

Gateway FS, Inc.

Energy Market Update October 21, 2020

NYMEX Prices

Product	Month	Close	Wk. Change
Crude Oil	Dec 20	40.03	0.21
RBOB Gas	Nov 20	1.1403	(0.0248)
NYH ULSD	Nov 20	1.1399	(0.0144)
Nat. Gas	Nov 20	3.023	0.413

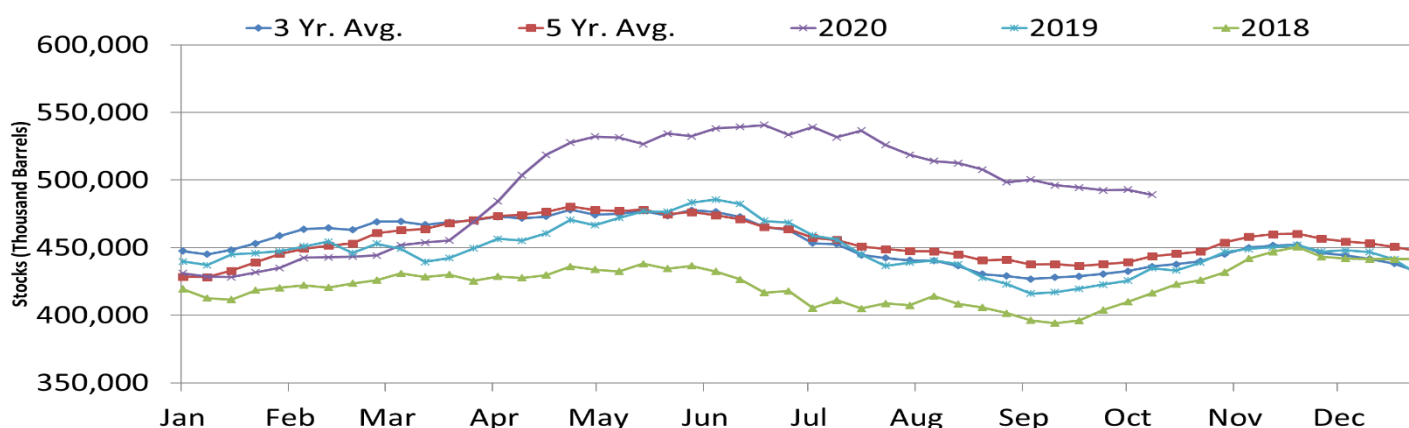
Market Comments:

According to the World Health Organization, the weekly number of new COVID-19 cases in Europe is at its highest point since the start of the pandemic. The number of confirmed cases in Europe increased by 1 million in 10 days. Europe is responding with tightened restrictions and curfews. Europe isn't the only place making headlines for positive cases. According to the New York Times, U.S. cases are also on the rise especially in the Midwest and in rural areas. When reading these headlines and articles in the news it is important to keep in mind that testing has evolved since the start of the pandemic. It is difficult to get an accurate comparison on the number of positive cases from the beginning of the pandemic to now as the tools to measure have changed and become more available. With that in mind, the potential for demand destruction will continue to be a major concern putting increased pressure on riskier assets like stocks and commodities.

Less than a quarter of U.S. Gulf offshore crude oil production remains shut after last week's Hurricane Delta. Between October 6th and October 15th, a cumulative total of 11.9 million barrels of crude oil production and 11.2 billion cubic feet of natural gas output from the Gulf has been shut because of Hurricane Delta, which made landfall on October 9th.

Despite lower crude inputs US inventories have drawn for 5 consecutive weeks. Inventories now sit at a surplus of ~53 million barrels vs the 3-year average.

Crude Stocks (excluding SPR) - US



Illinois regulators approved an expansion of the Dakota Access oil pipeline, the largest pipeline running out of North Dakota's Bakken shale basin, rejecting a bid by environmental groups to block the project. The pipeline can transport about 570,000 bpd of crude oil from North Dakota to the Midwest, with connections to the Gulf Coast. The Illinois Commerce Commission said additional pumping stations and equipment needed for the pipeline's capacity to be nearly double to 1.1 million bpd are necessary and would promote the security and convenience for the public.



Every rig that returns to operation brings with it more supply to an already over-supplied market. Additional crude is not going to help refiners who have seen a steady decline of income since May 2019. The current 5:3:2 crack spread is sitting at 8.15 this morning, which is still near the lowest point of the last several years.

