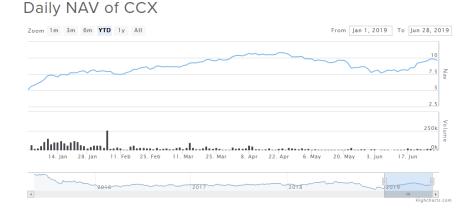


# CCX C

# Canadian Crude - Update for June 2019

### **Stats:**

- CCX +24% in June and +90% in 2019! Top performing global market.
  - After correcting in May, the CCX ETF remains the strongest oil and commodity market to be up over 90% in 2019 while USO (WTI) gained 28%.
- CCX ETF NPU gained 24% from \$7.76 to \$9.63.
  - o CCI (Canadian Crude Index) gained 16% from \$36.12 US/bbl to \$41.96 while WTI added 9%
- CCI = WTI + WCS 41.96 = 58.46 + (\$16.50).
  - WCS discount narrowed slightly from -17.50 to -16.50 (over the 90day term structure covered).
  - See Auspice website.



## What's new in Canadian Crude?

- After oil storage exceeded all time high levels in May, it has started to draw substantially by over 5MM barrels and is now below of last year.
  - o There remains a risk of wider differentials unless rail transport continues. Rail has indeed picked up as the differential widened but storage remains high.
- The forward discount curve widens: -\$13.25 August, -\$16.75 September, -\$19.50 October and Calendar 2020 at -\$ 21.00. See Auspice website. Widening of differential has been good for moving barrels given economic level for rail transport.
- OPEC meeting resulted in an extension of output cuts in 2020.
- Canadian Government has approved the Trans Mountain expansion with a goal of 2022 or 2023 online.
  - o This could narrow the differential substantially long term.
- To keep in mind:
  - For investors with a view on oil, the CCX has provided the most direct way to express this view while the Canadian resource energy sector stocks have languished only up 2% year to date.
  - o With CCI 28% under WTI, there is a substantial leverage effect.
  - 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 17% gain while a 24% 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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