

South Central FS, Inc.

Energy Market Update July 5, 2018

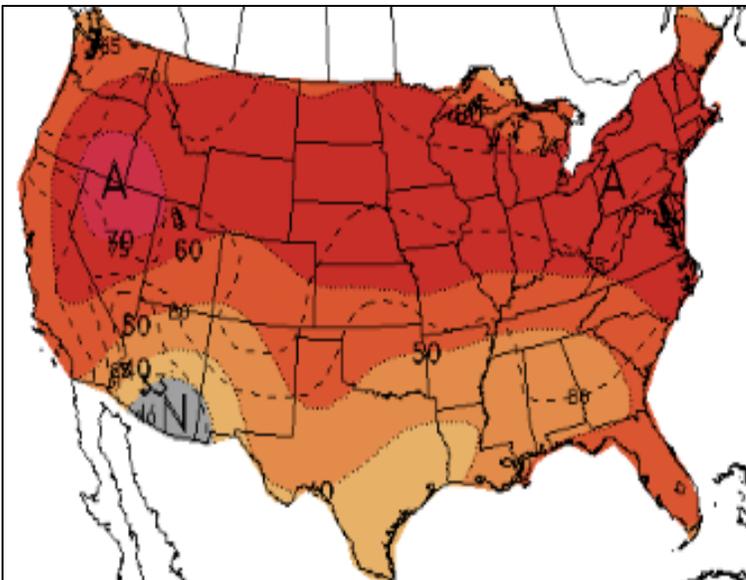
NYMEX Prices

	Close	Wk. Change
August Crude Oil	\$72.94	+0.56
August Gasoline	\$2.1293	+0.0028
August Heating Oil	\$2.1787	+0.0102
August Natural Gas	\$2.837	-0.152

Market Comments: Oil prices dropped sharply after the DOE's showed U.S. crude stocks rose last week as refineries cut output, while gasoline stocks decreased and distillate inventories rose. Inventories at Cushing, Oklahoma fell to their lowest level since December 2014. The escalating trade war between Washington and Beijing triggered another sell-off in Asian stocks and was felt in oil markets, with China warning they could introduce duties on U.S. crude imports.

	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	+1.300	417.9	459	453	-1.500	239.7	224	226	+0.020	117.6	136	136
EST.	-3.000/-8.547				+2.451/-4.000				+1.500/-1.200			
Propane	Total +2.8 at 61.2				Midwest +0.8 at 19.2				Gulf +1.6 at 33.9			
API's	Crude -4.500 Cushing -2.600				Gasoline -3.000				Distillates -0.400			

The number of Americans filing for unemployment benefits unexpectedly rose last week, but the trend in jobless claims continued to point to tightening labor market conditions. Initial claims for state unemployment benefits increased 3,000 to a seasonally adjusted 231,000 last week, according to the Labor Department. Claims data for the previous week was revised to show 1,000 more applications received than previously reported.



The 8 to 14 day weather forecast, which is valid through July 15, is calling for above normal temperatures throughout the majority of the U.S. The hot temperatures come at a less than ideal time, as the crop is getting ready to go through key pollination phase. As for precipitation, the east coast is forecast to experience above normal rainfall and west of the Mississippi below normal. The weekly crop progress reported pegged 76 percent of the U.S. corn crop in good to excellent condition, down 1 % from last week. The soybean crop came in at 71 percent in the top category, down 2 percent.

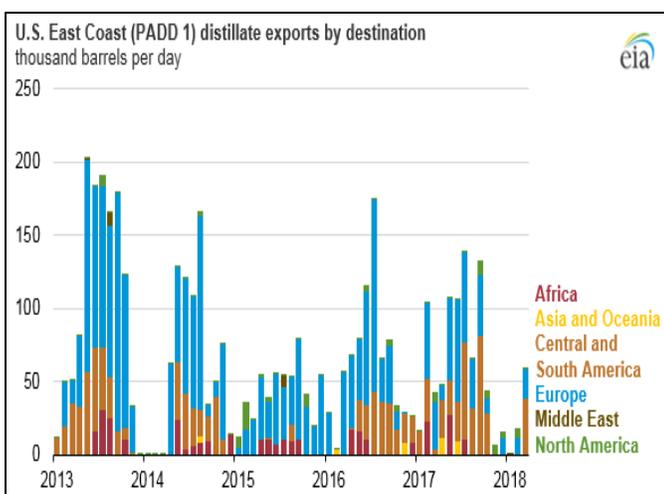
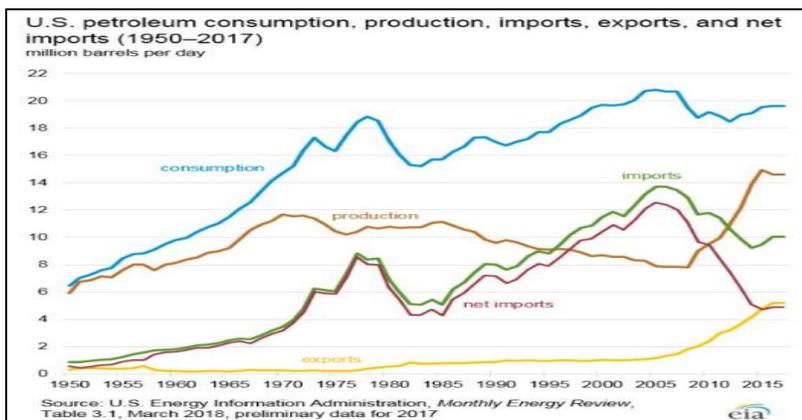
Table 5 - 9: OPEC crude oil production based on secondary sources, tb/d

	2016	2017	3Q17	4Q17	1Q18	Mar 18	Apr 18	May 18	May/Apr
Algeria	1,090	1,043	1,055	1,014	1,014	979	992	1,031	39.0
Angola	1,725	1,637	1,641	1,628	1,562	1,523	1,511	1,525	14.0
Ecuador	545	530	536	525	515	517	518	519	0.6
Equatorial Guinea	160	133	127	129	134	134	127	130	3.0
Gabon	221	200	199	199	195	193	187	189	1.8
Iran, I.R.	3,515	3,811	3,833	3,822	3,813	3,813	3,823	3,829	5.8
Iraq	4,302	4,446	4,478	4,401	4,437	4,430	4,427	4,455	27.7
Kuwait	2,853	2,708	2,707	2,704	2,704	2,704	2,707	2,701	-5.7
Libya	390	817	932	967	906	972	979	955	-24.3
Nigeria	1,556	1,658	1,763	1,760	1,780	1,773	1,764	1,711	-53.5
Qatar	656	607	603	604	593	597	594	585	-9.5
Saudi Arabia	10,406	9,954	9,994	9,975	9,950	9,912	9,901	9,967	85.5
UAE	2,979	2,915	2,922	2,892	2,850	2,866	2,871	2,865	-6.3
Venezuela	2,154	1,911	1,920	1,762	1,538	1,474	1,434	1,392	-42.5
Total OPEC	32,643	32,372	32,711	32,383	32,071	31,887	31,834	31,869	35.4

U.S. oil exports reached a new record of 3 million barrels per day last week. The record total was greater than the amount pumped each day by all but three OPEC countries. The previous record for oil exports was 2.56 million barrels a day, a level reached in May. When oil exports are combined with fuel products such as diesel and gasoline, U.S. oil and related products exports totaled 8.5 million barrels per day last week, which is the highest total ever according to the EIA.

U.S. oil production continued its torrid pace of 10.9 million barrels per day last week. That is a greater production level than any other country in the world, with the exception of Russia, which does not belong to OPEC, and pumps just over 11 million barrels per day. U.S. refineries also took in a record 18 million barrels of oil.

To put the exports in context, the U.S. exported more oil per day last week than most OPEC countries drilled. Only Saudi Arabia and Iraq exported more oil than the U.S. Saudi Arabia and Iraq exported about 7.6 million and 3.6 million barrels per day, respectively. Iran exported 2.4 million barrels per day, a number that should decline as the U.S. seeks to remove barrels from the market through sanctions.



Distillate exports generally decline during the winter months, with exports from the East Coast, the main region that uses distillates in the winter months, falling to nearly zero. However, during the winter in early 2017, warmer-than-normal weather and lower prices on the East Coast compared with those elsewhere in the Atlantic basin resulted in an unusually high amount of distillate exported from the East Coast for that time of year. By adding destination to PADD-level export data, it is now possible to see that the distillate was exported mainly to countries in Europe, along with some countries in Central and South America as well as Africa.

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