

## South Central FS, Inc. Energy Market Update March 20, 2019 NYMEX Prices

|                          | Close           | Wk. Change    |
|--------------------------|-----------------|---------------|
| <b>April Crude Oil</b>   | <b>\$59.83</b>  | <b>+1.57</b>  |
| <b>April Gasoline</b>    | <b>\$1.9166</b> | <b>+.1276</b> |
| <b>April Heating Oil</b> | <b>\$2.0081</b> | <b>+.0160</b> |
| <b>April Natural Gas</b> | <b>\$2.820</b>  | <b>+.002</b>  |

**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.

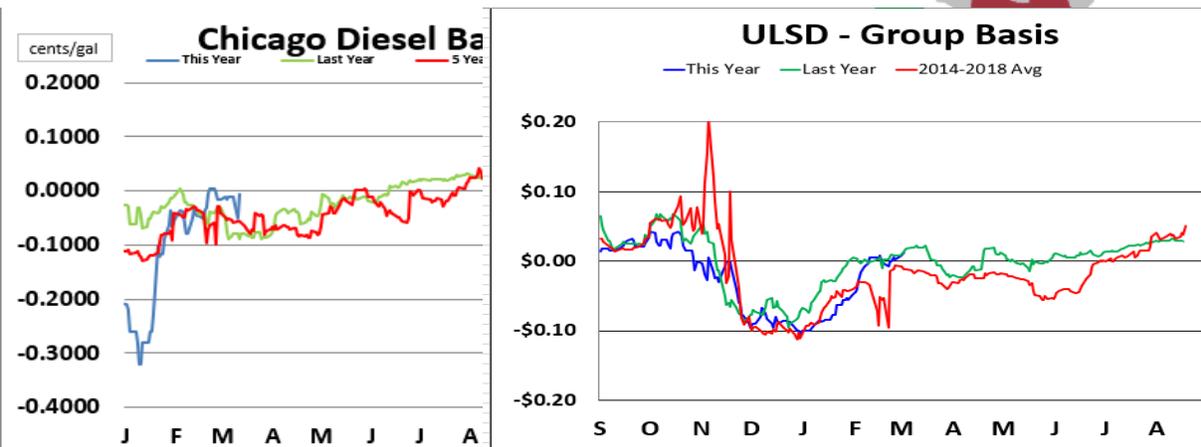
Monthly U.S. Gulf Coast crude oil trade (Jan 1990-Dec 2018)

million barrels per day



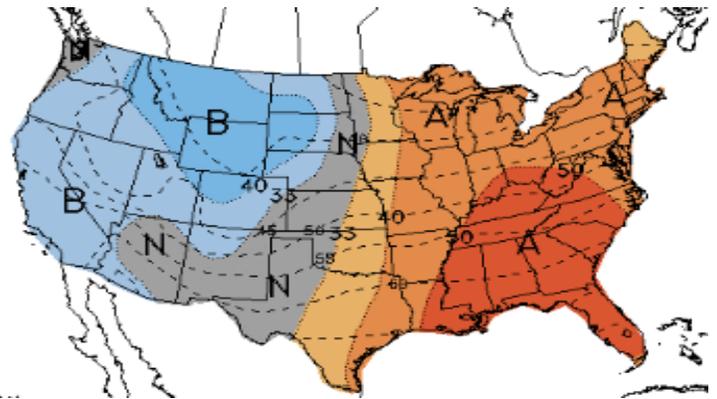
In the last two months of 2018, the U.S. Gulf Coast

exported more crude oil than 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 next imports to 0.4 million barrels per day of next 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 31<sup>st</sup> 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.

