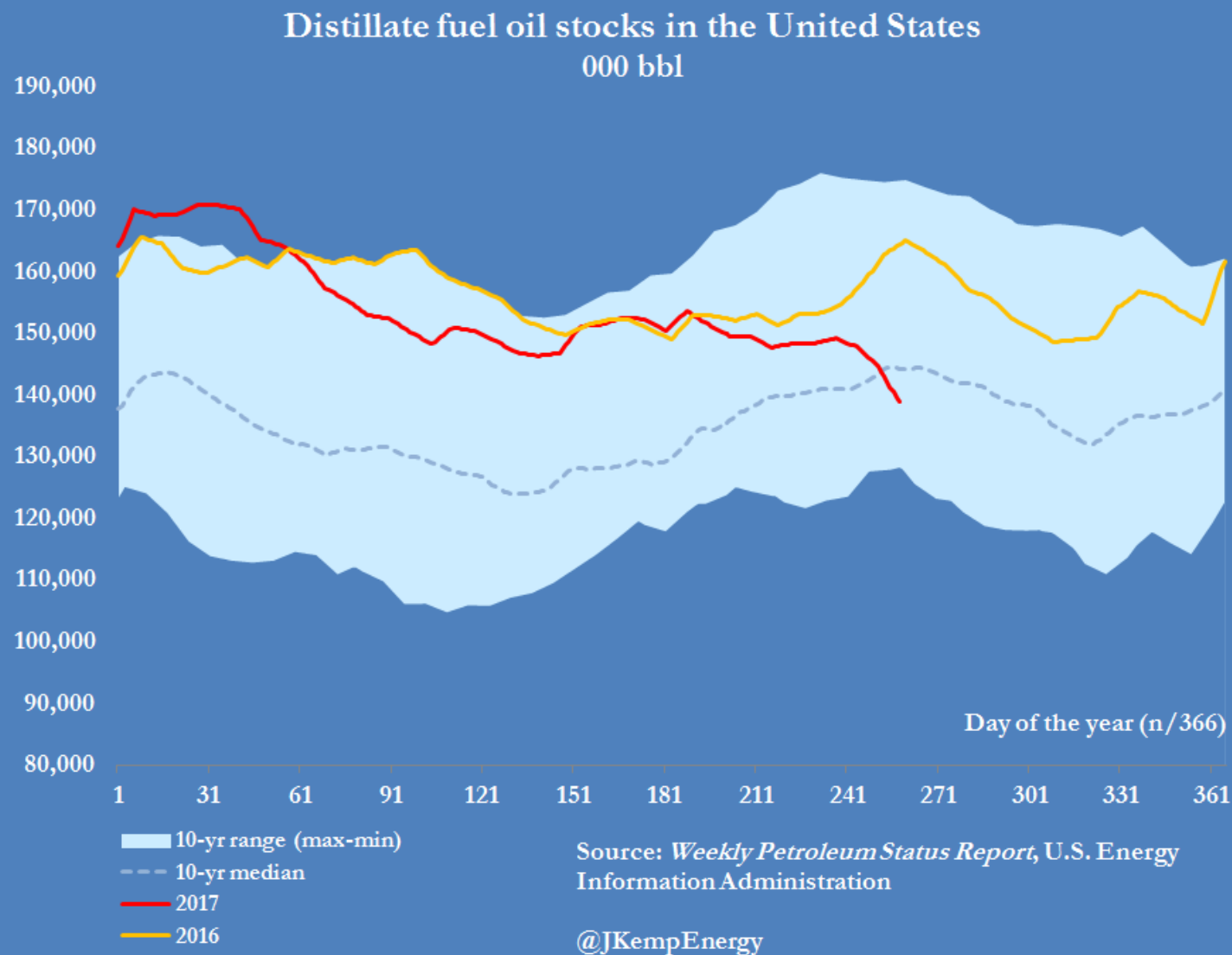


U.S. distillate stocks

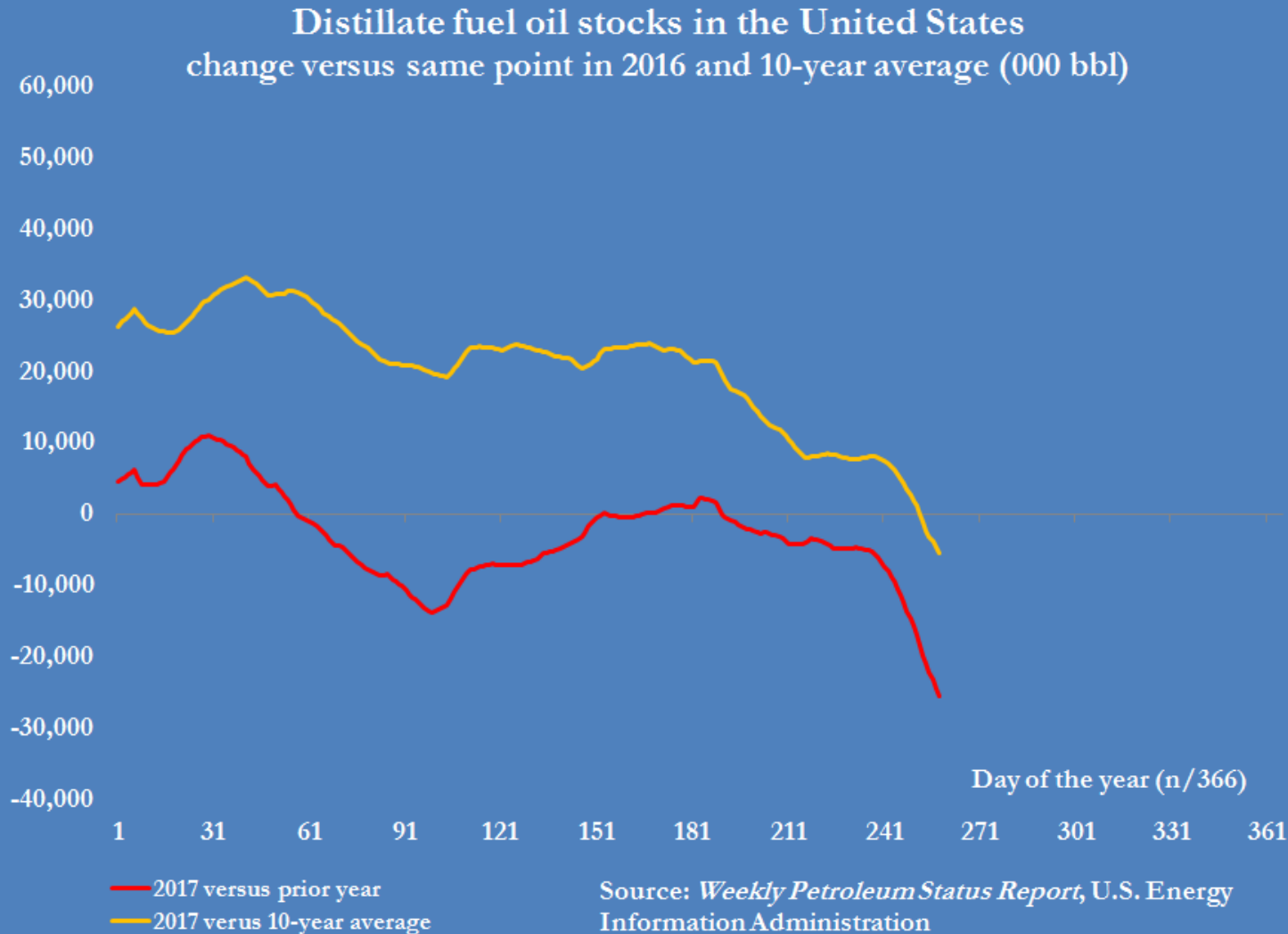
Selected indicators

JOHN KEMP
REUTERS
22 Sep 2017

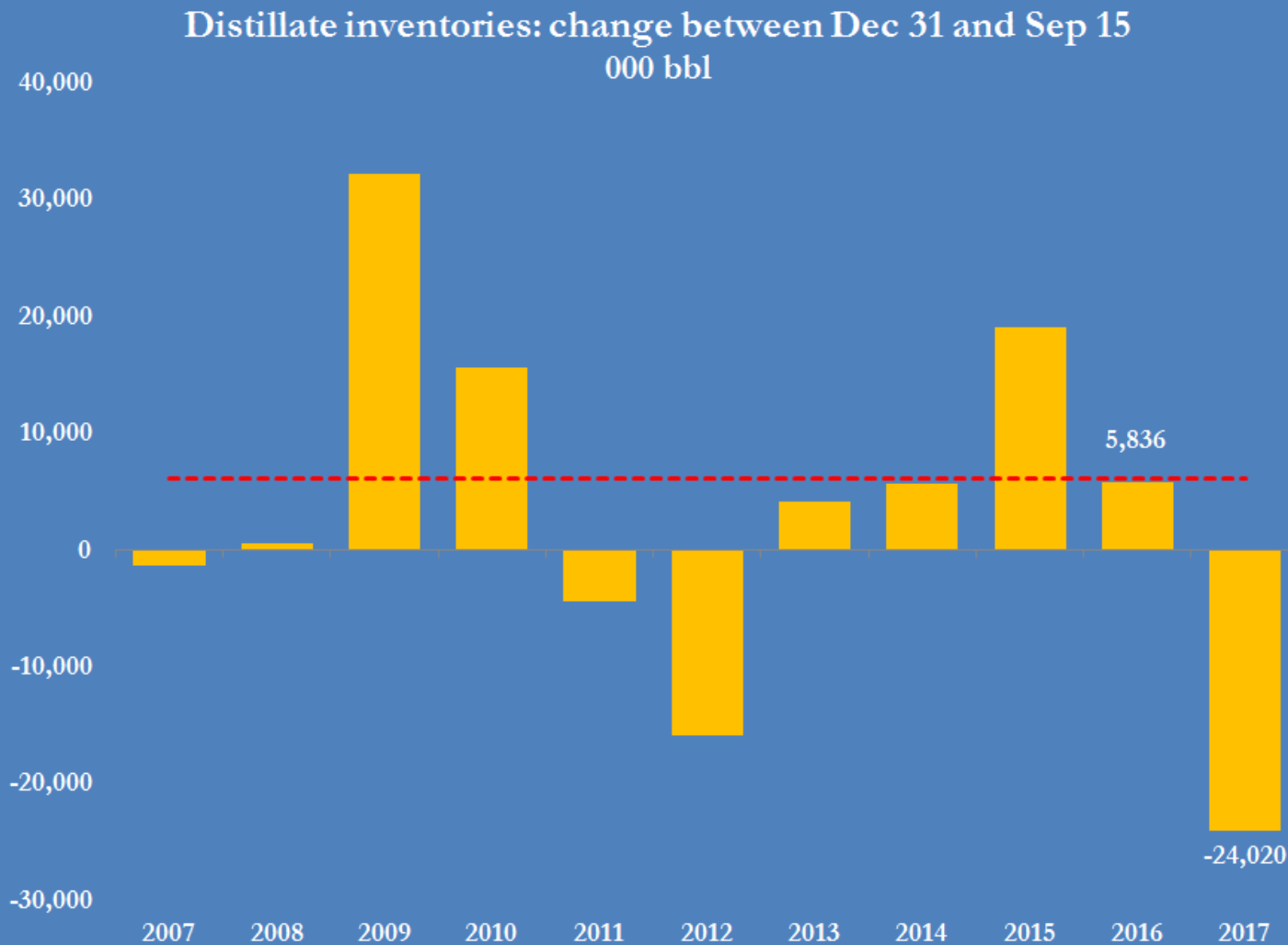
U.S. distillate stocks have been trending downward since early 2017 after starting the year well above the long-term average



U.S. distillate stocks were declining against 2016 and long-term average even before refinery disruptions accelerated the process



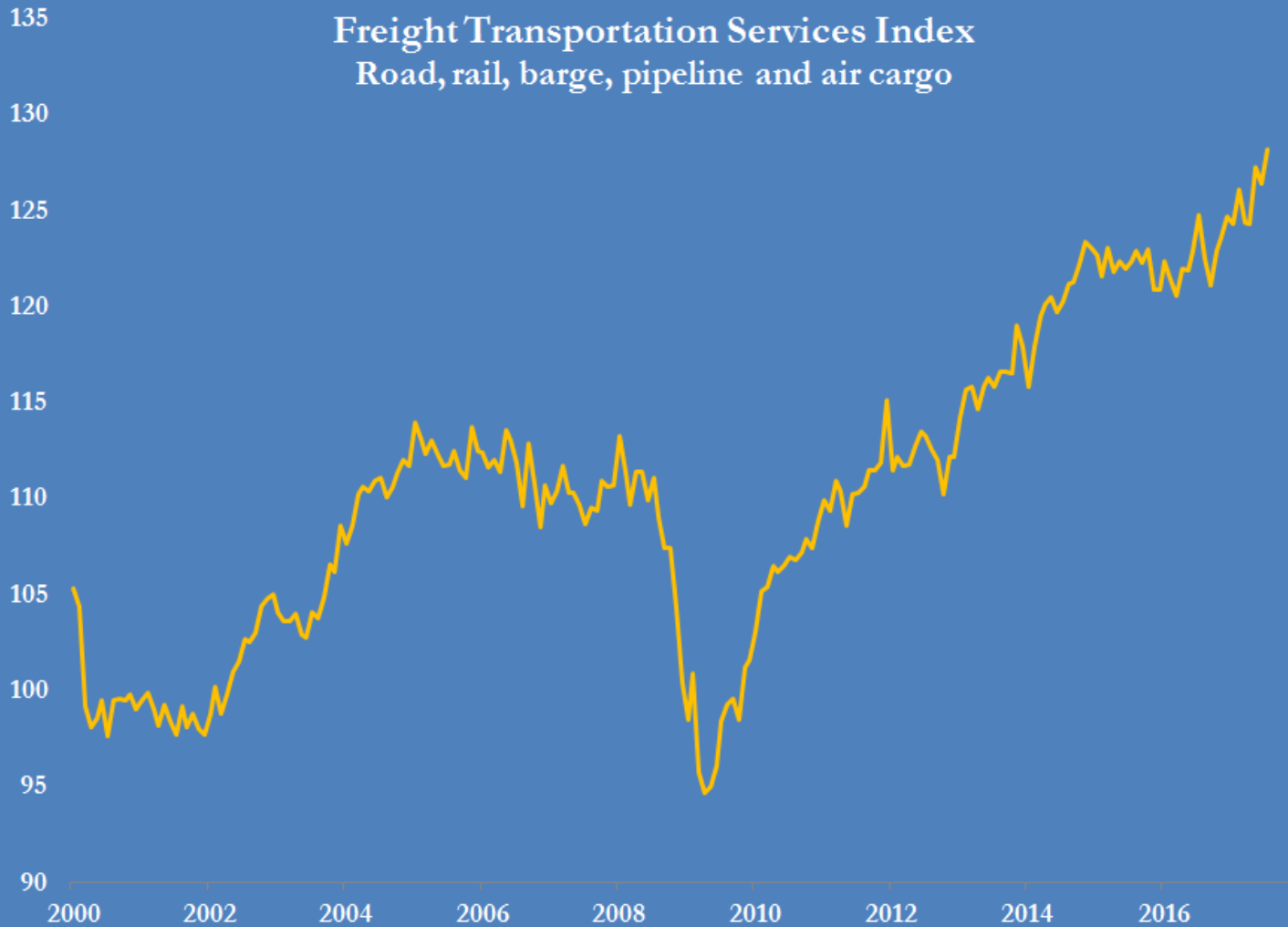
U.S. distillate stocks have fallen sharply this year at a time when they would normally have risen



Source: U.S. Energy Information Administration

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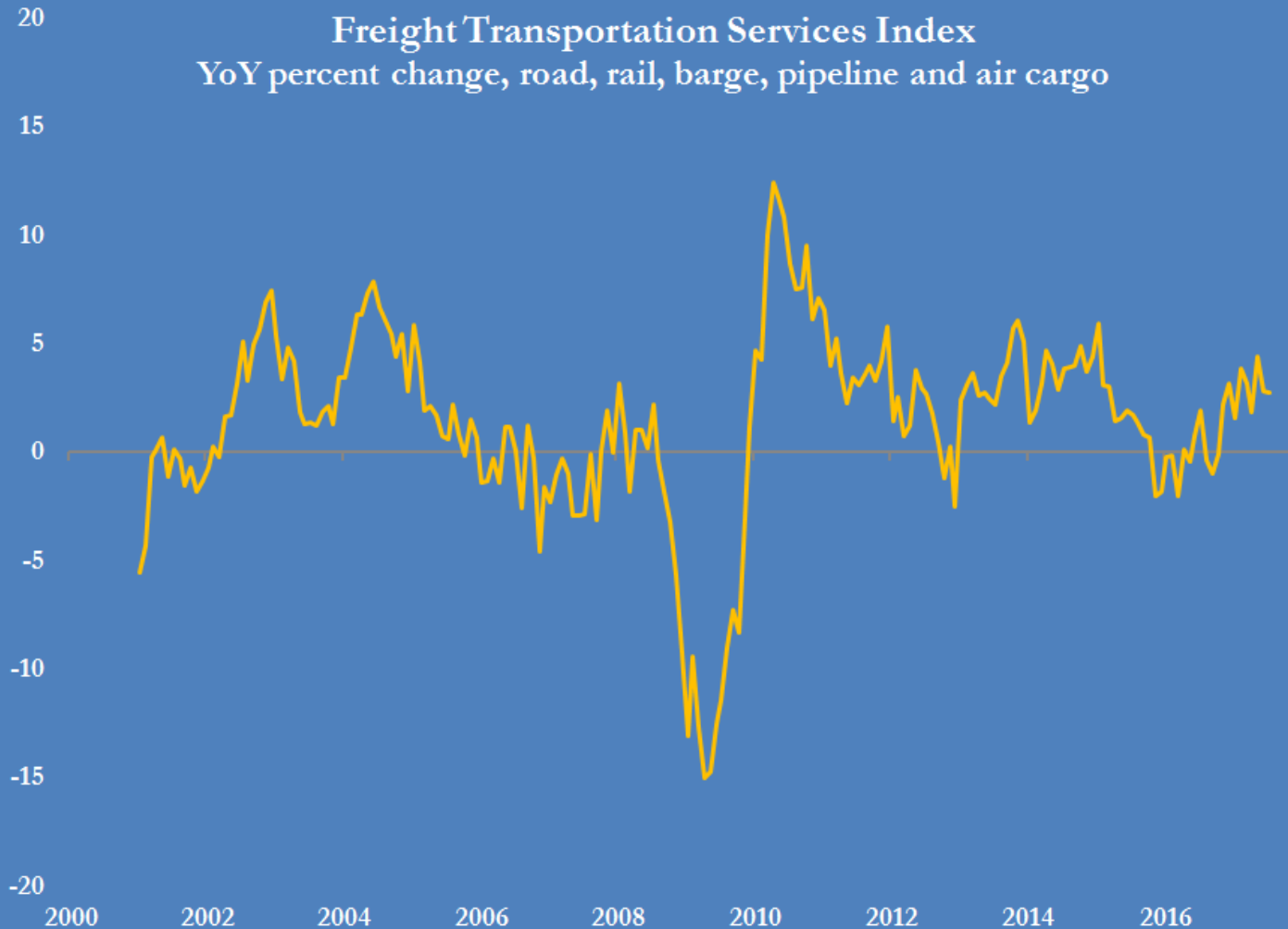
U.S. freight movements have returned to strong growth after being flat for most of 2015/16 boosting diesel consumption



Source: U.S. Bureau of Transportation Statistics

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Freight is the biggest driver of distillate consumption in diesel engines so changes in diesel demand and freight volumes are closely correlated

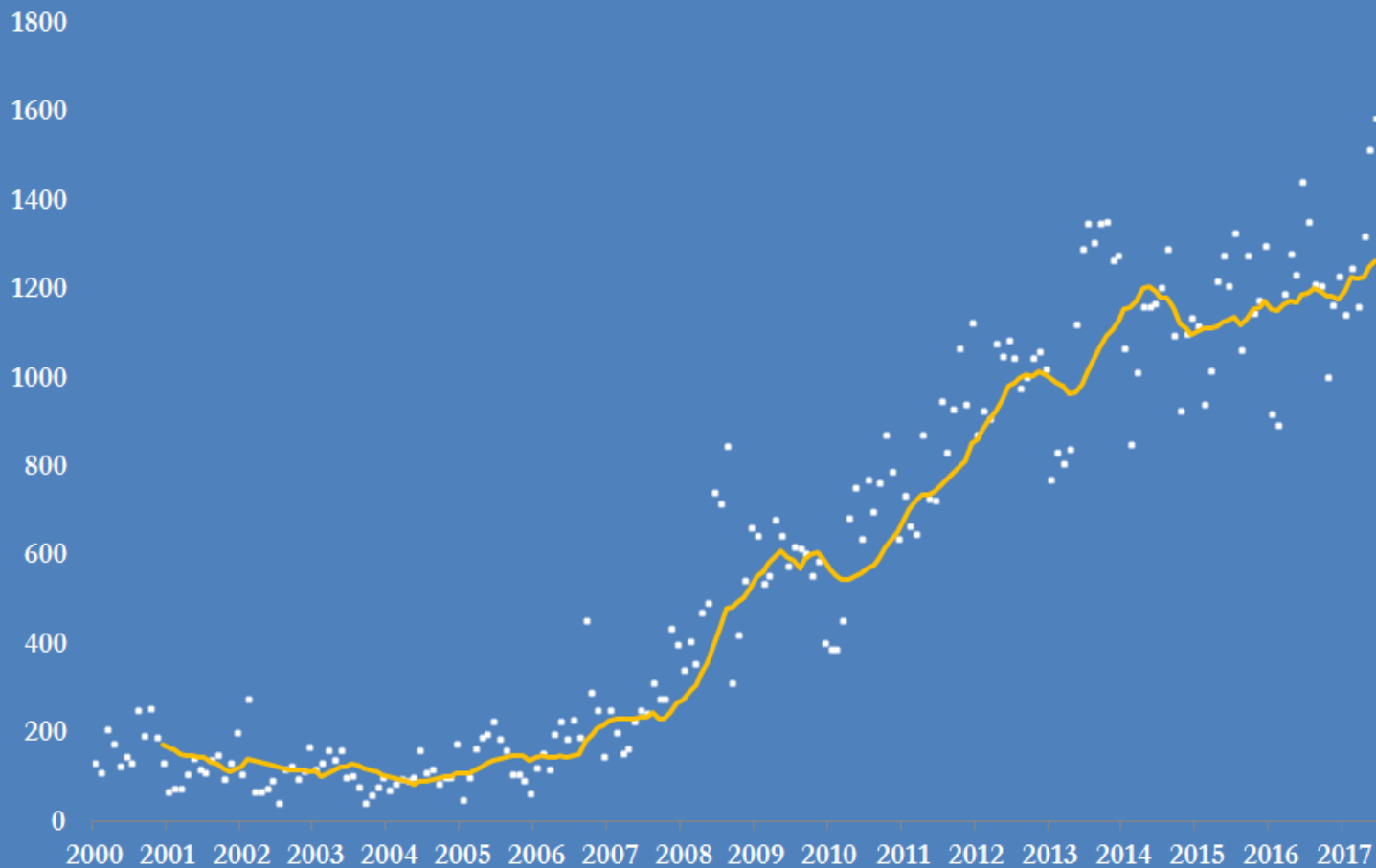


Source: U.S. Bureau of Transportation Statistics

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U.S. distillate exports rose to record level in the first half of 2017

U.S. exports of distillate fuel oil
monthly average, 000 b/d



Source: US Energy Information Administration

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Refining margins for producing ultra-low sulphur distillate fuel oil have surged to encourage refineries to maximise throughput and distillate yield

Gross refining margin for making heating from US light crude
US\$/bbl (delivery in Nov 2017)



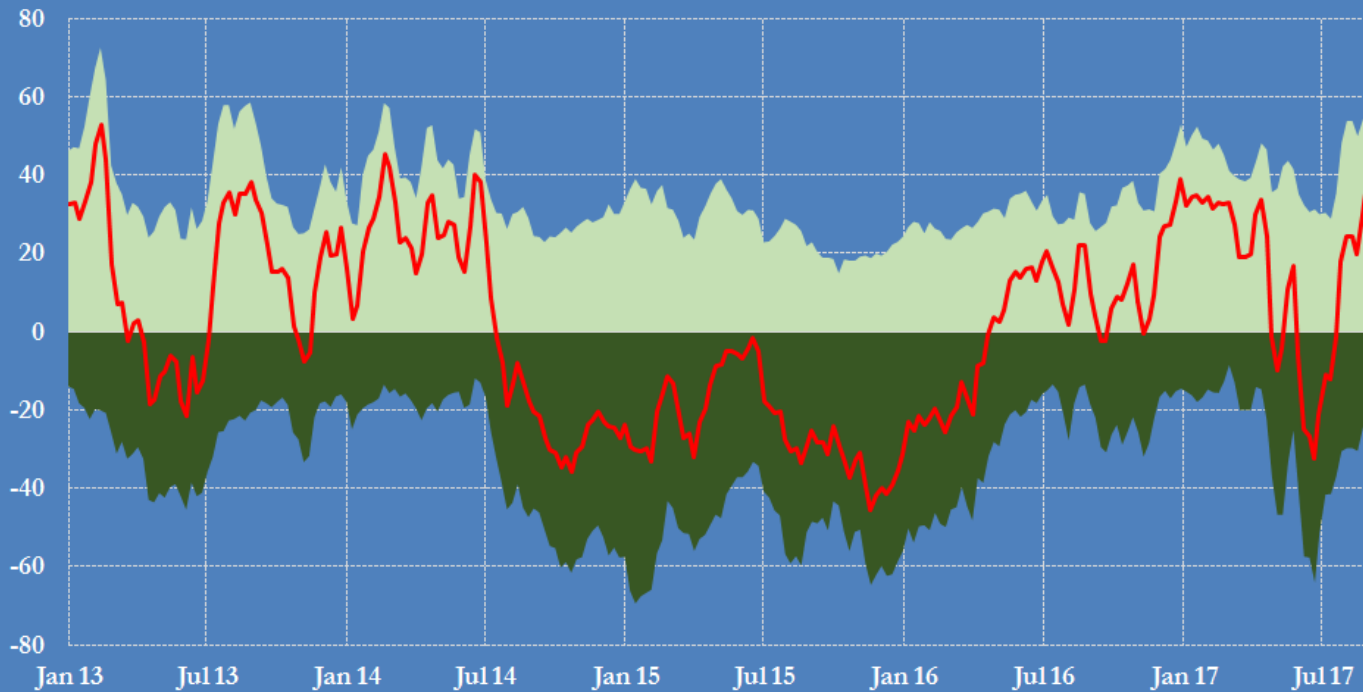
Distillate prices for winter 2017/18 have moved into a big backwardation on expectations of scarcity

U.S. heating oil calendar spread from Nov 2017 to April 2018
US\$/bbl, contango (-) or backwardation (+)



Hedge funds have amassed a net long position in ULSD futures and options equivalent to 46 million bbl (compared with net short of 32 million bbl in late June)

Money managers' long and short positions in New York heating oil futures and options, NYMEX #2 heating oil, million barrels

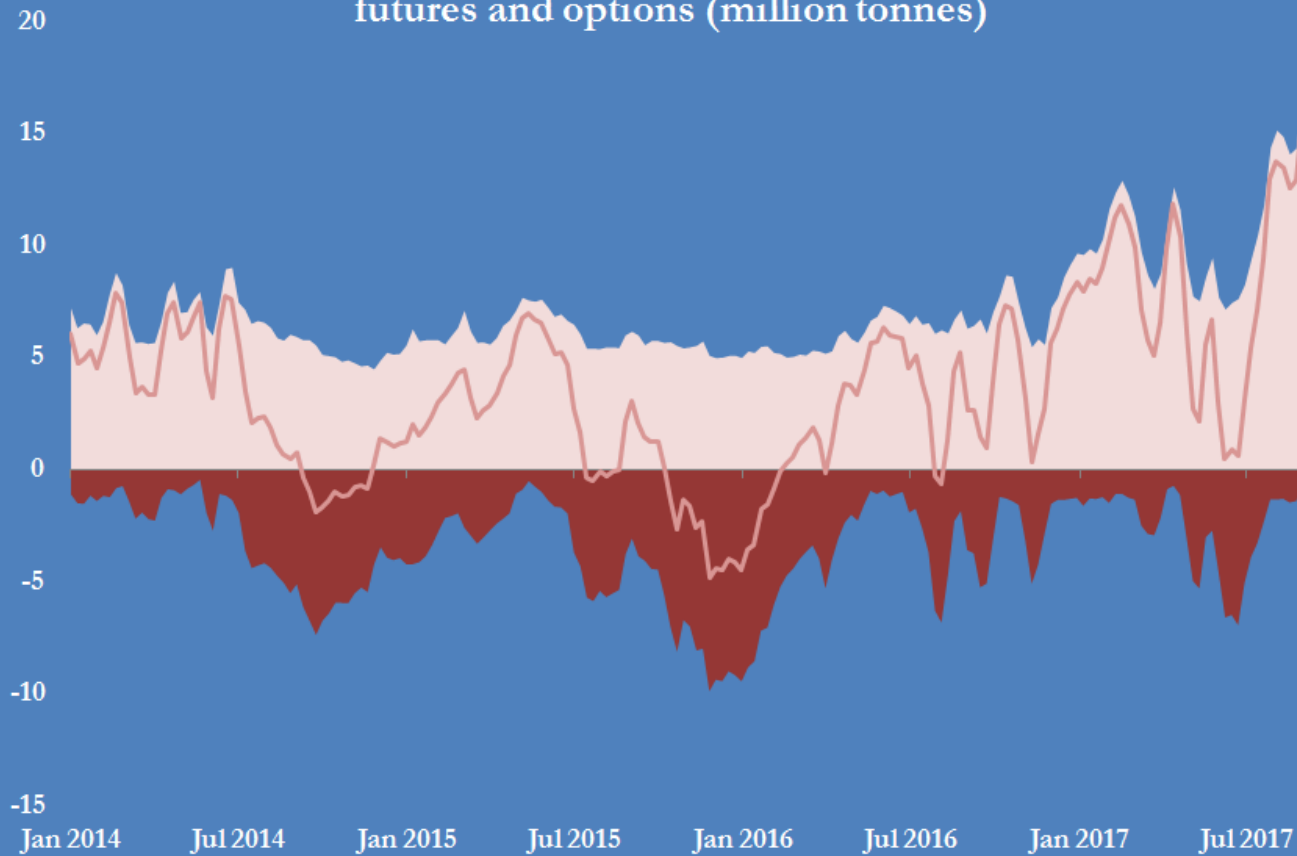


Long positions
Short positions
Net long position

Source: US Commodity Futures Trading Commission
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Hedge funds have amassed a record net long position in European gasoil futures and options anticipating a reduction in U.S. exports

Money managers' long and short positions in ICE gasoil futures and options (million tonnes)



■ Gross Long Positions
■ Gross Short Positions
— Net Long (+) or Short (-) Position

Source: ICE Futures Europe
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