

Gateway FS, Inc.

Energy Market Update May 22, 2019

NYMEX Prices

	Close	Wk. Change
July Crude Oil	\$61.34	-0.68
June Gasoline	\$1.9866	-0.0261
June Heating Oil	\$2.0431	-0.0432
June Natural Gas	\$2.547	-0.054

Market Comments: When the bell rang on Wednesday afternoon the energy markets were sharply lower.

Initial activity in the energy markets was lackluster but following the release of the DOE report prices shifted to sharply lower. The report showed builds across the board in all the products, including propane. The U.S. stock market traded lower as China/U.S. talks have not made any advancements.

The U.S. is close to a trade deal with Canada and Mexico, with the Trump administration agreeing to end U.S.-imposed tariffs on steel and aluminum imports that were put on a year ago. Canada will drop retaliatory tariffs. The tariffs should be lifted today per the news on Friday. The tariffs were a barrier to finalizing the USMCA, a remake of NAFTA. The tariffs were originally placed for reasons of national security to ensure that cheap, low-quality Chinese steel would not flood the market. Key Republicans were not going to sign off on the trade agreement until the steel and aluminum tariffs were removed, nor was Canada. The 10% tariff on aluminum and 25% tariff on steel sharply raised prices for businesses that use steel and aluminum including the building of pipelines for the oil industry. Another possible impediment could come from House Democrats that want worker protections strengthened.

	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	+4.740	476.8	499	473	+3.716	228.7	237	230	+0.768	126.4	138	131
EST.	+2.000/-4.000				+2.000/-2.300				+1.500/-1.500			
Propane	Total 65.8 +3.1				Midwest 13.3 +1.2				Gulf 47.4 +2.0			
API's	Crude +2.400 Cushing +0.871				Gasoline +0.350				Distillates -0.237			

OPEC met this weekend to discuss whether their production quotas are adequate or not. No decisions were made, but they seem to favor a continuation of their existing production targets through the end of 2019. It is likely that over-compliance to the agreement could come to an end. Their next meeting is June 25-26 in Vienna.

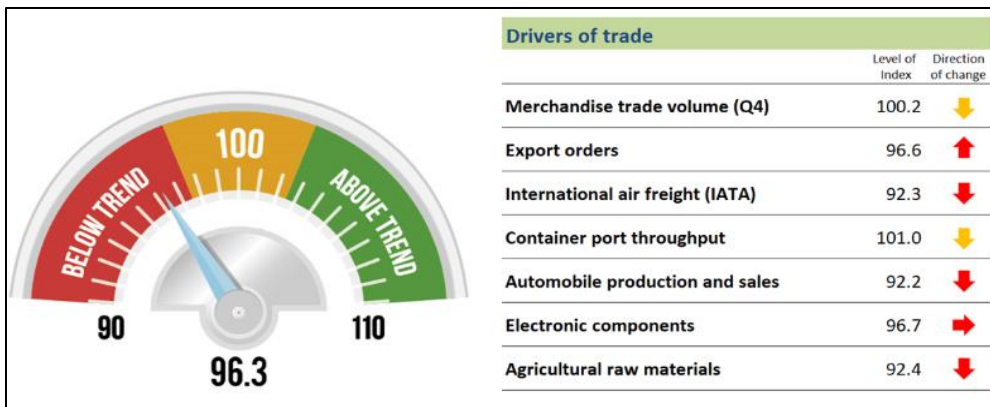
Monthly Venezuela crude oil production (2000-2019)

million barrels per day



when a nationwide strike and civil unrest largely brought the operations of Venezuela's state oil company to a halt.

In April 2019, Venezuela's crude oil production averaged 830,000 barrels per day, down from 1.2 million barrels per day at the beginning of the year, according to EIA's May 2019 Short-Term Energy Outlook. This average is the lowest level since January 2003,



level since 2010.

World trade growth is likely to remain weak into the second quarter of 2019 according to the WTO's latest World Trade Outlook Indicator. The new WTOI reading is 96.3 exactly as it was in February of this year, maintaining the weakest



The December corn market established a low on May 13th at \$3.63 and then gained \$0.47 as the industry finally focused its attention on planting delays due to extremely wet weather. The next upside target comes in at \$4.13. Speculation is that because of the planting delays and wet forecast some acres intended for corn will be

switched to soybeans. The latest USDA report indicated 49% of the U.S. corn crop has been planted vs. the five year average of 80%. A little more telling is the Illinois number, where 24% of the crop has been planted vs. the five year average of 89 percent.