

# Gateway FS, Inc.

## Energy Market Update November 18, 2020 NYMEX Prices

Product	Month	Close	Wk. Change
Crude Oil	Dec 20	41.82	0.37
RBOB Gas	Dec 20	1.1629	0.0130
NYH ULSD	Dec 20	1.2640	0.0182
Nat. Gas	Dec 20	2.712	(0.319)

### Market Comments:

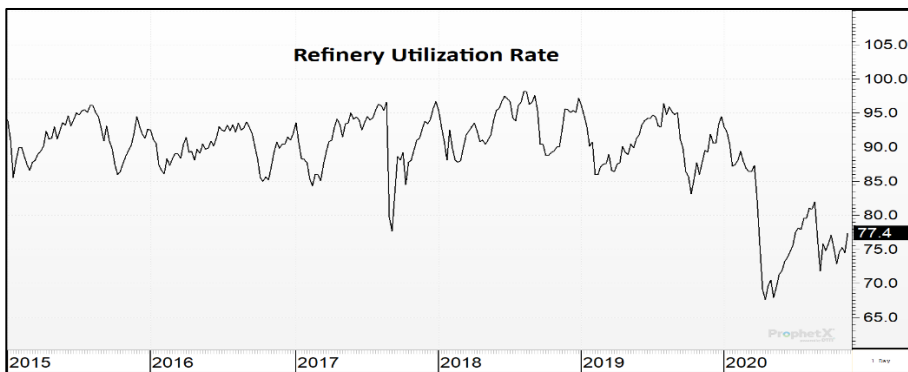
Energy futures remained firm most of the day on the potential for OPEC+ to leave current supply cuts in place, positive COVID-19 vaccination news and a lower dollar. DOE numbers also gave a boost to prices with distillate leading the way. Crude and gasoline saw builds, while distillate inventory shrank by 5.2 million barrels, far exceeding expectations. Increased online shopping due to lockdowns and delivery of those items is helping fuel distillate demand. U.S. crude production increased by 400,000 bpd last week, but refinery inputs are still well below pre-pandemic levels. Propane spot prices saw a move to the downside as warmer temperatures are expected throughout most of the U.S.

OPEC+ had originally planned to add 2 million bpd of crude to the market in January. After the conclusion of yesterday's meeting, the current consensus is members want to be flexible in responding to oil market needs and the output boost will be delayed by three to six months.

Pfizer announced this morning that the Phase 3 study of its COVID19 vaccine candidate has met all primary efficacy endpoints, and it plans to file for emergency use authorization with the FDA within days. In response to the news, the FDA has planned advisory meetings for December 8-10 to discuss the vaccines ahead of potential authorization.

The U.S. dollar continues to lose value and is nearing levels not seen since April 2018. Investment bank, Citi, suggested that the widespread distribution of vaccines and ongoing monetary easing could cause the dollar to fall by up to 20% in 2021. This would be extremely bullish for commodities.

	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	+0.769	489.5	448	465	+2.611	228.0	219	219	-5.216	144.1	121	130
EST.	-3.500/+3.200				-1.200/+2.000				-2.700/+1.000			
Propane	Total 92.9 -2.0				Midwest 26.4 +0.2				Gulf 52.2 -1.9			
API's	Crude +4.174 Cushing +0.176				Gasoline +0.256				Distillates -5.024			



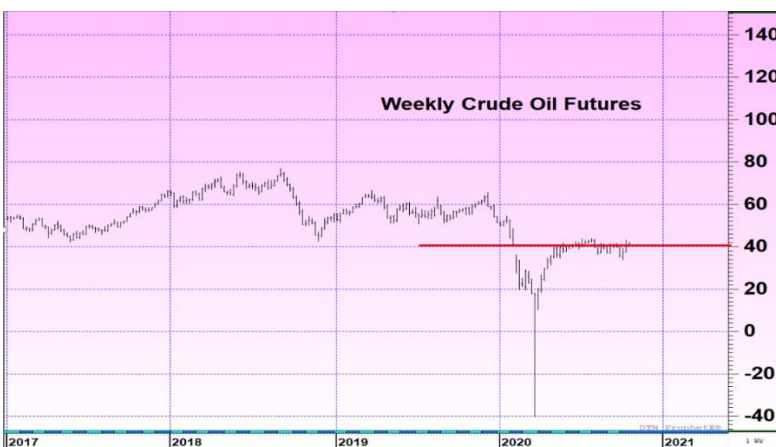
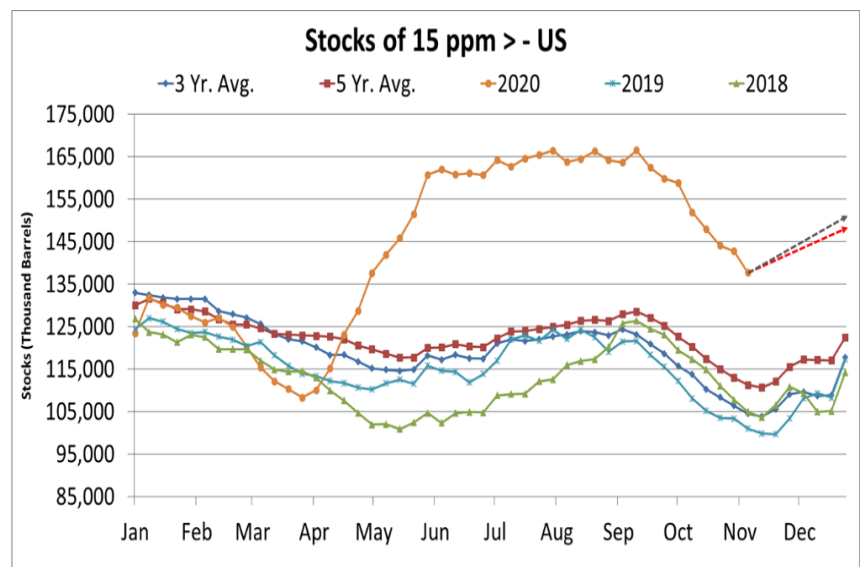
The refinery utilization rate is currently sitting right around 77%. Although that is a considerable rebound from the low of 67% that occurred in April, it is still towards the bottom of the historical range when compared to the last five years.

Even with 23% of refineries offline, crack spreads are still at historical low numbers which is not incentivizing offline refineries to restart operations.



The surplus of ulsd inventories versus the 5-year averaged reached a peak of ~44.8 million barrels at the start of June. Inventories have drawn 11.6 million barrels since, and the surplus now sits at ~33.2 million barrels. From now until year end the seasonal trend for ULSD inventories is to build as follows:

- 5-year average +11.2 million barrels (red dashed line)
- 3-year average +13.2 million barrels (black dashed line)



The crude market continues to trade just over the significant \$40 resistance level on the charts. However, prices have been in this holding pattern since mid-June without much breakout action. Certainly, prices remain at the bottom level of the trade range going back to 2018/2019. For crude to signal any type of significant upside movement prices would need to break out of this sideways trend.