

Gateway FS, Inc.

Energy Market Update September 11, 2019 NYMEX Prices

	Close	Wk. Change
October Crude Oil	55.75	-0.51
October Gasoline	1.5699	+0.0370
October Heating Oil	1.9032	+0.0230
October Natural Gas	2.551	+0.106

Market Comments: It has been a volatile week with the oil complex taking support from the newly-appointed Saudi oil minister who is reportedly a proponent of production cuts to balance the market. Oil gained some ground with a mini-breakout to the upside until news came out on Tuesday that John Bolton had been fired as National Security Advisor. Tuesday's API inventory report was bullish and Wednesday's government inventory report was only bullish for crude oil. The market fell after news came out that Trump would like a meeting with Iran's President Rouhani and might ease sanctions to make that happen.

	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	-6.912	416.1	463	441	-0.682	228.9	231	224	+2.704	136.2	147	143
EST.	-1.000/-3.500				+0.700/-3.000				+2.500/-3.000			
Propane	Total 97.8 +0.8				Midwest 27.0 +0.3				Gulf 58.6 +0.5			
API's	Crude -7.2 Cushing -1.4				Gasoline -4.5				Distillates +0.6			

The weekly USDA report pegged 55 % of the U.S. corn crop in good to excellent condition, down 3 points from the previous week. As for soybeans, 55 % of the nation's crop was in top category, unchanged from the previous week.



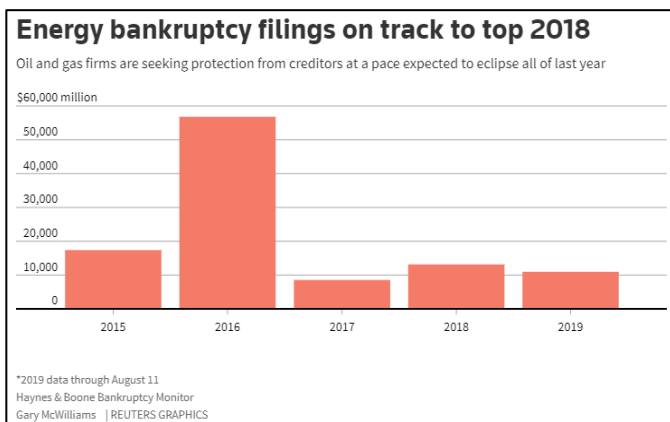
The soybean market has been affected from several factors from the U.S.-China trade talks to planting delays this spring. Prices bottomed out in mid-May, peaked in mid-June and have since been trading in a lackluster range. Current prices are at \$8.45, which is \$0.13 higher than where we

were this time last year. However, going back to 2017, current prices are \$1.12 lower. The departure of U.S. National Security Advisor John Bolton slowed a four-day rally in oil prices due to his maximum pressure stance on Iran. There were thoughts that sanctions may ease on

Iran and Venezuela with the departure of Bolton. Bolton was not prone to defend the president on television which did not endear him to Trump, and he was also opposed to bringing the Taliban to Camp David. The stock market which seemed little affected by the news initially, ended up higher on the day.

The EIA (Energy Information Administration) released their monthly report projecting that global demand growth will end up less than 1 million barrels/day for this calendar year, for the first time since 2011. The report also forecasts that U.S. energy-related carbon dioxide emissions will decline about 2.5% this year and another 1% in 2020. The change comes from more electricity being generated by natural gas and renewables instead of coal.

Oil producers and their suppliers are cutting budgets, staff and production goals due to a growing consensus of forecasts that oil and gas prices will stay low for several years. The U.S. currently has 904 working rigs, down 14% from last year, and some believe that is too many.



Bankruptcy filings by U.S. energy producers through mid-August this year have nearly matched the total from 2018. Investment bank Cowen & Co expects total spending from oil-and-gas producers to fall 11% over last year, and large companies such as Haliburton and National Oilwell Varco are cutting their workforce by as much as 8% and offering buyouts to their workers.

Midwest propane inventories equate to domestic demand and gives us a supply picture for the interior of the country. Midwest stocks have not seen the huge builds compared to the Gulf and overall. Part of the reason for that are new pipelines that have eased the glut from all the production in the Permian basin and take it directly to the ports in Texas now. Another small build for Conway today.

Gulf Coast propane equates to export demand, but some of the Gulf Coast supply also feeds Gulf petrochemical plants. Export demand has been under 1 million b/d for 6 straight weeks.

<u>Week 36</u> <u>LP supply</u>	<u>Midwest LP mil barrels</u>	<u>Gulf Coast LP mil barrels</u>	<u>Total U.S. LP mil barrels</u>
2014	26,228	43,223	76,046
2015	26,404	60,921	96,556
2016	29,441	60,245	101,090
2017	25,783	46,671	82,183
2018	25,889	37,824	74,642
2019	26,977	58,633	97,763