

South Central FS, Inc.

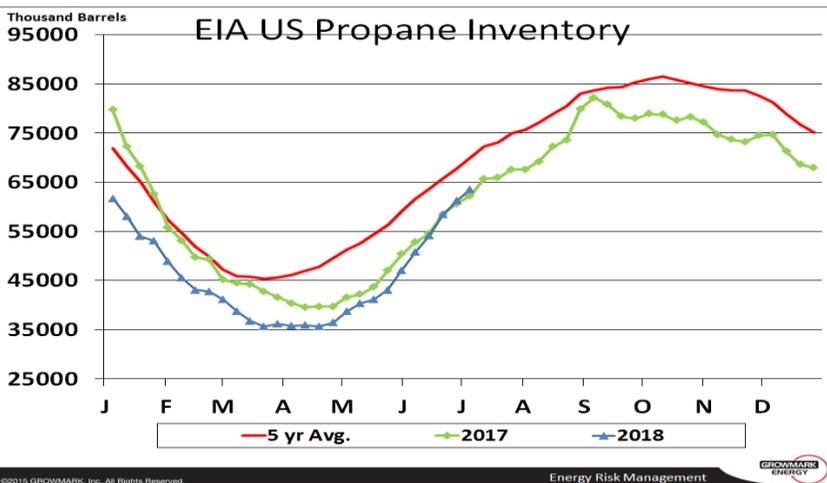
Energy Market Update July 18, 2018

NYMEX Prices

	Close	Wk. Change
August Crude Oil	\$68.74	-1.64
August Gasoline	\$2.0401	-0.0213
August Heating Oil	\$2.0891	-0.0117
August Natural Gas	\$2.723	-0.114

Market Comments: **The energy markets closed strong on Wednesday afternoon.** Despite a strong build in crude oil stocks, that market still closed higher as it followed gasoline and distillates to the upside. Early in the session, prices were choppy, but after the noon hour, all the markets firmed. In other news, some are arguing that tapping the U.S. oil reserves is not a good idea to curb summer pump prices at a time the economy is booming and midterm elections loom because it would expose the country in the event of an actual oil shortage.

	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	+5.836	411.1	453	431	-3.165	235.8	224	226	+0.371	121.3	140	140
EST.	+3.000/-7.500				+1.00/-2.00				+0.300/-1.000			
Propane	Total +1.7 at 65.3				Midwest +1.3 at 21.7				Gulf -0.5 at 34.7			
API's	Crude +0.629 Cushing -1.340				Gasoline +0.425				Distillates +1.710			



U.S. propane stocks are at levels we experienced at this same time last year. U.S. stocks are still running below the 5-year average. Today's DOE report pegged stocks at 65.3 million barrels vs. 65.7 million a year ago. However, 2 years ago stocks were at 87.4 million barrels, approximately 22 million barrels more.

Some in Washington now expect China to vacuum up much of the Iranian oil that other nations will not buy because of the threat of U.S. sanctions.

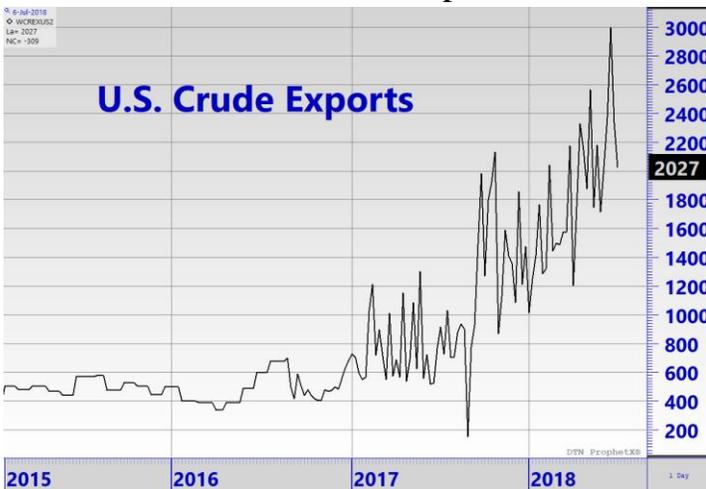
Gold prices this morning are on track for a fourth straight decline, matching their longest such streak in 2018 and putting gold on the verge of finishing in correction territory for the first time since the end of 2016.

The U.S. Commerce Dept. has denied what appears to have been the first request by a pipeline to be exempted from the Trump administration's 25% tariff on imported steel pipe.



At the end of May, the soybean market started on a downward trend and did not stop until it lost \$2.35 in value. The current low stands at \$8.26 and the market at the start of this week has managed a minimal bounce to the upside. The first upside target comes in at \$8.82. The 50 percent retracement levels or mid-point is at \$9.43, but it will likely be difficult to reach this area unless the tension between the U.S. and China subsides.

The U.S. has had some extraordinary crude oil exports this spring, hitting the 3.0 million barrel mark the week of 6/22. Exports are nearly double in 2018 as they were in 2017. Several items in the market have made this possible:



1. The U.S. has been filling the gap for Venezuela to some importers. Exports from Venezuela to India fell by 21% in the first half of 2018. The U.S. has been able to cover part of that gap.
2. India's Oil Ministry has asked its refiners to limit crude imports from Iran ahead of U.S. sanctions that will take effect in November. The U.S. has also covered some of that gap for India. The U.S. exported 228,000 barrels/day in June to just India.

3. The WTI/Brent crude spread has made U.S. crude exports more attractive at times. The spread has now narrowed to around \$4, after being as wide as \$11 in early June.