



Inc.

Energy Market Update May 25, 2017

NYMEX Prices

	Close	Wk. Change
June Crude Oil	\$51.36	+\$2.39
June Gasoline	\$1.6526	+\$0.0518
June Heating Oil	\$1.6063	+\$0.0758
June Natural Gas	\$3.209	+\$0.008

Market Comments: Markets Push Higher on OPEC Fueled Optimism

Markets have continued their move higher this week as OPEC optimism has taken hold.

OPEC oil ministers are meeting this morning (Thursday, May 25th) to discuss the extension of production cuts past their original agreement that is set to expire in June. Preliminary reports say that OPEC will extend their cuts for 9 months until March of 2018. With over a dozen other countries expected to join the cartel's efforts, the agreement is likely to cut off about 2% of the world's oil supply through March 2018. The cartel controls about 40% of global crude production, but it no longer holds the sway in global markets it once did because of shale producers.

The Energy complex got little reaction from the DOE report released yesterday morning.

Traders largely ignored the report in lieu of today's OPEC meeting. Crude stocks had a larger than expected drawdown; 4.8 million barrels nationwide (see chart below). Anxiety over propane stocks continues, but a little relief this week, a 1.5 million barrel build this week, highlighted by much lower exports; 841,000 barrels per day this week, vs. 1.25 million the week prior.

	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	-4.8	516.3	474	440	-0.8	239.9	227	221	-0.5	146.3	132	127
EST.	-0.750 / -4.00				+1.58 / -3.00				+1.00/-1.100			
Propane	Total 43.7 +1.5				Midwest 14.0 +0.7				Gulf 24.9 +0.4			
API's	Crude -1.500 Cushing -.210				Gasoline -3.15				Distillates -1.85			

There were a few interesting highlights from the IEA (International Energy Agency) monthly report this week:

- Global crude supply fell 140,000 barrels/day in April as several non-OPEC countries pumped less, especially Canada.
- OPEC crude production increased in April with higher output from Nigeria and Saudi Arabia more than offsetting lower output from Libya and Iran.
- Commercial crude and refined product stocks in developed countries decreased by 1.1 million barrels/day in March, but preliminary data looks like those same countries increased in April.

President Trump's administration released his proposed budget plan yesterday, and it included the sale of nearly half of the oil from the U.S. Strategic Petroleum Reserve. The sale of 270 million barrels would be conducted over a 10-year period and work out to roughly 74,000 barrels a day. As a reference, U.S. field oil production currently stands at about 9.3 million barrels a day. The rationale behind the sale of oil from the SPR is with the growth of the US oil production, the country no longer needs the stockpiles it needed when an overwhelming majority of the nation's oil was imported.

According to the Propane Education & Research Council (PERC), the number of school buses powered by propane autogas recently surpassed 12,500 nationwide. Only districts in Hawaii, Mississippi, South Dakota and the District of Columbia have yet to add propane school buses to their fleets. Texas leads all states in propane adoption with 2,600 school buses operating, California is currently in second place with 1,369 propane school buses in operation. The list is rounded out with Oregon at 849 propane buses, Pennsylvania with 782 buses, Illinois with 568 in 46 districts and Florida with 508.

Although gas prices are expected to be higher than a year ago, AAA still projects 39.3 million Americans will travel 50 miles or more away from home this Memorial Day weekend – the highest Memorial Day travel volume since 2005.

While AAA expects most U.S. drivers will pay the highest Memorial Day gas prices since 2015, the vast majority of holiday travelers (88.1%) are still planning to hit the road. Automobile travel will grow by 2.4% this Memorial Day, with 34.6 million Americans planning a holiday road trip. The national average price for a gallon of gas today is \$2.34, 11 cents more than last year.

