

Gateway FS, Inc.

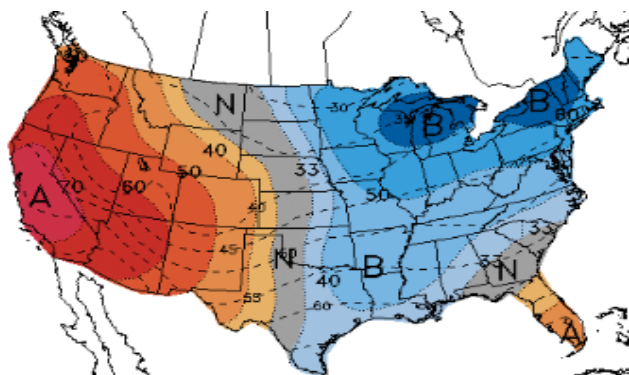
Energy Market Update November 6, 2019 NYMEX Prices

	Close	Wk. Change
December Crude Oil	54.07	-.99
December Gasoline	1.6262	-.0369
December Heating Oil	1.9140	+.0138
December Natural	2.832	+0.600

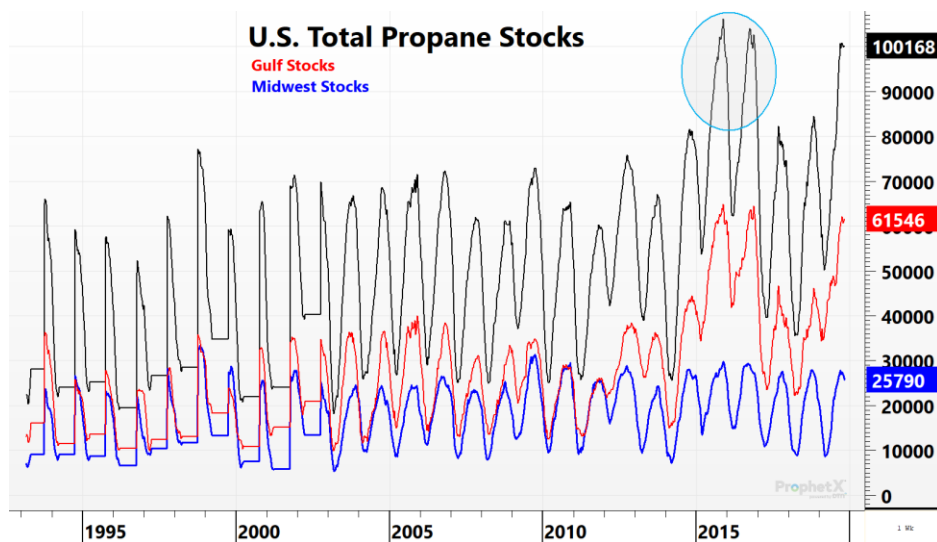
Market Comments: An interim trade deal between U.S. and China is still being discussed. A senior White House official says an agreement is delayed until at least December. Markets started heading lower on the headline. Oil closed a bit off its daily lows. The dollar and stock market are sticking close to steady. Refinery runs fell again but particularly on the Gulf Coast. Crude exports backed off compared to last week by a whopping 1 million barrels/day. No wonder the U.S. had such a large crude build reported today. The crude build as Cushing, OK was also large despite the temporary closure of the Keystone pipeline.

China is pushing President Donald Trump to remove more tariffs that were imposed in September as part of phase one of the U.S. – China trade deal. The deal is widely expected to include a U.S. pledge to scrap tariffs scheduled for December 15th on about \$156 billion worth of Chinese imports, including cell phones, laptop computers and toys. A U.S. official said the fate of the December 15th tariffs is being considered as part of negotiations.

	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	+7.929	446.8	450	442	-2.828	217.2	222	218	-.622	119.1	135	133
EST.	+3.700/-6.440				-0.500/-2.287				+2.500/-2.900			
Propane	Total 100.2 +.4				Midwest 25.8 -.7				Gulf 61.5 +.5			
API's	Crude +4.260 Cushing +1.300				Gasoline -4.000				Distillates -1.600			



The 8 to 14-day weather forecast, which is valid through November 17th is calling for below average temperatures east of the Mississippi and above average out in the west. As for precipitation it appears as if much of the Midwest will see below average rainfall, which should allow for good harvest progress.



Propane stocks overall and at the Gulf Coast remain strong, but the Midwest stocks hit their high mark in mid-September and have fallen below the five-year average ever since then. I like this chart and use it often because it tells the stock story. The Midwest stocks are in blue and never saw the surge that the U.S. total stocks (black) and the Gulf stocks (red) did.

Propane inventory is not an unsurmountable problem for the Midwest right now; it is more of an infrastructure issue. Pipelines are old, some have been repurposed or reversed. The Midwest also depends upon trucks and rail to keep enough supply. Producers have defaulted to sending excess propane to the Gulf or the East Coast for export which is a more reliable outlet and means steady margins. Price will need to get higher for the Midwest to be able to draw more inventory back to the region.



Late last week the soybean market managed to stage a decent rally going into the weekend. The market was pulled higher on news of a fresh soybean sale to China. The USDA confirmed Friday morning that 132,000 metric tons of soybeans were sold to China. While by itself isn't a huge deal, grain traders were taking sale to China as bullish for the futures. Certainly, looking at a continuous soybean market, the market is now trading

above the trend going back to July 2019.

A lot of talk has been circulating about the Maritime Organization's call for reduced sulfur content in ship fuels. Starting on January 1, 2020, the maximum amount of sulfur allowed in marine fuels will fall from 3.5 % to 0.5%. Several in the industry are questioning how this will affect the U.S. oil market. Low sulfur fuels are easier to produce with light, sweet crude from U.S. shale. Less complex foreign refineries will likely need more light, sweet crude to produce compliant fuels, which bodes well for U.S. crude export. Complex U.S. refineries can run heavy, sour oil to make low sulfur fuel and will likely not require a change in input. It is still unclear what the exact effects of the change will have on the shipping industry and diesel prices.