



The information provided in this market update is general market commentary provided solely for educational and informational purposes. The information was obtained from sources believed to be reliable, but we do not guarantee its accuracy. No statement within the update should be construed as a recommendation, solicitation or offer to buy or sell any futures or options on futures or to otherwise provide investment advice. Any use of the information provided in this update is at your own risk.

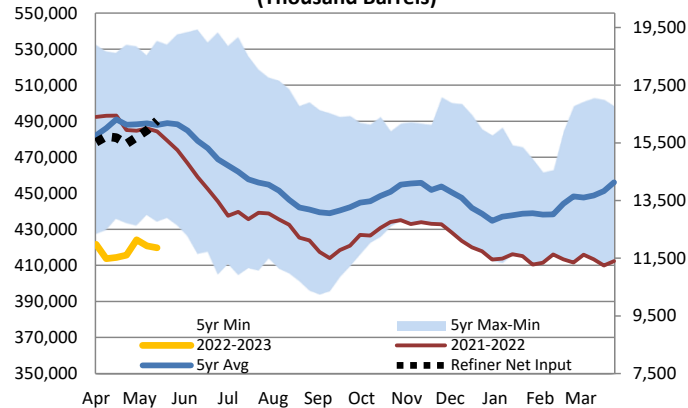
Inventory Snapshot

	Est.	API	EIA	vs. 1yr	vs. 5yr
Crude	-0.77	+0.57	-1.02	-13.3%	-14.0%
Distillates	+0.59	-0.95	+1.66	-17.2%	-21.3%
Gasoline	-0.91	-4.22	-0.48	-5.5%	-7.7%
Propane	+1.70	-	+1.82	+5.1%	-8.5%
Cushing, OK	-	-0.73	-1.06	-44.6%	-50.0%
Ref. Util.	+0.67	-2.20	+1.40	+7.1%	+6.3%

Crude Oil

	5/20/2022	w/w	y/y
Stocks (mb)	419.80	-1.02	-64.55
Cushing, OK	24.78	-1.06	-19.98
Days Supply (days)	25.80	-0.60	-5.98
Production (mb/d)	11.90	0.00	+0.90
Imports (exc. SPR, mb/d)	6.49	-0.08	+0.21
Refinery Runs (mb/d)	16.27	+0.33	+1.03
Refinery Utilization (%)	93.20	+1.40	+6.20
Exports	4.34	+0.82	+0.91

U.S. Crude Inventories Excluding SPR (Thousand Barrels)



The Weekly Petroleum Status Report for the week ended May 20 was mostly neutral. Commercial crude oil and gasoline stockpiles saw as-expected declines, and propane saw a build of about the expected size. Distillates saw a larger than expected build. Following the release of the report, futures lost ground, perhaps as API data were relatively bullish for products. ULSD futures were down slightly, while crude oil and RBOB futures were seeing modest strength.

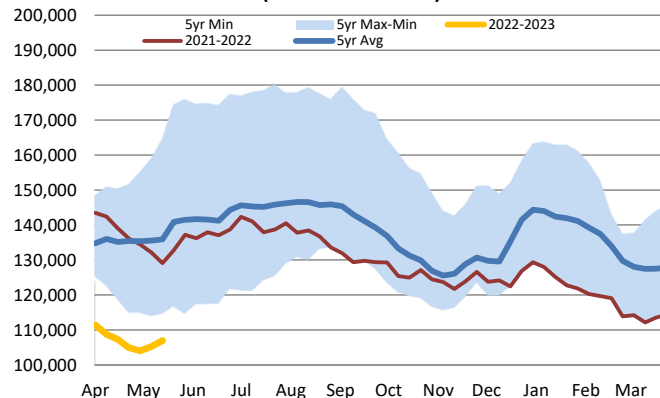
Commercial crude oil inventories saw an as-expected dip last week. Stocks fell by 1.02mb to 419.80mb and remain weak compared to historical levels: 13.3% lower than last year, 14.0% below the weekly five-year average, and well below the five-year range for the reporting week. Cushing, OK stocks fell by 1.06 to 24.78mb, and are at even sharper deficits to historical levels. Stocks are down 44.6% from last year and 50.0% below their five-year average. The NYMEX WTI futures forward curve remains backwarddated, providing disincentives for storage. The spread between the front month and the 12th month out has narrowed from \$22.55 on May 16 to \$19.61 but remains very wide compared to the \$6.45 we saw back on April 11.

Exports jumped 0.82mb/d higher last week, averaging 4.34mb/d and putting pressure on inventories. Exports ran 0.91mb/d higher than during the same week last year, and have averaged 9.6mb/d over the past four weeks - compared to 8.7mb/d during the same period last year - likely helped by EU sanctions against Russia. Meanwhile, imports slowed by 0.08 to 6.49mb/d last week, averaging only 0.21mb/d higher than last year. Adding pressure on inventories, refining activity continues to climb seasonally. Runs increased by 0.33mb/d to an average of 16.27mb/d, which is 1.03mb/d higher than last year. Runs are likely being supported by favorable economics, as crack spreads have been very wide. Production, however, held at 11.90mb/d last week despite continued rig additions and strong prices. Shale firms appear to be focusing on dividends and returns to investors rather than on growth, but the EIA does expect shale output will increase from 8.62mb/d this month to 8.76mb/d next month - primarily due to stronger Permian oil production.

Distillates

	5/20/2022	w/w	y/y
Stocks (mb)	106.92	+1.66	-22.16
East Coast	21.56	-0.90	-14.14
New England	2.92	-0.37	-4.60
Mid-Atlantic	8.48	-0.74	-8.71
Production (mb/d)	5.15	+0.27	+0.48
Imports (mb/d)	0.08	-0.03	-0.19
Product Supplied (mb/d)	3.87	+0.05	-0.59
Exports (mb/d)	1.12	+0.12	+0.22

U.S. Distillate Stocks (Thousand Barrels)



Ultra-Low Sulfur Diesel

	5/20/2022	w/w	y/y
Stocks (mb)	95.40	+0.20	-21.69
East Coast	19.38	-1.03	-13.14
Production (mb/d)	4.88	+0.19	+0.47
Imports (mb/d)	0.08	-0.04	-0.19
Product Supplied (mb/d)	4.92	+0.20	-0.25

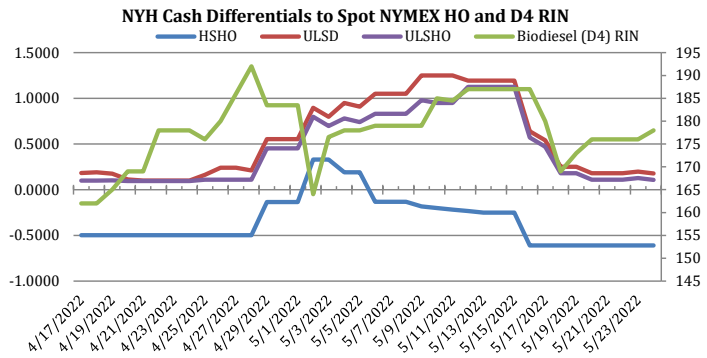


Gasoline

	5/20/2022	w/w	y/y
Stocks (mb)	219.71	-0.48	-12.77
East Coast	52.07	+0.66	-8.29
Production (mb/d)	9.42	-0.15	-0.32
Imports (exc. SPR, mb/d)	0.85	-0.03	-0.19
Product Supplied (mb/d)	8.80	-0.23	-0.68
Exports (mb/d)	0.77	-0.18	+0.04

Propane

	5/20/2022	w/w	y/y
Stocks (mb)	46.33	+1.82	+2.27
East Coast	3.34	-0.27	-0.35
Production (mb/d)	2.45	+0.12	+0.12
Imports (exc. SPR, mb/d)	0.08	-0.01	-0.00
Product Supplied (mb/d)	0.63	-0.43	-0.43
Exports (mb/d)	1.64	+0.33	+0.23

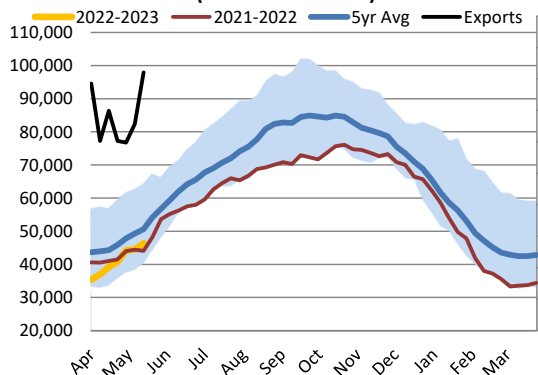


Distillate stocks saw a welcome, seasonal build that slightly exceeded expectations. Stock levels rose by 1.66mb, helped by stronger production. The heat crack is unusually strong for this time of the year and relatively to gasoline, and strong crack spreads in general should be providing favorable refining economics, incentivizing production. Output increased by 0.27 to 5.15mb/d, which is 0.48mb/d higher than during the same week last year. Meanwhile, exports picked up by 0.12 to 1.12mb/d (0.22mb/d higher than last year), and implied demand ticked up to 3.87mb/d (0.59mb/d lower than last year). While we saw an overall build, East Coast stocks saw a 0.90mb draw, falling to 21.56mb and a 14.14mb deficit to last year. PADD 1 inventories are now 39.6% lower year-on-year and 50% below the five-year average for the reporting week. Nevertheless, New York Harbor cash market differentials have eased over the past ten days, with ULSHO and ULSD barge differentials falling sharply over the past ten days.

Gasoline stocks saw a 0.48mb dip last week, consistent with expectations but leaving stocks at very wide deficits to historical levels. Overall stocks, at 219.71mb, are 5.5% weaker than last year and 7.7% below the five-year average. The East Coast is home to 8.29mb of the 12.77mb deficit, and stocks in the region are down by 14% from last year and 21% against the historical average. Inventories typically rise through mid- to late June before dropping through mid-November. The five-year average draw of about 24mb would leave stock levels at just 196mb if they follow the historical pattern. However, strong gasoline prices may curb demand to some degree (gasoline demand is relatively inelastic) and strong refinery margins may lead to stronger-than-normal production.

The EIA reported a 1.82mb build in combined propane and propylene stockpiles, slightly exceeding expectations. The build was helped along by a sharp drop of 0.43mb/d in implied demand, which averaged 0.63mb/d last week. This was partly offset by a 25% (0.33mb/d) rise in exports, which averaged 1.64mb/d - well above last year's 1.41mb/d during the same week. Imports fell marginally, averaging 0.08mb/d, but production increased by over five percent (0.12mb/d), averaging 2.45mb/d and quite strong compared to last year (2.33mb/d the same week). Much of the build occurred on the Gulf Coast, where stocks increased by 0.95 to 29.10mb, cutting the deficit to the five-year average down to just under 5%. Midwestern inventories are still 19.6% below their five-year average, despite a 1.12mb rise to 10.98mb last week. Meanwhile, the East Coast saw a counter-seasonal draw of 0.27mb. US stocks are in better shape than they were back in March, and are now 5.1% higher than last year, but still 8.5% below their five-year average.

Total U.S. Propane/Propylene Stocks (Thousand Barrels)



Total U.S. Gasoline Stocks (Thousand Barrels)

