

South Central FS, Inc.

Energy Market Update August 15, 2018

NYMEX Prices

	Close	Wk. Change
Sept Crude Oil	\$65.01	-1.93
Sept Gasoline	\$1.9974	-0.0221
Sept Heating Oil	\$2.0904	-0.0253
Sept Natural Gas	\$2.940	0.010

Market Comments: Energy prices closed sharply lower this afternoon after the EIA reported U.S. commercial crude inventories rose by 6.8 million barrels in the week through August 10. Analysts in a Reuters poll had forecast stockpiles would fall by 2.5 million barrels. Stockpiles of gasoline were down slightly more than expected, while inventories of distillate fuels, including diesel and home heating fuel, rose by 3.6 million barrels, more than three times the increase expected in the Reuters poll. Qatar has pledged to invest \$15 billion in Turkey to help pull the country from the brink of a financial crisis. With the pledge, Turkey is reaping the rewards of standing by its wealthy Arab ally while Gulf neighbors led by Saudi Arabia cut off diplomatic ties with Qatar last year.

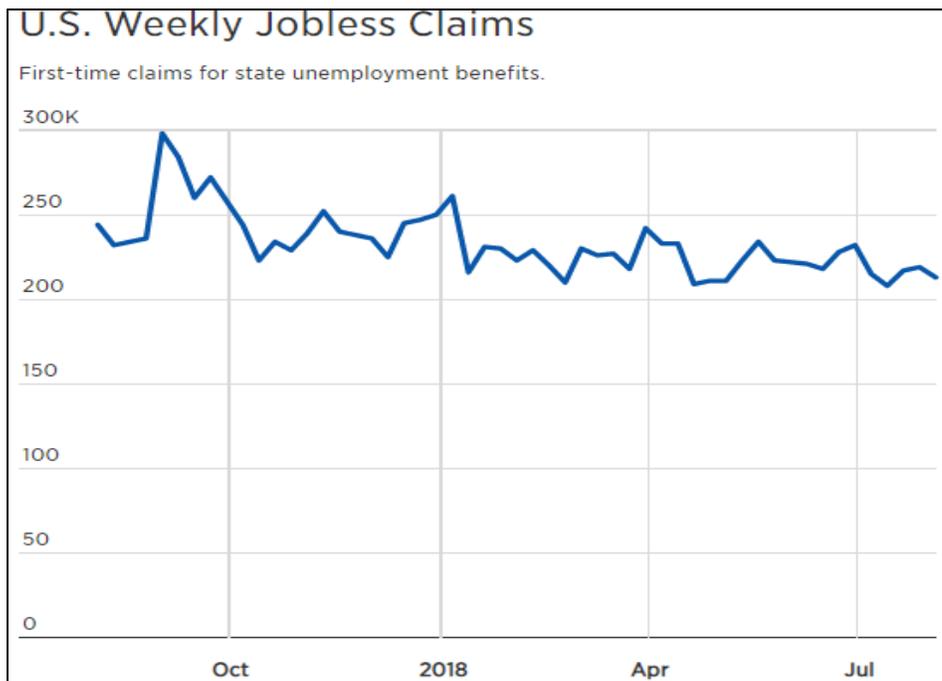
	Crude				Gasoline				Distillate Fuel			
	Change	Total	3Yr Avg.	5 Yr. Avg.	Change	Total	3Yr Avg.	5 Yr. Avg.	Change	Total	3Yr Avg.	5 Yr. Avg.
DOE	+6.8	414.2	448	434	-0.7	233.1	222	224	+3.6	129.0	141	140
EST.	-1.000/-5.000				+2.540/-2.000				+1.500/-0.500			
Propane	Total +3.4 69.8				Midwest +0.7 23.5				Gulf +1.9 37.0			
API's	Crude +3.660 Cushing +1.640				Gasoline -1.560				Distillates +1.940			

Chinese oil importers are shying away from buying U.S. crude as they fear the exclusion of oil from the tariff list is temporary. Not a single tanker has loaded crude oil from the U.S. bound for China since the start of August, compared with about 300,000 barrels per day in June and July. To replace U.S. oil, China has been purchasing from the Middle East, West Africa and Latin America.

Turkey doubled tariffs on some U.S. imports including alcohol, cars and tobacco on Wednesday in retaliation for U.S. moves. The Turkish Lira rebounded 6 percent on Wednesday, briefly strengthening to less than 6.0 against the dollar, after the central bank squeezed lira liquidity in the market, effectively pushing up rates and supporting the currency. The lira has lost nearly 40 percent against the dollar this year.

As the Atlantic hurricane season enters its peak month in September, NOAA is predicting a **less** active season. NOAA's Climate Prediction Center has increased the likelihood of a below-normal Atlantic hurricane season to 60 percent (up from 25 percent in May)

The national gas price average has remained relatively flat for the last two weeks. Tuesday's national average was \$2.86. On the week, states are seeing prices jump as high as 8 cents and drops as much as 10 cents. Yesterday's average was 1 cent less than last week, 3 cents less than a month ago and 51 cents more than this time last year.



Initial claims for state unemployment benefits fell 6,000 to a seasonally adjusted 213,000 for the week ended August 4, according to the Labor Department. The Data for the previous week was revised to show 1,000 more applications received than previously reported. The economy created 157,000 jobs in July, a decrease from the 248,000 positions added in June. The slowdown in hiring reflected a shortage of qualified workers.

U.S. propane exports were recently pegged at 945 thousand barrels per day, vs 641 thousand a year ago. Current exports are running 304 thousand barrels higher because of aggressive demand overseas. It will be interesting to see export demand in the future after the dust settles with the tariff wars.

