

Gateway FS, Inc.

Energy Market Update July 29, 2020

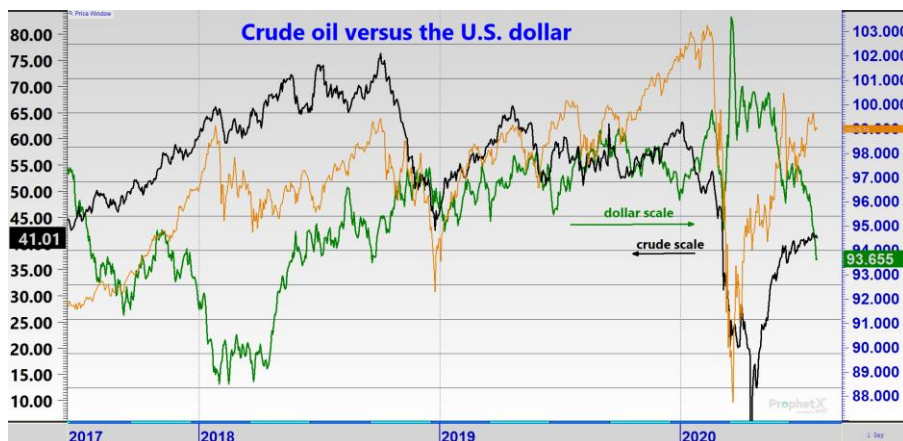
NYMEX Prices

	Close	Wk. Change
Sept Crude Oil	41.27	-0.63
August Gasoline	1.2415	-0.0413
August Heating Oil	1.2533	-0.0174
August Natural Gas	1.854	+0.173

Market Comments: Even though it was a surprise, it was good to see U.S. crude balances come down today via the DOE inventory report. Data showed that total refinery utilization, crude runs, and gross inputs were all at their highest levels since late March. The result was a hefty draw of 10.6 million barrels—nearly all Gulf Coast, but it failed to throw much support towards crude prices. Crude exports were also higher than last week. Gasoline demand was up about 3% despite the surge in Covid-19 cases. The Feds said that the virus continues to be one of the biggest economic drivers. They voted to keep the federal funds rates close to zero until employment recovers and inflation picks up.

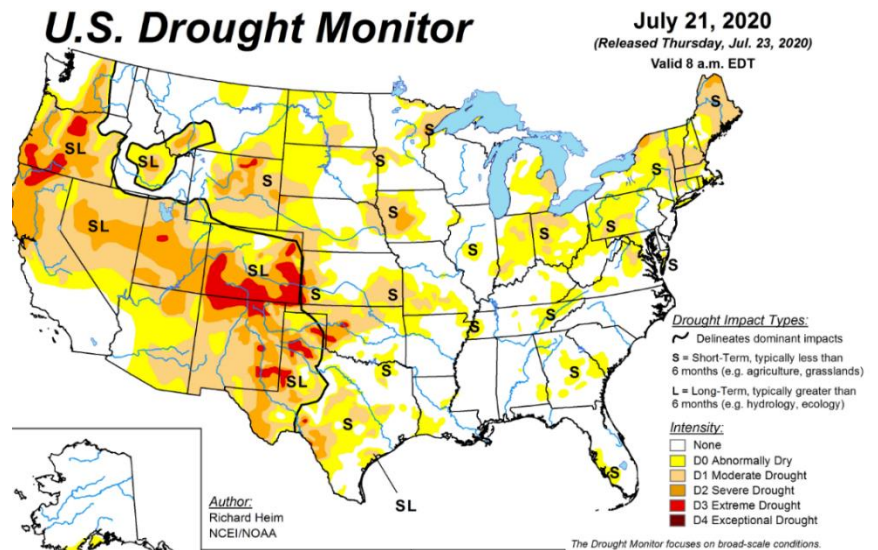
	Crude				Gasoline				Distillate Fuel			
	Change	Total	3Yr Avg.	5 Yr. Avg.	Change	Total	3Yr Avg.	5 Yr. Avg.	Change	Total	3Yr Avg.	5 Yr. Avg.
DOE	-10.611	526	442	462	+654	247.4	230	229	+503	178.4	137	141
EST.	-2.700/+2.000				-2.000/+2.000				-2.000/+1.000			
Propane	Total 84.4 +2.00				Midwest 22.0 +1.00				Gulf 49.6 +.9			
API's	Crude -6.829 Cushing +1.114				Gasoline +1.083				Distillates -.187			

Crude oil has been struggling the last few days to hold on to \$41 (black line on chart). Its bid to move higher has been thwarted thus far by the virus count that is now 4.3 million Americans and counting. The rising rate could mean higher unemployment and less oil demand. The Dow Jones is represented in gold on the chart. Crude and the DOW seem to be on the same pattern lately.



Dollar (in green) is at its lowest in **nearly two years** against a basket of six other currencies. A weaker dollar is usually supportive for oil and other commodities as it increases the buying power for those who are holding foreign currencies. July has been the dollar's worst one-month performance in over nine years.

The current U.S. drought monitor is showing abnormally dry conditions in western Iowa, portions of Indiana, Missouri and Ohio. Crops in the areas need a good soaking rain to improve growing conditions. It does appear as if Illinois, Missouri and Kentucky are benefiting from “normal” precipitation amounts.



China’s Foreign Ministry said Monday the U.S. consulate in the southwestern city of Chengdu was closed as of 10 am local time. China revoked the license of the consulate on Friday, in retaliation for a U.S. order to close the Chinese consulate in Houston days earlier.

China brought in 267,553 tons of soybeans from the United States in June, down 56.5% from 614,805 tons in the previous year. Imports fell 45.6% from 491,697 tons in May. China has stepped up purchases of U.S. farm produce including soybeans and will need to ramp up purchases dramatically to fulfil its pledge under the trade deal that both countries signed in January.

Iraq’s crude oil exports have increased so far in July, according to shipping data and industry sources, suggesting OPEC’s second-largest producer is still undershooting its pledge in the OPEC-led supply cut deal. Iraq had told OPEC+ it would make up for over production in May and June by making larger cuts in later months.



Hurricane Hanna (category 1) came and went last weekend without much damage beyond localized heavy rain, some flooding and power outages. We did not hear of any problems with oil infrastructure. Another storm system is in the Caribbean and may become Tropical Storm Isaias. It will bring heavy rain, flash floods and potentially mudslides. It is too early to know but appears to be a Florida storm.