



## Energy Brief

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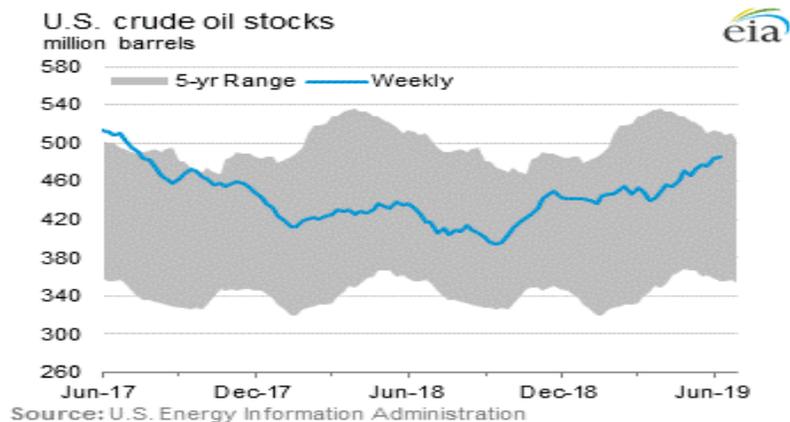
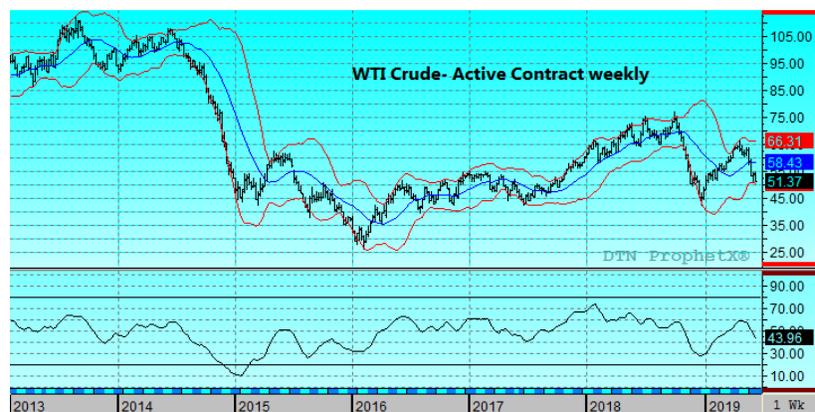
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### Price Overview

The petroleum complex traded under pressure as US crude stockpiles continue to build. The increase in stocks of 2.2 mb was above expectations that had anticipated a decline of 460 tb. With stocks building at a time of year when they normally are drawn down; the build has raised concerns that the growth in fuel consumption has slowed at a time when US production has

expanded. In May, the inventory build was already apparent with inventories rising by 15.7 mb compared with a five year average decrease of 2.1 mb for the month. The monthly build in May stocks of crude is the largest for any May since 1991. Stocks at 485.5 mb are nearly 38 mb higher than the 5 year average. In products inventories in gasoline built by .8 mb while in distillate they fell by .8 mb. Product supplied remains sluggish with both gasoline and distillate for the year showing a marginal decline of .3 percent.

Although the inventory report likely shaded sentiment to the downside, the market still appears to be overall nervous about the demand side. The weak tone apparent over the past few weeks has come at a time when the Iranian and Venezuelan sanctions should be exasperating the impact of OPEC+ production cuts. This suggests that the demand side

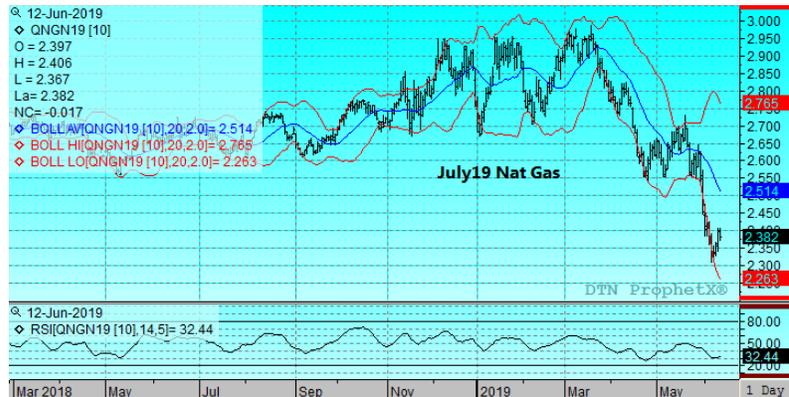


might be weaker than suggested with some indicating revisions of up to 300 tb downward might need to be made for global demand.

Key to the market prospects should be the OPEC and IEA Monthly Reports which will be released over the next two days.

## Natural Gas

Values traded in a featureless fashion with demand prospects weighing on values as temperatures remain modest. Nervousness ahead of the EIA report was also apparent with expectations pointing to a build of 109 bcf compared to the five year average of 92 bcf and a year ago build of 95. Some support continued to be apparent on expectations shipments to Natural Gas terminals should pick up as new LNG export plants come into service. Talk of more active flaring in the Permian Basin might also help underpin values on ideas that weak prices are starting to have an impact and with a large injection built into current values support in the 2.30-2.35 area basis July should continue to hold.



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