

# Gateway FS, Inc.

## Energy Market Update December 19, 2018 NYMEX Prices

	Close	Wk. Change
Jan Crude Oil	\$47.20	+3.95
Jan Gasoline	\$1.3783	-0.0415
Jan Heating Oil	\$1.8000	-0.0509
Jan Natural Gas	\$3.743	-0.401

### Market Comments: Energy markets settled higher on Wednesday afternoon.

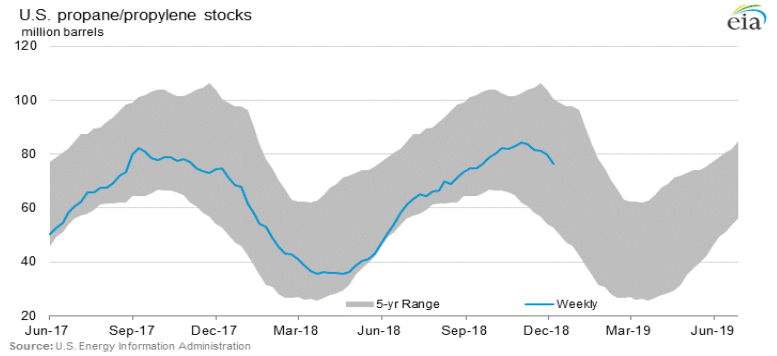
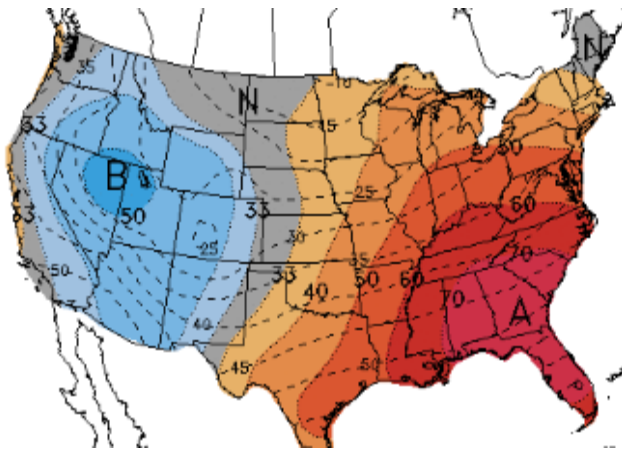
The central focus this afternoon was on news the Federal Reserve will raise short-term interest rates by another quarter-percentage point, but officials signaled a milder path of rate increases over the next year in new projections. This will bring the benchmark federal funds rate to a range between 2.25% and 2.50%, the ninth such increase since December 2015. After the news of the Fed increase the Dow slipped lower.

	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	-0.479	441.5	451	432	+1.766	230.1	222	229	-4.237	119	143	132
EST.	-1.500/-4.400				+3.000/-2.000				+1.30/-3.00			
Propane	Total -3.4 73.2				Midwest -2.4 21.9				Gulf -04 41.8			
API's	Crude +3.50 Cushing +1.063				Gasoline +1.760				Distillate -3.442			

President Donald Trump authorized the second round of payments from an aid package of up to \$12 billion designed to help farmers hit by the U.S. trade war with China. The USDA in July authorized the program for farmers after China imposed a 25 percent tariff on American soybeans in retaliation for U.S. tariffs on Chinese goods. The USDA expects payments to farmers to total \$9.567 billion, with about \$7.3 billion for soybean farmers, the hardest hit from the trade war.

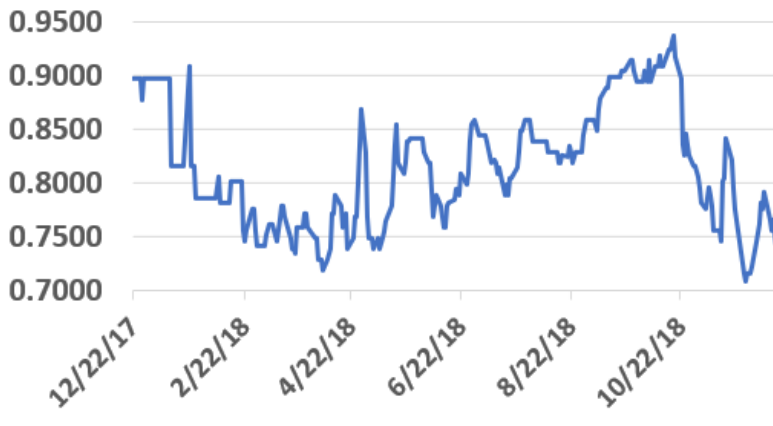


The crude oil market activity has been interesting, as prices penetrated the significant \$50 support region and has managed to close under it for two sessions. This brings the next level of support in at \$46, which was established back in August 2017.



The 8 to 14 day forecast, which is valid through December 31<sup>st</sup> is calling for continued above normal temperatures throughout much of the U.S. While propane stocks were tight during the summer months, they are now more comfortably in the middle of the five year average. If winter conditions remain mild, stocks should be more than adequate.

### Conway 19/20 CONTRACT



The 19/20 Conway propane contract has been on a ride since hitting a low spot on 11-27. It has had lower guidance from the crude oil and higher from the natural gas although natural gas has come down from its cold weather spike. Weather is not supportive for the rest of the month and exports were sharply lower last week.

	<b># Oil Rigs</b>	<b>WTI crude price</b>	<b>US Oil Production</b>
<b>10/10/14</b>	1609	\$85.82	8.875 mb/d
<b>12/14/18</b>	873	\$51.20	11.6 mb/d
<b>Difference</b>	(736)	(\$34.62)	2.725 mb/d
<b>% change</b>	-45.7%	-40.3%	30.7%

The date of Oct. 10, 2014 represents the highest number of rigs employed in the U.S. Oil rigs have decreased the last two weeks, but each rig deployed has increased its efficiency factor by 2.4%, so the U.S. is producing more oil with less rigs.

Mexico is planning to raise its oil and gas production by almost 50 percent in the next six years and in January they will award infrastructure and drilling contracts to develop 20 fields. The new government would like to increase exploration investment by around 10 percent per year to reverse dwindling output. Under the new plan, Mexican crude output is due to climb to 2.624 million bpd by the end of 2024, while gas production will also increase by almost 50 percent.