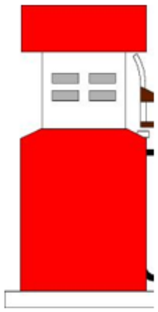
Gateway FS

Energy Market Update, April 24, 2024



NYMEX Prices

Product	Month	Close	Wk. Change
Crude Oil	Jun 24	82.81	+.12
RBOB Gas	May 24	2.7343	+0.0056
NYH ULSD	May 24	2.5499	-0.0248
Nat. Gas	May 24	1.653	-0.059

Market Comments: Petroleum futures mixed in Wednesday trading.

After weekly DOE's were revealed, energy markets jumped on crude draws of over 6 million barrels, double expectations and the first decline to crude inventories in 5 weeks. Once the initial shock was felt from inventories, crude and products settled close to where they were in early morning trade.

The shift back to declining market prices is due in part to a pause in direct fighting between Iran and Israel. Also contributing to losses is economic data that increases odds the Fed will reduce its plan to cut rates to two or fewer for 2024.

Composite PMI for April came in at 50.9, still considered growth in the sector (value >50), but dropped to its lowest mark in four months, adding to bearish sentiment in energies.

Still, the geopolitical risk premium is active in markets and the feeling is any significant action by either Iran or Israel would **likely** lead to a $5-10 per barrel jump in WTI crude prices.

Looking ahead: The next two days provide significant economic data in the form of Q1 GDP data and PCE numbers for March, which should go a long way in providing market direction for at least the next few trading days.

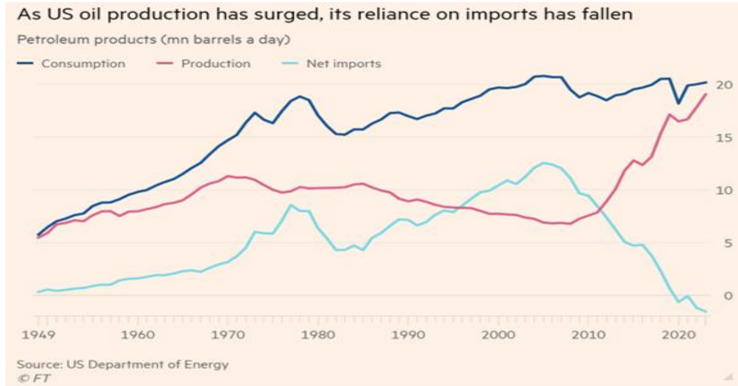
	Crude				Gasoline				Distillate Fuel			
	Change	Total	3-Yr. Avg.	5-Yr. Avg.	Change	Total	3-Yr. Avg.	5-Yr. Avg.	Change	Total	3-Yr. Avg.	5-Yr. Avg.
EIA	-6.4	453.6	457	456	-0.6	226.7	236	236	1.6	116.6	146	148
Est.	+2.300/-1.800				-.400 /-3.300				-.500/ -2.000			
Propane	Total 56.7 1.0				Midwest 13.4 0.8				Gulf Coast 35.6 0.1			
API	Crude -3.23 Cushing -0.898				Gasoline -0.6				Distillates 0.72			

U.S. shale boom steering market dynamics

- Despite the first recorded direct military strike by Iran on Israel last week, energy markets were mostly reserved for such a significant event.
- Iran's control of the Strait of Hormuz, which accounts for 20% of crude movement in the world, is of most significance of global supply.
- The mostly muted response has much to do with shale discoveries in the U.S., which continues to pile on production.

- Twenty years ago, the U.S. was producing 7 million b/d, fast forward to nearly 20 million b/d today.

- Shale discoveries in the U.S., more specifically the Permian Basin, located in Texas and New Mexico has accounted for most of the surge in oil.
- The drastic increase in U.S. crude output has transformed the U.S. into an expanding net exporter of oil after decades of being a net importer.

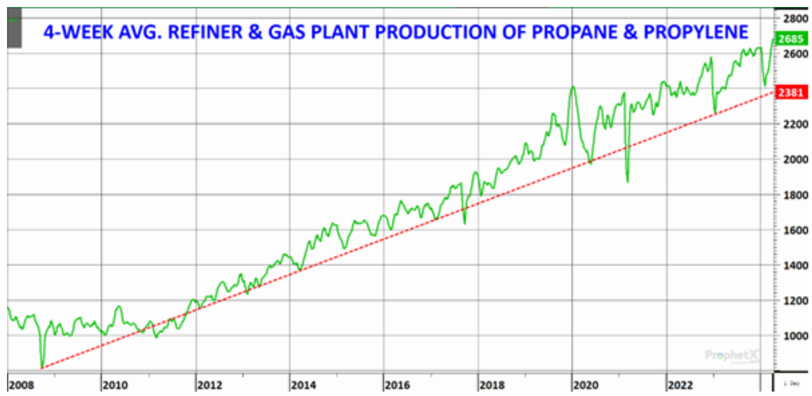


Why it matters: While the closure or restriction of oil in the Middle East, especially through the Strait of Hormuz, would send prices much higher, it is clear the explosion of U.S. production is cushioning the blow of geopolitical risks.

Rising levels of propane production will add to LP supplies, build inventories, and could help to depress propane prices in the coming months.

- Last week, the DOE reported that the four-week average US refiner, blender, and gas plant production increased by nearly 30,000 bbls/d, or one percentage point, to a record 2.69M bbls/d.

- Four-week production levels have now been above the 2.5M bbls/d mark for the past six weeks and have now jumped by nearly 250,000 bbls/d or 10% from their winter low.

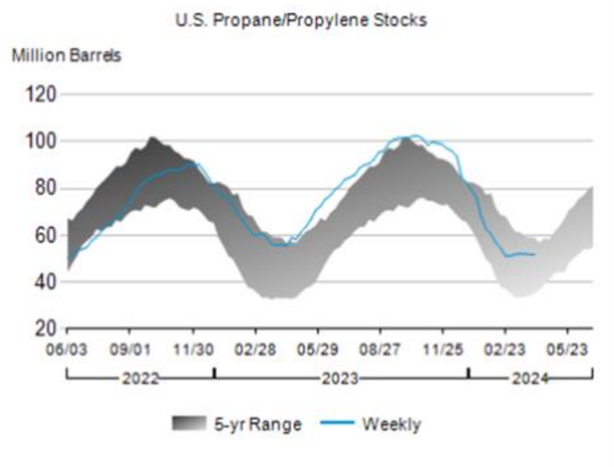


- In addition, the US government reported that weekly US refiner, blender and gas plant production increased by 67,000 bbls/d or 2% to a record 2.74M bbls/d from the previous week, 500,000 bbls/d above it previous record from last August.

- LP exports Elevated LP production levels have also helped to boost inventory levels to 16% above the five-year average currently despite the robust export and heating demands of the past couple of months.

Why it matters: Increasing LP production levels that dovetail with limited seasonal demands from warm spring weather will help boost inventory levels and potentially depress propane prices in the coming months. The resulting pullback prices could open a procurement window for the upcoming fall- winter time period.

Significant propane increase in domestic stocks



- Last Wednesday's DOE report contained some surprises as U.S. propane stocks were pegged at 55.7 million barrels vs. 51.7 million the previous week. This is an increase of 4 million barrels in just one week.

- Stocks are comfortable, well within the five-year average, coming out of peak demand season.

- Builds should continue through the summer and early fall as demand is limited.

- It is yet to be determined what type of demand the propane industry will experience this fall from crop drying. In most areas, crops appear to be going into the ground in a timely manner, which could result in limited drying needs this fall.