

Gateway FS, Inc.

Energy Market Update March 20, 2019

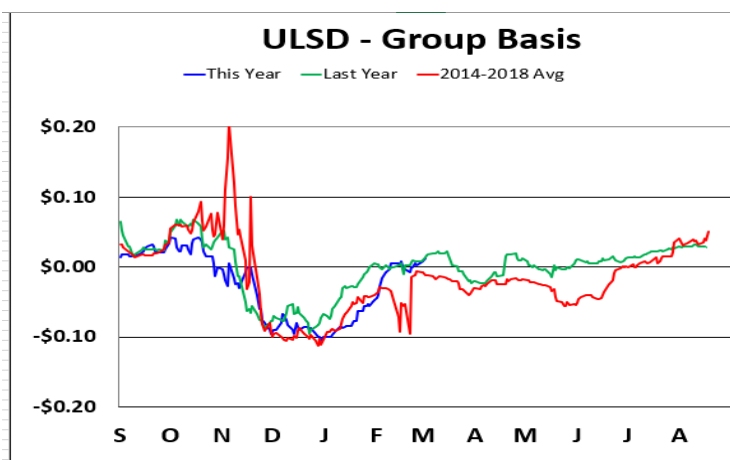
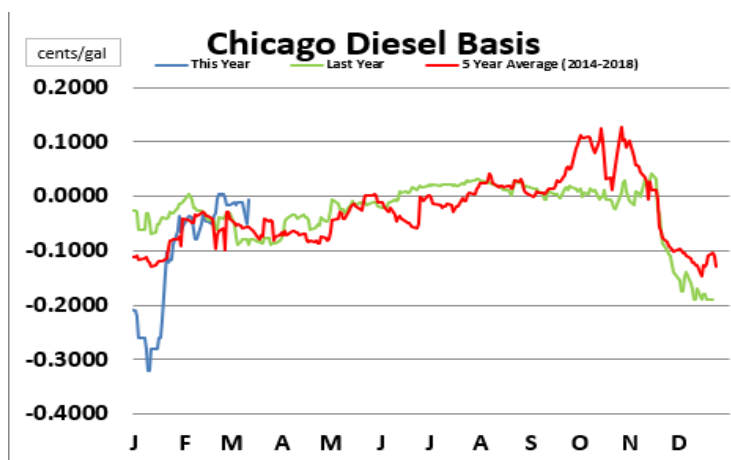
NYMEX Prices

	Close	Wk. Change
April Crude Oil	\$59.83	+1.57
April Gasoline	\$1.9166	+1.1276
April Heating Oil	\$2.0081	+0.0160
April Natural Gas	\$2.820	+0.002

Market Comments: Energy prices had a volatile trading day due to inventory reports and the possibility of a global economic slowdown providing conflicting information. Crude and both products were trading lower before the DOE inventory report was released. After the inventory numbers showed large draws, prices traded up sharply before pulling back from the daily highs to settle slightly higher. Propane on the other hand saw a small build in inventory. The Federal Reserve decided to maintain its policy of patience and leave interest rates unchanged this afternoon.

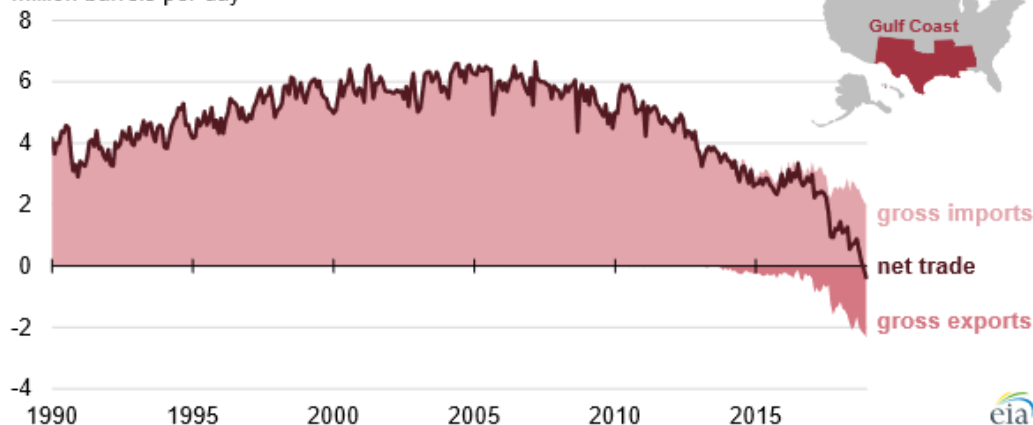
	Crude				Gasoline				Distillate Fuel			
	Change	Total	3Yr Avg.	5 Yr. Avg.	Change	Total	3Yr Avg.	5 Yr. Avg.	Change	Total	3Yr Avg.	5 Yr. Avg.
DOE	-9.6	439.5	495	464	-4.6	241.5	245	239	-4.1	132.2	149	137
EST.	+5.000/-3.000				-2.000/-3.976				+0.581/-2.500			
Propane	Total 51.1 +0.9				Midwest 8.6 +0.7				Gulf 37.4 +1.2			
API's	Crude -2.133 Cushing -0.317				Gasoline -2.794				Distillates -1.607			

Below is a look at diesel basis history for Chicago and Group 3. Chicago hit a low of 31 cent under in early January, but has now recovered to even which puts 2019 higher than last year at this time and higher than the five-year average. Group diesel basis also hit its low in last Dec/early January and is now roughly even with last year at this time—near zero. It is higher than the five-year average in red. Both areas seasonally peak in the October/November timeframe which is also during refinery maintenance season.



Monthly U.S. Gulf Coast crude oil trade (Jan 1990-Dec 2018)

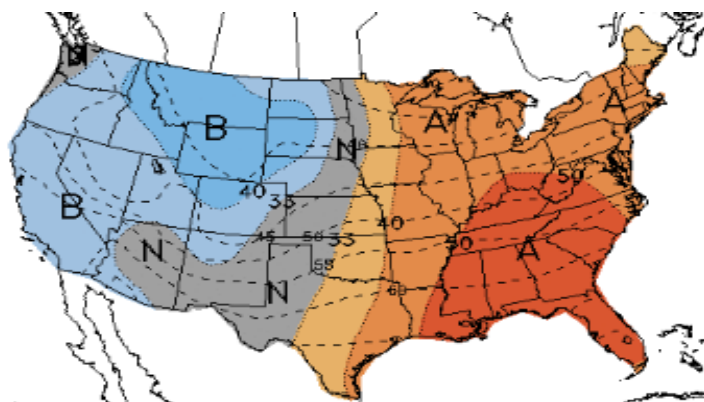
million barrels per day



In the last two months of 2018, the U.S. Gulf Coast exported more crude oil that it imported. Monthly net trade of crude oil in the Gulf Coast region fell from a high in early 2007 of 6.6 million barrels per day of net imports to 0.4 million barrels per day of net exports in December 2018.

As gross exports of crude oil from the Gulf Coast hit a record 2.3 million barrels per day, gross imports of crude oil in the Gulf Coast in December-at slightly less than 2.0 million barrels per day, were the lowest level since March 1986.

The 8 to 14-day weather forecast, which is valid through March 31st is finally giving the first indications of spring, as east of the Mississippi is forecasted to experience above normal temperatures. However, it appears as if much of the U.S. could be above average precipitation amounts, which could limit any early field work prep.



The current crack spread for gasoline is 19 and rising, whereas the heating oil spread is 25 and falling. As gas price gains continue to outpace crude oil and diesel prices due to additional demand, refiners will more than likely change their production habits and produce more gasoline than heating oil in the near term. As the gasoline crack spread chart indicates, the spread is very cyclical and is most profitable for refiners during the summer driving months when gas demand normally peaks. This is coming off a winter where we saw the gasoline crack spread as low as 3, and the heating oil crack spread top out at 32. That's quite a difference over the last few months.

