

Gateway FS, Inc.

Energy Market Update September 9, 2020

NYMEX Prices

	Close	Wk. Change
October Crude Oil	38.05	-3.46
October Gasoline	1.1193	-0.0827
October Heating Oil	1.1885	-0.0824
October Natural Gas	2.406	-0.080

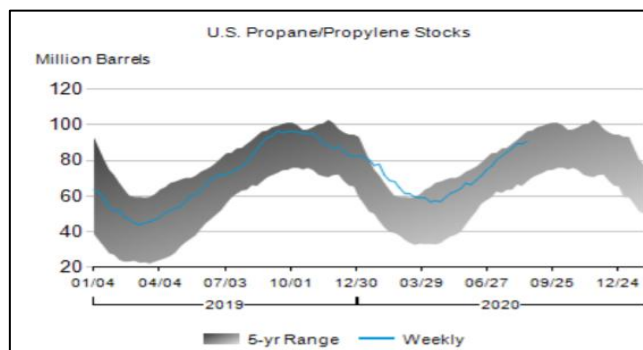
Market Comments: Oil prices rose on Wednesday, but U.S. prices recouped less than half of what they lost in the previous session. Analysts expect data this week to show a decline in U.S. crude supplies, but uncertainty over the outlook for energy demand continues to limit any price gains. Demand for distillate fuels is expected to fall 340,000 bpd to 3.76 million bpd this year, slightly less than the 360,000-bpd decline that was previously forecasted, according to the EIA. The EIA also expects gasoline demand to fall 1.04 million bpd this year to an average of 8.27 million bpd.



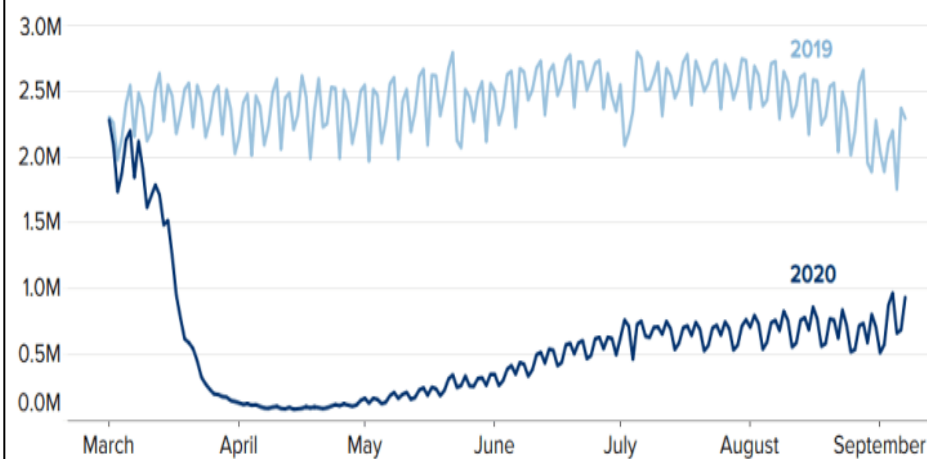
The national gas price average during the unofficial start and stop of summer was \$2.15, which was the cheapest since 2004. Demand was hit hard this summer, which ultimately meant increased supply and cheap gas prices. In the latest report, the EIA reported that demand dropped from 9.16 million bpd to 8.79 million bpd. While gasoline stocks dropped by 4.3

million barrels to 234.9 million barrels, total supply is 5.2 million barrels more than this time last year. On the week, the majority of state averages are cheaper by a couple of cents. A few states in the Mid-West did see more significant price drops ranging from a nickel to a dime. A couple of states with increases saw a jump of just a penny or two, with the exception of Florida (+6 cents). Tuesday's national average was two cents less than last week, one penny more than last month and 35 cents cheaper than a year ago.

The latest DOE report posted an impressive build of 4.4 million barrels, which brings total U.S. propane stocks to 95.2 million barrels, this is above levels at this time last year when they were running at 92.9 million barrels. However, Midwest stocks are still running near 25.9 million barrels, which is slightly below levels at this time last year.



Despite a recent revival, air travel has a long way to go before reaching levels seen before the pandemic brought a steep drop in traffic. Data shows daily travelers passing through TSA checkpoints.



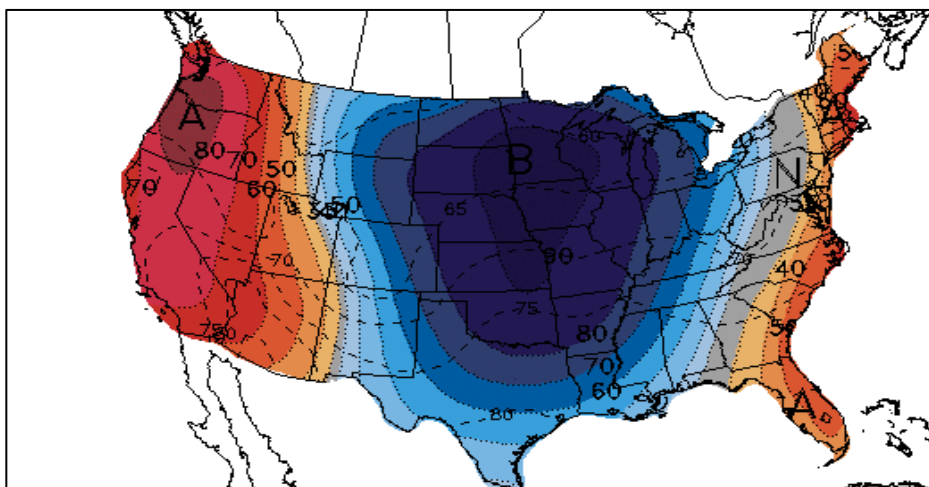
End of the summer trips helped lift air travel during the Labor Day weekend, but the coronavirus pandemic has left its mark on what has shaped up to be a dismal season for airlines. The number of people screened by the TSA reached 968,673 on Friday, the highest since March 16th. About 3.3 million passengers passed through TSA checkpoints over the holiday weekend, down nearly 60% from last year.

However, that was an improvement from April when passenger volume was off by more than 95%. From Memorial Day through Labor Day the TSA screened 65 million people, down nearly 76% from the 269 million it screened on the same dates last year.

Hedge fund sentiment toward crude and products turned much more negative at the end of August due to signs of a slowed recovery in oil consumption and high inventory levels. According to Reuters, hedge funds and other money managers sold the equivalent of almost 40 million barrels in the six most important petroleum futures and options contracts in the week leading to September 1 (see table for totals). The rate of selling matched one other week in March as the fastest since mid-March when the pandemic really took a toll on markets.

Portfolio Managers Positions in the Six Most Important Futures & Options Contracts

Brent	-19 million barrels
U.S. diesel	-11 million barrels
European gasoil	-6 million barrels
U.S. gasoline	- 3 million barrels
NYMEX/ICE WTI	+1 million barrels



The 6 to 10-day forecast, which is valid through September 11th is calling for well below average temperatures throughout much of the mid-section on of the U.S. Producers are still hopeful of some warmer days ahead, as the corn crop still needs to dry down.