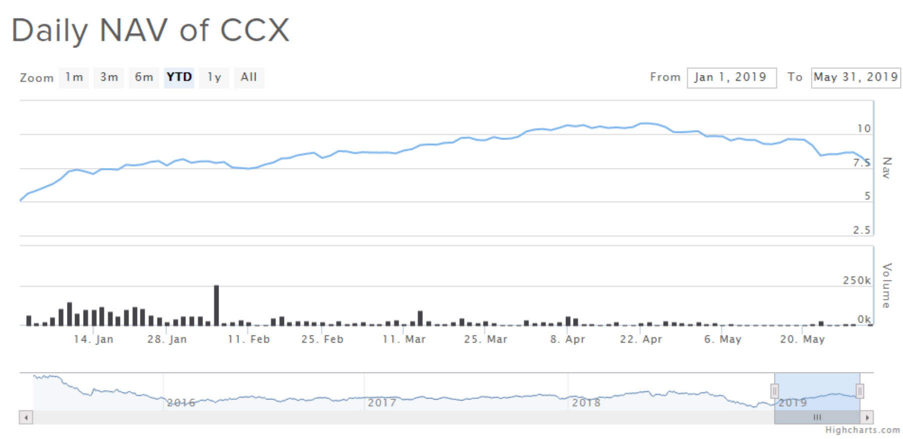
Canadian Crude – Update for May 2019

Stats:

- **This month's correction follows a 101% gain for the CCX ETF from January 1 to April 30th.**
    - **CCX ETF NPU fell 23.9% from $10.20 to $7.76.**
- CCI fell 27% from $49.45 US/bbl to $36.12 while WTI dropped 16.2%
    - reminder CCI = WTI +WCS   36.12 = 53.62 + ($17.50).
    - WCS discount widened from -14.50 to -17.50.



What's new in Canadian Crude?

- Widening of differential is actually good for moving barrels from the basin as is at an economic level for rail transport.
- Oil storage exceeded all time high levels and over 5MM barrels(!) ahead of last year providing little backstop for transportation disruptions
    - With storage near full, there is a risk of wider differentials unless rail transport picks up. Rail is indeed picking up as the differential has widened to "rail economic" levels during the month.
- Next OPEC meeting is slated for June 25th
- To keep in mind:
    - With the differential widening closer to the long-term average of -$18.50, the discount represents a good opportunity to benefit from lower Canadian oil prices by using the inherent leverage: eg. a $10 rally in WTI is a 19% gain while a 28% gain in CCI.
    - Demand for Canadian heavy crude is exceptionally strong as it represents the cheapest feedstock for US refineries who look for replacement for lost Venezuelan barrels and recent US Trump tariffs make Mexican barrels more expensive.

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