

Market Update

PRODUCTS	10/15/18	10/16/18	10/17/18	10/18/18	10/19/18
WTI Crude Oil	71.84	71.45	69.75	68.65	69.12
Brent Crude Oil	80.91	81.01	80.05	79.29	79.78
Natural Gas	3.26	3.26	3.31	3.19	3.25

- [CME Group](#)

Headlines

North Dakota

- **America's surprise economic powerhouse: North Dakota. [AXIOS](#)**
 - North the newest U.S. economic hotspot is not in or near Silicon Valley, New York, or any tech corridor, but in the northern plains — specifically oil-infused North Dakota. What's happening: This region, in the middle-north of the country, leads the nation in a string of economic indicators since the financial crash, according to a new report by the Brookings Institution. And North Dakota is atop the bunch. Why it matters: Commentators often refer to the middle of the U.S. as a single entity, like "middle America" or, more pejoratively, "flyover country." This makes the economic vitality of the northern plains all the more striking. As is clear in the chart above, most working-age adults in the region have jobs. And people born into low-income households are moving into the middle class with greater ease than other Americans. The top six metro areas in terms of upward mobility — defined as the average income of people with the poorest parents — are all in the northern plains. The region's prosperity has been driven in part by a massive expansion of shale oil and gas production in the Bakken region of North Dakota and elsewhere in the region. "Energy creates cyclical but significant job creation, small firm growth, and consumer activity," Mark Muro, who co-authored the report, tells Axios. The boom has driven North Dakota to the top of the economic indicators: Its wage growth has been 2.3% a year, compared with 0.8% for the rest of the country. 80.9% of the state's working-age population was working, second only to Minnesota, at 81.1% — again leading the country. In hard economics, GDP per capita in North Dakota rose at 3% a year, the fastest in the country; productivity grew at a sizzling at 2.4% annual growth, while it was flat for the rest of the nation. North Dakota also had the 10th-lowest poverty rate in the country, at 10.5%; Minnesota was the fourth-lowest at 9.9%. Other factors, in addition to the fracking boom, have buttressed the region's economy. In rural areas, depopulation has resulted in better wages for those left behind. "Demand for an increasingly limited number of individuals is resulting in an increase in income" and better job prospects, Joe Brusuelas, chief economist of RSM US, tells Axios. And in cities such as Omaha, Lincoln, Sioux Falls, and the Twin Cities, industries are thriving along with the rest of the country. Employers can easily find workers among migrants from the surrounding countryside, said Edwards, the University of North Dakota professor.

Domestic

- **U.S. crude slumps below \$70 a barrel after large stock build. [Reuters](#)**
 - Oil prices fell on Wednesday, with U.S. futures settling below \$70 a barrel for the first time in a month, after U.S. crude stockpiles rose 6.5 million barrels, almost triple what analysts had forecast, while exports

dropped. Oil had been rising this week on worries about Iranian sanctions and tensions between the United States and Saudi Arabia after the death of Saudi journalist Jamal Khashoggi. U.S. crude oil CLC1 slumped \$2.17, or 3 percent, to settle at \$69.75 a barrel. "Today's price decline to below our expected support at the \$70 level would appear to set the trade up for a weaker pricing environment than we had anticipated," Jim Ritterbusch, president of Ritterbusch and Associates, said in a note. Bob Yawger, director of futures at Mizuho in New York, said some speculators may have interest in getting out when prices are below \$70, which could accentuate the selloff. Volume was above average on Wednesday, with more than 627,000 U.S. crude contracts changing hands, compared with a 10-month daily average of about 583,000 contracts. Brent crude LCOc1 also dipped below \$80 a barrel but ended at \$80.05, \$1.36 or 1.7 percent lower. The global benchmark is trading nearly \$7 below a four-year high of \$86.74 reached on Oct. 3. U.S. crude stocks rose 6.5 million barrels last week, the fourth straight weekly build, as exports were down to 1.8 million barrels per day, the U.S. Energy Information Administration said, in a report analyst characterized as bearish. Inventories rose sharply even as U.S. crude production slipped 300,000 bpd to 10.9 million bpd last week, which analysts attributed to the effects of offshore facilities closing temporarily for Hurricane Michael. A tick higher in refining activity and a drop-in production due to hurricane activity in the Gulf was not enough to halt a fourth consecutive climb in stocks," said Matt Smith, director of commodity research at Clipper Data in Louisville, Kentucky. The scandal over the disappearance of prominent Saudi critic and journalist Jamal Khashoggi, who disappeared two weeks ago after entering the Saudi consulate in Istanbul, underpinned oil markets earlier in the week. U.S. lawmakers pointed the finger at the Saudi leadership, suggesting sanctions could be possible. Western pressure mounted on Riyadh to provide answers, but President Donald Trump's comments suggested that White House may not take additional action against the Saudis, particularly after Saudi Arabia said it will investigate. On Wednesday, Trump denied that he is giving cover to the Saudis, and that the results of the investigation into Khashoggi's death should be known within a week. Investors worry Saudi Arabia could use oil supply to retaliate against critics. Such a move would roil markets, as the Saudis have not used oil as a policy weapon since the oil embargo of the early 1970s, and the market is already anticipating reduced supply when sanctions on Iranian oil exports resume on Nov. 4. Iran has accused Saudi Arabia and Russia of breaking an OPEC-led agreement on output cuts by producing more crude, which will thus hurt their market share.

○ **Oil falls on concerns over escalating trade row. Reuters**

- Oil prices fell on Thursday as investors' concerns returned to the impact an escalating trade row between China and the United States will have on oil demand growth and data showing ample supplies. Global benchmark Brent crude has fallen almost \$8 per barrel since reaching a four-year high of \$86.74 on Oct. 3, weakened by lower forecasts for global economic growth as the United States and China impose tariffs on billions of dollars of each other's goods. Brent crude settled at \$79.29 per barrel, down 76 cents. U.S. crude was down \$1.10, or 1.6 percent, at \$68.65. "The real driver of this correction is concerns surrounding demand growth and trade issues," said Gene McGillian, vice president of market research for Tradition Energy in Stamford, Connecticut. "The world has backed off its highs." On Oct. 9 the International Monetary Fund cut its global economic growth forecasts for 2018 and 2019, partly due to the toll trade policy tensions and the imposition of import tariffs were taking on commerce. It predicted 3.7 percent global growth in both 2018 and 2019, down from its July forecast of 3.9 percent growth for both years. Earlier, Brent fell below \$79 per barrel the day after a U.S. Energy Department report showed oil producers had put 22 million barrels in storage tanks over the past four weeks. U.S. refineries entering maintenance season, in which major plants go offline for four to six weeks, has also weighed on crude demand and prices. "You've got supplies where they are and you're in the time of year when you have refining turnarounds," said Mike O'Donnell, senior market strategist at RJO Futures in Chicago. Investors also turned their attention to the impending loss of Iran's crude exports after the United States re-imposes sanctions in early November. Saudi Arabia said this month it would ramp up production by 300,000 barrels per day to help offset a sharp reduction of Iran's crude exports next month. But investors remained skeptical any country has enough spare capacity to make up for loss of crude from Iran, one of the Organization of the Petroleum Exporting Countries' largest producers, analysts said.

Oil and Gas Analysis

o Rotary Rig Count Summary

Location	Date	Week	+/-	Week Ago	+/-	Year Ago
United States	12-Oct-18	1063	11	1052	135	1528
	19-Oct-18	1067	4	1063	154	913
North Dakota	12-Oct-18	52	0	52	1	51
	19-Oct-18	52	0	52	1	51
Canada	12-Oct-18	195	13	182	-17	212
	19-Oct-18	191	-4	195	-11	202
International	Sep-18	1004	-4	1008	73	931

- Baker Hughes

o Weekly Petroleum Status Report

Stocks (Million Barrels)			
	Four Weeks Ending		
	10/12/2018	10/5/2018	10/13/2017
Crude Oil (Excluding SPR)	416.4	410.0	456.5
Motor Gasoline	234.2	236.2	222.3
Distillate Fuel Oil	132.6	133.5	134.5
All Other Oils	479.7	480.4	470.8
Crude Oil in SPR	657.6	658.7	671.7
Total	1,920.6	1,918.7	1,955.8

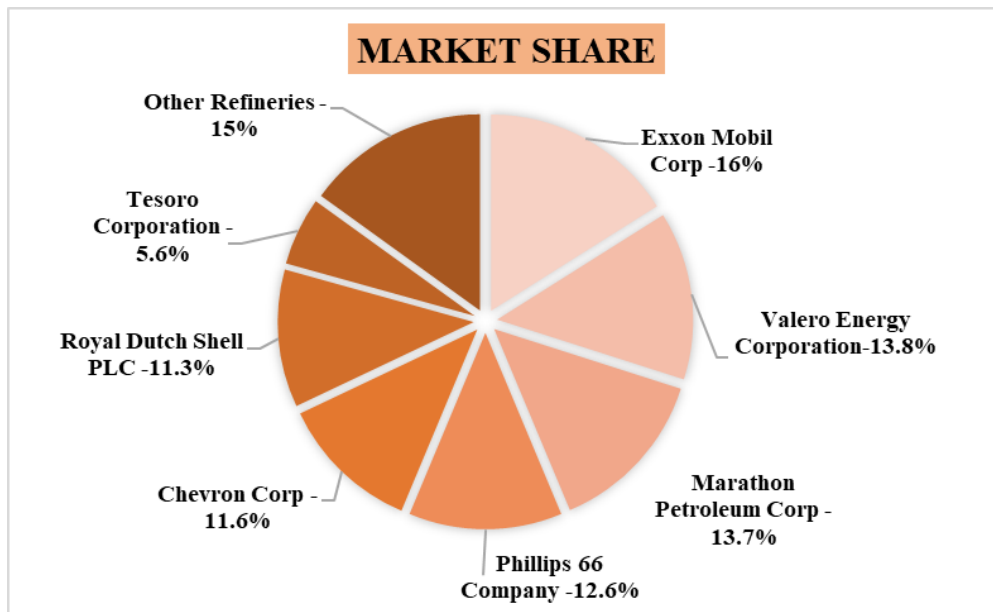
Products Supplied (Thousand Barrels per Day)			
	Four Weeks Ending		
	10/12/2018	10/5/2018	10/13/2017
Motor Gasoline	9,087	9,175	9,345
Distillate Fuel Oil	4,148	4,237	3,720
All Other Products	6,754	6,870	6,854
Total	19,989	20,283	19,918

Refinery Activity (Thousand Barrels per Day)			
	Four Weeks Ending		
	10/12/2018	10/5/2018	10/13/2017
Crude Oil Input to Refineries	16,415	16,690	15,975
Refinery Capacity Utilization	89.6	91.3	87.6
Motor Gasoline Production	9,981	9,941	9,870
Distillate Fuel Oil Production	4,967	5,127	4,829

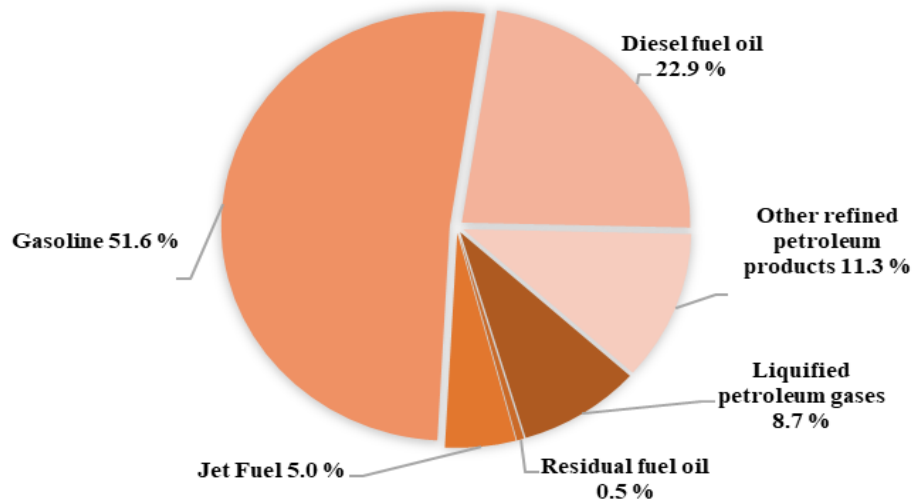
Net Imports (Thousand Barrels per Day)			
	Four Weeks Ending		
	10/12/2018	10/5/2018	10/13/2017
Crude Oil	5,515	5,471	5,800
Petroleum Products	-3,062	-2,870	-2,366
Total	2,452	2,601	3,434

- [EIA](#)

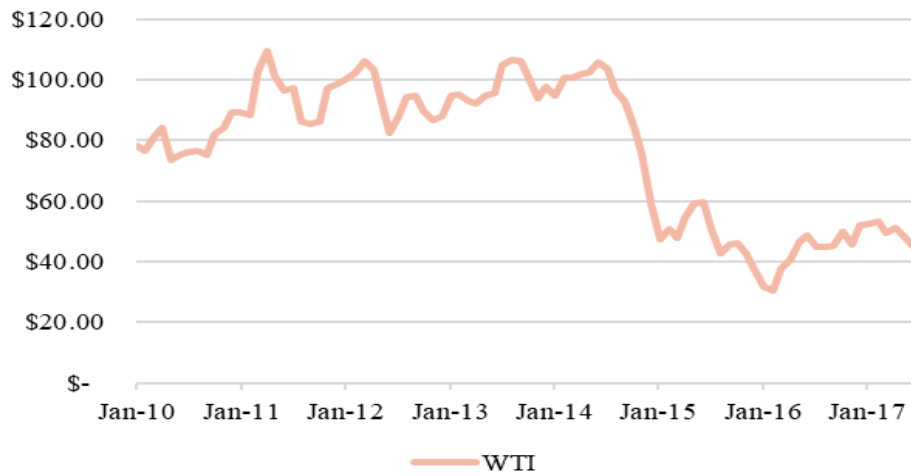
- **US Petroleum Refining at a Glance**



PRODUCTS AND SERVICES SEGMENTATION



WTI Monthly Spot Pricing



- [EIA](#)

o Key External Drivers

- o **World price of crude oil**
 - <http://markets.businessinsider.com/commodities/oil-price?type=wti>
- o **Demand from gasoline and petroleum bulk stations**
 - <https://www.reuters.com/article/us-usa-natgas-kemp/u-s-natural-gas-prices-rise-as-winter-stocks-look-tight-kemp-idUSKCN1BU1RK>
- o **GDP of mainland China**
 - <https://tradingeconomics.com/china/gdp>
- o **Trade-weighted index**
 - <https://www.investing.com/news/economy-news/top-5-things-to-know-in-the-market-on-friday-541066>
- o **Total vehicle miles**
 - <https://www.advisorperspectives.com/dshort/updates/2017/08/31/vehicle-miles-traveled-another-look-at-our-evolving-behavior>