

Gateway FS, Inc.

Energy Market Update December 11, 2019

NYMEX Prices

| | Close | Wk. Change |
|---------------------|---------------|----------------|
| January Crude Oil | 58.80 | +0.37 |
| January Gasoline | 1.6270 | +0.0236 |
| January Heating Oil | 1.9293 | +0.0064 |
| January Natural Gas | 2.244 | +0.155 |

Market Comments: **When the dust settled on Wednesday afternoon the energy markets were lower across the board.** Movement to downside was accelerated after the DOE report posted builds in all the products. A build was even indicated in propane, which is not typical for this time of year. In other news, the Federal Reserve held its benchmark interest rate steady and signaled no interest to raise it anytime soon.

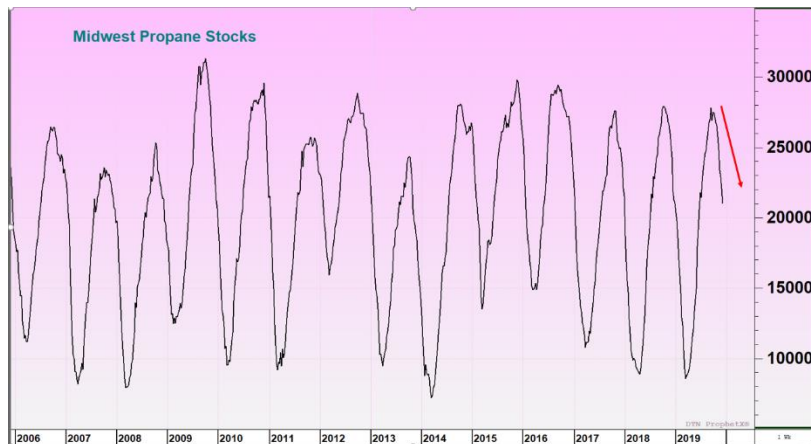
| | Crude | | | | Gasoline | | | | Distillate Fuel | | | |
|---------|-----------------------------|--------------|----------|------------|--------------------------|--------------|----------|------------|-----------------------|--------------|----------|------------|
| | Change | Total | 3Yr Avg. | 5 Yr. Avg. | Change | Total | 3Yr Avg. | 5 Yr. Avg. | Change | Total | 3Yr Avg. | 5 Yr. Avg. |
| DOE | +0.822 | 447.9 | 453 | 445 | +5.405 | 234.8 | 228 | 222 | +4.118 | 123.6 | 135 | 135 |
| EST. | +3.230/-5.249 | | | | +4.000/+0.900 | | | | +3.611/-3.000 | | | |
| Propane | Total +1.7 93.5 | | | | Midwest -1.1 22.0 | | | | Gulf +3.4 61.5 | | | |
| API's | Crude +1.410 Cushing -3.530 | | | | Gasoline +4.920 | | | | Distillates +3.240 | | | |

It was reported on Tuesday House Democrats stuck an agreement to support the new U.S. trade deal with Mexico and Canada. The House is planning to vote on the agreement next week. The new USMCA will replace Nafta when ratified and contains provisions aimed at creating more manufacturing jobs, for example, by increasing the proportion of vehicles that must originate in North America for the cars and trucks to receive duty free treatment.

China has raised its 19/20 soybean output by 5% over last months forecast to 18.1 MT from 17.23 MT.

The EIA said it expects higher U.S. crude oil production, although at a slower rate, and it now expects the International Maritime Organization's lower sulfur content rule in marine fuel oil in 2020 to increase diesel wholesale margins next year. They estimate U.S. crude oil production to average 13.18 million barrels per day in 2020, an expected increase of 0.9 million b/d from the 2019 level, which is slower than the 2019 growth of 1.3 million b/d, and 2018 growth of 1.6 million b/d.

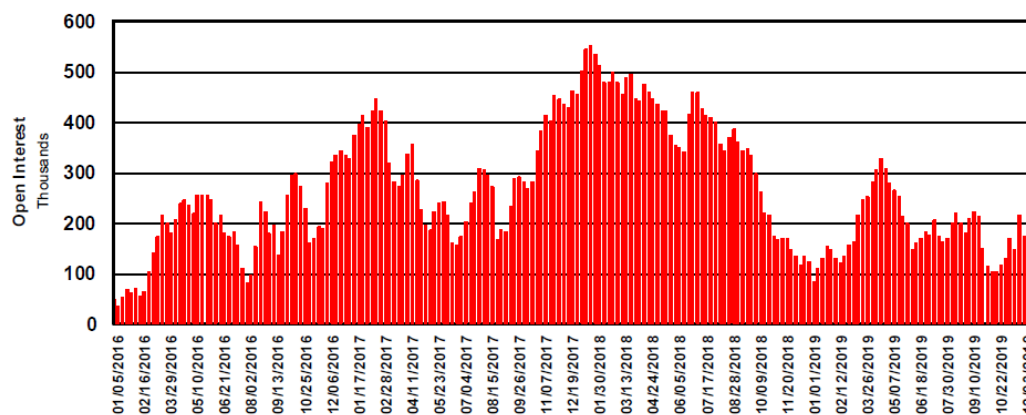
Saudi Aramco will begin trading publicly on the Saudi exchange on Wednesday. The opening price will be \$8.53/share and has had enough interested buyers to already raise \$25.6 billion. The state-owned company has been valued at \$1.7 trillion-- more than that of the next five biggest international oil companies combined. Saudi Arabia, hoping for a valuation of more than \$2 trillion has also been disappointed by the number of investors so far. The initial offering is 1.5% of the company.



Despite an overall build in U.S. propane stocks the Midwest actually experienced a draw in stocks. The weekly DOE report pegged Midwest stocks at 21 million barrels vs. 22.1 million barrels last week and 24.3 million barrels a year ago. Demand for propane throughout the Midwest remains strong as some areas are still harvesting both corn and soybeans. In addition, a cold snap as

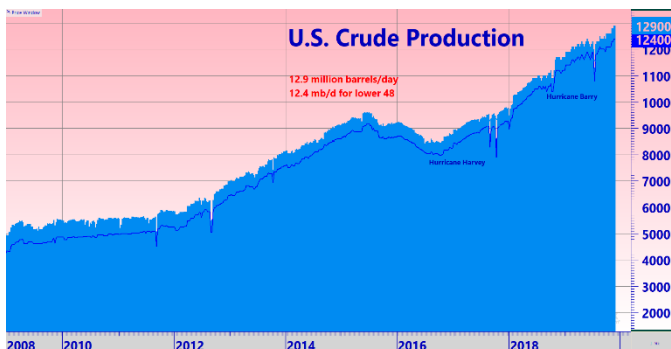
settled over the region.

WTI Futures & Options: NYMEX & ICE Combined
Managed Money Reportable Positions



Speculators reduced their long positions in crude last week in a complete reversal of the prior week. The downturn in global economies and the next round of U.S. tariffs on Chinese goods will begin on Sunday, Dec. 15. White House

economic advisor, Larry Kudlow said today that there is no intention to remove this upcoming round of tariffs.



U.S. crude production has stayed at its record 12.9 mb/day for the last three weeks. The majority of U.S. crude comes from the shale areas. U.S. crude exports remain over 3 mb/day. Canada remains the largest overall importer of U.S. crude. China started out 2018 as the biggest Asian importer of U.S. crude, but dropped off the scene in August of 2018, coinciding with the trade war. Since then

they have imported varying amounts some months, but many months they have been at zero. South Korea will end this year as the biggest Asian importer; Taiwan and India have also been importing appreciable amounts. The U.S. has also increased its crude exports to Europe.