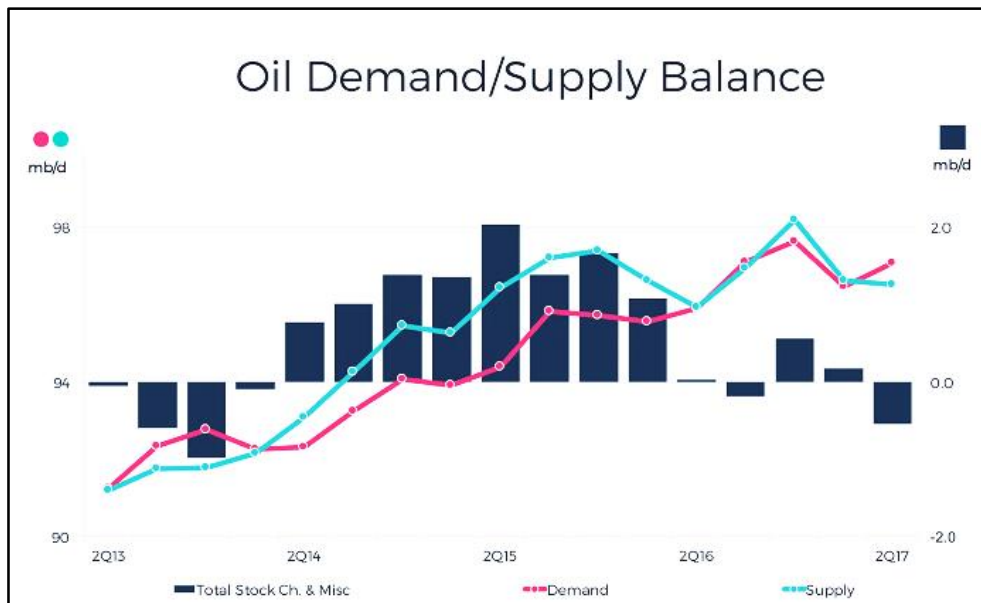
| | Close | Wk. Change |
|------------------|----------|------------|
| July Crude Oil | \$42.53 | -\$5.2 |
| July Gasoline | \$1.4105 | -\$0.022 |
| July Heating Oil | \$1.3648 | -\$0.0454 |
| July Natural Gas | \$2.893 | -\$0.049 |

Market Comments:

After a DOE report that fell mostly in-line with expectations, it appeared the markets were going to stabilize and move higher. However, a round of new hedge fund selling accelerated around 11:30am this morning and pushed markets decisively lower for the day. WTI futures reached a 10-month low today despite a draw in nationwide inventories...The U.S. gasoline picture surprised to the upside, showing implied demand at 9.816 million b/d, just 6,000 b/d off the record level seen in the week ended May 26, which made for an inventory decline of 600,000 barrels instead of the build that was expected (see chart below).

| | Crude | | | | Gasoline | | | | Distillate Fuel | | | |
|---------|-----------------------------|-------|----------|------------|-------------------|-------|----------|------------|--------------------|-------|----------|------------|
| | Change | Total | 3Yr Avg. | 5 Yr. Avg. | Change | Total | 3Yr Avg. | 5 Yr. Avg. | Change | Total | 3Yr Avg. | 5 Yr. Avg. |
| DOE | -2.4 | 509.1 | 468 | 436 | -0.6 | 241.9 | 224 | 219 | +1.1 | 152.5 | 133 | 129 |
| EST. | +1.00/ -2.500 | | | | +1.700 / -1.00 | | | | +4.52/-1.00 | | | |
| Propane | Total 54.5 +1.8 | | | | Midwest 17.6 +0.9 | | | | Gulf 30.5 +0.5 | | | |
| API's | Crude -2.720 Cushing -1.269 | | | | Gasoline +0.346 | | | | Distillates +1.837 | | | |

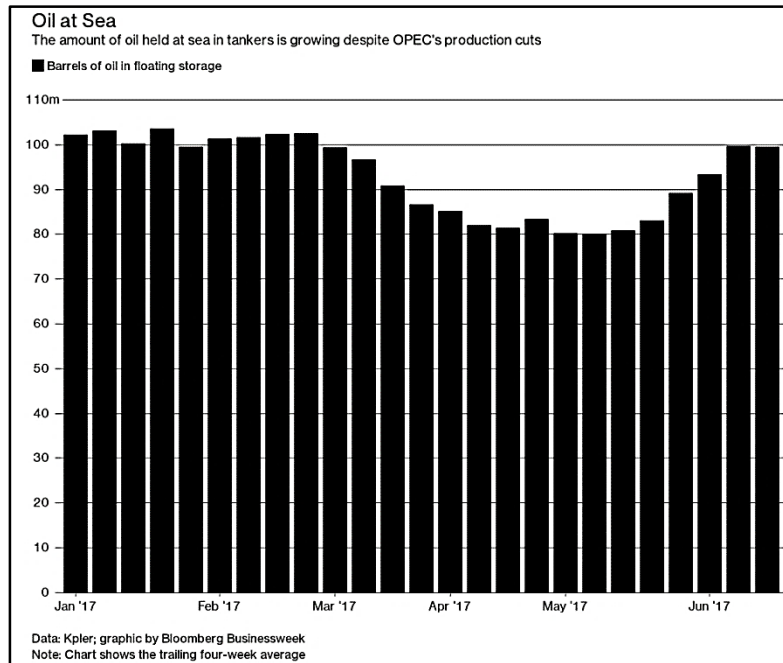
Assuming stable oil production from OPEC, oil demand should outpace oil supply in this year's second half, but excess inventories will persist into 2018, according to forecasts made by the International Energy Agency in their latest monthly Oil Market Report. This month's report shows global oil demand growth accelerating modestly supported by emerging market growth and the recovery of the one-off impact from India's currency reform. Expanding by about 1.4 million b/d in 2018, global demand will average 99.3 million b/d—a new record. If the current trends hold,



stored oil will begin dropping this year but it won't fall to the five-year average—a key goal of OPEC—until March 2018, when the production deal ends.

This spring, global oil supply looked to be turning a corner, coming closer to being rebalanced. Those hopes look to be diminishing once again as the volume of oil held at sea in tankers is rising, yet another indicator that OPEC output cuts haven't ended the global glut like they hoped it would.

OPEC's optimism took a hit yesterday when Paris based research firm Kpler SAS said the amount of oil stored in tankers reached a 2017 high of 111.9 million barrels. Higher volumes of storage in the North Sea, Singapore and Iran account for most of the increase.



In a surprising overnight shakeup, Prince Mohammed bin Salman was named crowned prince of Saudi Arabia (making him the next in line to the throne), replacing the king's nephew in favor of his son. This move potentially shakes up the traditional energy model in Saudi Arabia. The royal family previously took a "hands off" approach to the country's oil industry, leaving industry veterans to make major decisions, prince Salman has sought to exert influence and control over the country's energy resources in the past few years. Most notably firing longtime Saudi oil minister last year and taking the lead on Saudi Aramco's Wall Street public offering

The Gulf Coast, aka "refinery row," is keeping a close eye on Tropical Storm Cindy, currently off the coast of Louisiana and Texas. The national weather service says this particular system will not produce the high winds of a more traditional hurricane, but it will produce major rains that will likely cause flooding to the region. Cindy is expected to produce total rain accumulations of four to eight inches, with isolated maximums of 10 inches over southeastern Louisiana, southern Mississippi, southern Alabama, and the Florida Panhandle through Thursday morning, the National Hurricane Center said. Although most of Gulf Coast refineries are further west of the projected storm path, heavy rain will still pose a threat to the energy infrastructures along the Gulf coastline in the coming days—keep an eye on rising Gulf basis levels.

