

, Inc.

Energy Market Update March 25, 2020 NYMEX Prices

	Close	Wk. Change
May Crude Oil	24.49	+3.66
May Gasoline	0.5468	-0.0991
May Heating Oil	1.0978	+0.1351
May Natural Gas	1.6590	+0.012

Market Comments: **Energy markets settled higher this afternoon.**

Oil and diesel prices extended their gains for a third session this afternoon, while gasoline is up for the second day in a row due to optimism over the coronavirus stimulus package that has been approved by Congress. The stock market saw a huge rally due to the news as the Dow and S&P are up 5.7% and 4.5%, respectively, with less than an hour remaining in the trading day. Although the stimulus package was approved, market participants are still waiting on the official passage. The U.S. also called on Saudi Arabia today to put a stop to its oil price war with Russia.

	<u>Crude</u>				<u>Gasoline</u>				<u>Distillate Fuel</u>			
	<u>Change</u>	<u>Total</u>	<u>3Yr Avg.</u>	<u>5 Yr. Avg.</u>	<u>Change</u>	<u>Total</u>	<u>3Yr Avg.</u>	<u>5 Yr. Avg.</u>	<u>Change</u>	<u>Total</u>	<u>3Yr Avg.</u>	<u>5 Yr. Avg.</u>
DOE	+1.623	455.4	469	481	-1.537	239.3	239	239	-0.678	124.4	137	140
EST.	+2.000/+4.400				-3.500/+2.000				-2.500/+2.000			
Propane	Total 64.9 -1.8				Midwest 10.5 0.00				Gulf 48.6 -1.30			
API's	Crude +1.100 Cushing +0.70				Gasoline -2.600				Distillates -1.900			

The White House and Senate reached a compromise on a \$2 trillion stimulus deal, which is the largest economic stimulus package in modern American history. The deal is set to include provisions ranging from \$1,200 government checks for individuals to hundreds of billions of dollars to fight the crisis.

There is also a special provision for airlines which includes \$50 billion specifically for passenger airlines, \$8 billion for cargo airlines, and \$17 billion for firms that are deemed important to national security. Airline CEOs recently promised to stop stock buybacks and paying dividends in exchange for help from the federal government.

The package also includes \$50 billion that was previously set aside for stimulus efforts for the Small Business Administration, as well as a \$367 billion fund for small business loans as well as a \$500 billion fund for a new lending agency. With these programs, banks will be able to process cash assistance quickly either through the Small Business Administration, or one of the new assistance programs.

This week's report marks the lowest inventory level we have seen so far in 2020. However, the yearly low is still 2.4 million barrels greater than the highest low on record of 62.5 million barrels from 2016. The low in 2016 materialized between the two highest propane inventory builds on record. Our current inventory level and past build history are suggesting the potential for a new record high inventory level in 2020.

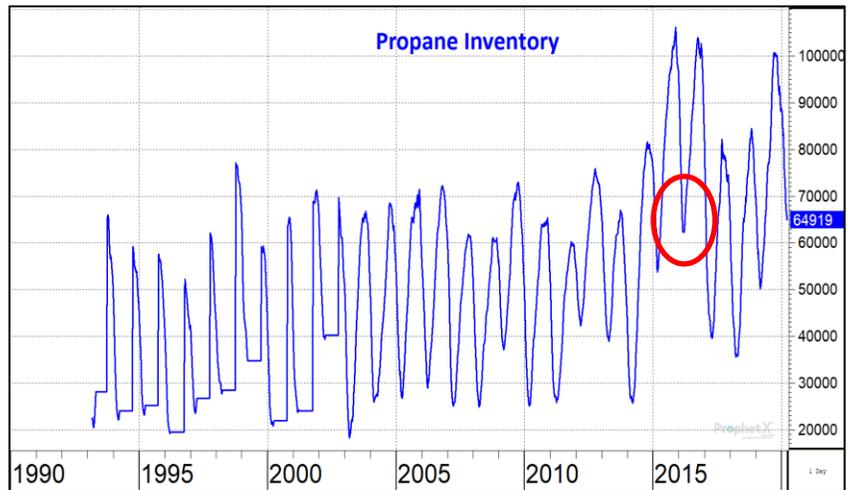
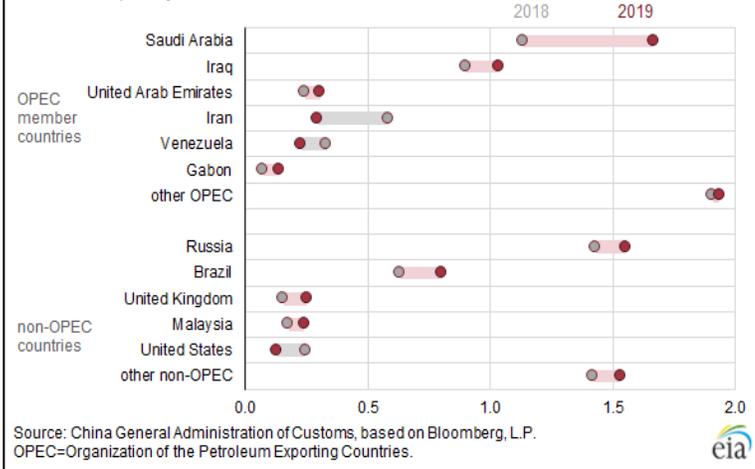


Figure 2. China's crude oil imports by source
million barrels per day



President Trump said that he would attempt intervention between Saudi Arabia and Russia at the appropriate time. Saudi Arabia and Russia, after cooperating on oil production cuts for three years, are in an oil-price war where both countries are trying to take over the other's market share. Russia's economy is more diverse and therefore less dependent upon oil. Russia has a reputation for not backing down, even though their currency has been weakening and they are on course

for a recession. The U.S. remains the world's largest producer, but that will eventually begin to fall as shale producers cannot withstand these low prices. Trump indicates that he will use diplomacy with the Saudis and sanctions to deter Russia.



The national average price for regular gasoline was \$2.12 Monday, making pump prices about 50 cents less than they were a year ago. One of the biggest drivers pushing gas prices lower is crude oil. In the last week, crude oil prices dropped to \$22 a barrel, a low not seen since 2002. Crude accounts for nearly 60% of the retail pump price, so when crude is cheap, gas prices will follow suit.