

Energy Market Outlook: Pump prices have been falling with reduced demand for gasoline this week. Look for this trend to continue.

Energy Market News:

- The International Energy Agency (IEA) claims the U.S. will experience one of the world's largest reductions in oil demand over the next 25 years. In their World Energy Outlook 2015 the IEA predicts U.S. energy demand will decrease by 4 million barrels per day or 25% by 2040. This reduction in demand is largely attributed to strengthening fuel-efficiency standards and improved passenger transport technology; if this forecast holds true we'd see petroleum demand equivalent to 1960 levels. Meanwhile, worldwide demand is projected to increase to 103.5 million barrels per day by 2040, a 13 million per day increase from 2014. According to the report, China will grow by 5 million b/d and India will grow by 6 million b/d, while developed nations will slowly decrease demand for energy use. In their report, the Paris based IEA also made long-term pricing projections on crude oil over the next few decades; stating Brent crude oil prices will not rise above \$83 per barrel until 2020, climbing to \$130 per barrel by 2030 and \$150 per barrel by 2040.
- Europe is becoming the latest battleground for oil producers seeking to maintain market share amid a global oversupply. Saudi Arabia is cutting prices and courting new customers in Europe as competition grows from fellow OPEC members and Russia. Saudi Arabia is responding to an increase in Iraqi shipments and Iran's resumption of exports by cutting prices and making rare crude sales to refiners in Poland and Sweden. After battling for market share in Asia, Saudi Arabia is turning to countries that normally purchase barrels from Russia, intensifying the continued standoff between the two producers.

Economy:

- Data out of China yesterday is once again putting pressure on oil prices, as industrial production in China fell more than expected and fixed asset investment grew by the slowest pace since December 2000. The continued slowdown of the Chinese economy continues to weigh on energy markets as analysts struggle to place additional supply if/when China's oil demand slows down.
- China's industrial output matched the weakest gain since the global credit crisis last month, while retail sales accelerated, underscoring a shift in the economy toward greater reliance on consumer spending as old growth engines falter. The good news is that signs of vibrancy in China's swelling urban middle class abound: sales at retailers climbed by the most this year.
- Chicago Federal Reserve Bank President Charles Evans, one of the U.S. central bank's most dovish policymakers, said on Tuesday that he looks forward to the time when the economy is strong enough to handle a Fed rate hike. He also suggested the Fed needs to be careful not to raise rates if it will just have to lower them again shortly afterward, a theme he has hit time and again as he has argued against the rate hike that the Fed is currently considering.
- On Tuesday, the USDA released November crop production numbers; the 2015 U.S. corn crop stands at 13.654 billion bushels, the third largest corn crop in history. USDA's corn yield estimate was raised to 169.3 bu./acre, up 1.3 bu./acre from their October estimate, the second highest yields just short of last year's 171 bu/acre. Corn prices dropped as a result, falling to 356¢ during yesterday's trade, the lowest level in 2 months.

Ethanol:

- Ethanol grind was lowered 75 mbu to 5175 mbu due to sorghum raising their FSI usage 85 mbu with the cheap milo working into the SW processors. We have a slight upward bias in the ethanol usage closer to 5200 mbu due to strong domestic and export demand.¹
- The EU ethanol market is running on empty with spot gallons trading at close to 2.60 gal which compares to US product in the Midwest trading around 1.50 gal. US product looks to flow toward the EU even with its +\$.50 import tariff on US gal. Another issue to consider is the need of international sustainability carbon certification to ship to the EU, but it sounds like there are enough plants with the certification to hit this market.²

World Politics:

- It may be more symbolic than anything, but the Syrian army has broken a two-year ISIS siege on the Kwairis military airport near Aleppo, which had been surrounded by the terror group since 2013. Government forces killed "hundreds of ISIS terrorists and destroyed their dens and cells with all weapons inside," Syria's state news agency SANA reported. A major troop buildup has been in the works in the area since last month.
- Brazil strike talks were canceled by the company yesterday, with the union (acronym FUP- I kid you not) asking for 18% salary increase, a demand for the company to reverse \$100 billion in budget cuts and to stop selling off fields and other assets. Petrobras (Brazil's national oil company) is trying to pay down \$130 billion in debt.

¹ www.advance-trading.com

² www.advance-trading.com