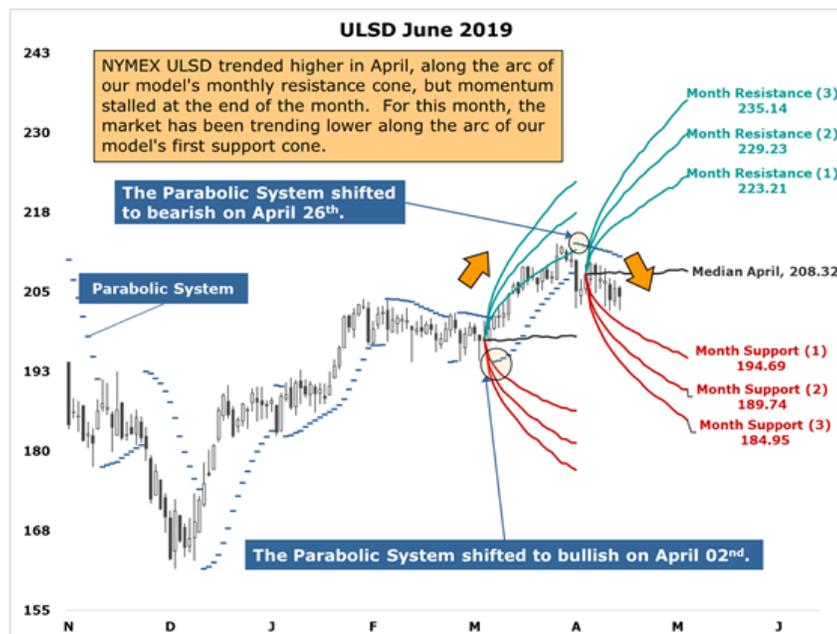




## Market Recap



Contract	Month	Open	High	Low	Close	Change <sup>1</sup>
NYMEX ULSD	Jun-19	203.64	206.88	202.80	205.62	(3.80)
NYMEX ULSD	Jul-19	203.70	206.96	202.98	205.73	(3.97)
NYMEX ULSD	Aug-19	204.58	207.37	203.39	206.19	(3.99)
NYH ULSD <sup>2</sup>	Jun-19	206.04	206.04	205.62	205.62	(3.87)

<sup>1</sup> 5-Day Change as of May 08 | <sup>2</sup> Source Bloomberg Assessment for New York Harbor (NYH)

## CSR Talking Points

As the winter pricing season draws to a close, customers will soon be thinking about 2019/2020 prices. Inevitably they will ask, "Are prices going up or down next winter?" While no one has a crystal ball, this is a great opportunity for CSRs to tout the benefits of oil heat. Prices have been relatively flat since 2016 due to continued progress on the path to US energy independence. Much of this stability is attributable to the Shale Revolution which has facilitated a significant increase in production. Less market volatility has translated into stable pricing, to the benefit of home heating oil consumers.

## Actions to Take

#2 Oil prices have been firm relative to crude and mogas all year. ULSD is expected to remain strong as IMO 2020 approaches. Strategic hedging is vital to maintaining your profit margins; start to look for opportunities to layer in positions to avoid being short wet barrels heading into the winter. We recommend hedging both Basis and NYMEX exposure by buying wet bbls and put options.

## Balancing Both Sides

### Technical Bias

Bearish



### Overall Market Bias

Bearish



Over the last two weeks, bullish momentum in the NYMEX ULSD contract for June delivery stalled. The contract is currently trading lower along the arc of our model's initial support cone. Our preferred technical indicators (Parabolic stop-and-reversal, and the MACD) have been trending bearish since the end of last month.

Inventories are firm with a year-over-year surplus of 18%. The market recently traced into a technical bear market with an end-of-month target limit of 194.69.

### Fundamental Bias

Bearish



If you are hedging with upside exposure, it would be prudent to lock in a portion of your exposure, especially with the yet-to-be determined impact of IMO 2020.

Distillate stocks in the NYMEX market (PADD 1) are more than comfortable. In the latest EIA update, inventories rose by a normal 775 Mbs to 38.0 MMbs for the week ended May 03rd. Stocks are well outside the second standard deviation of our seasonal time series model, i.e. stocks exited the winter heating season and turnarounds relatively unscathed.

Contact us to learn how to apply our modeling to your business strategies