

FS Energy Market Update November 06, 2013

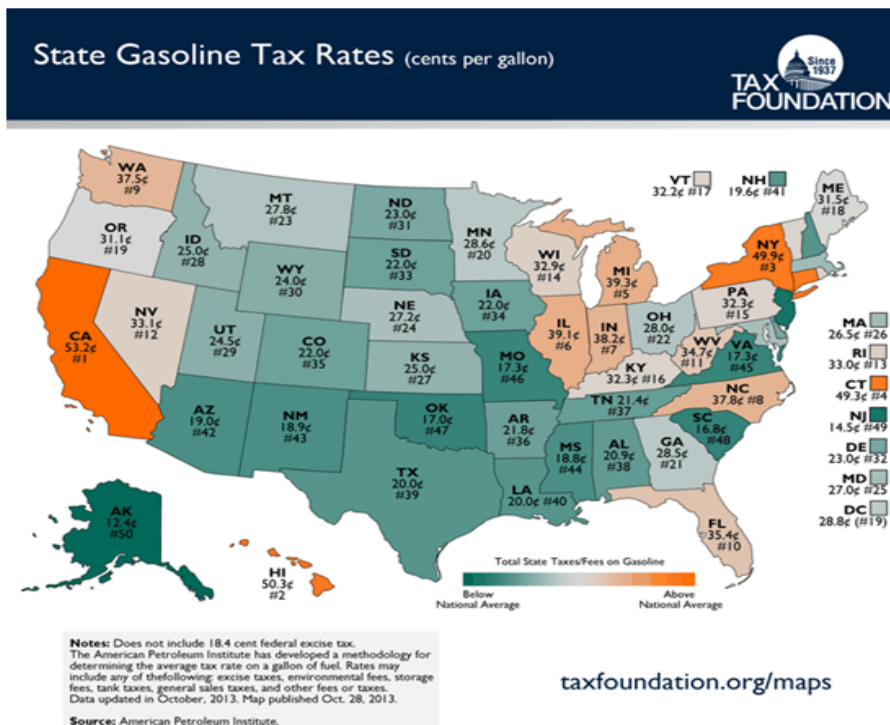
NYMEX Prices

	Close	Wk Change
December Crude Oil	\$ 94.90	-1.87
December Gasoline	\$ 2.5161	-.1419
December Heating Oil	\$ 2.8696	-.109
November Natural Gas	\$ 3.498	-.122

Market Comments: The energy markets stayed strong into the close on Wednesday, with the majority of the strength coming from draws in both gasoline and heating oil stocks. Other news was fairly thin, but a story was out about the Illinois EPA calling for an investigation of Citgo Lemont refinery fire.

It has been reported the TransCanada Corp. is “very close to completion” of the \$2.3 billion Gulf Coast Pipeline. The company is expected to fill the 485-mile, 36 inch pipeline which runs south from Cushing, Oklahoma, to the U.S. Gulf Coast within “a few weeks”. The Gulf Coast pipeline has maximum initial capacity of 700,000 b/d, but it will take some time to reach that level. The pipeline is designed to deliver American and Canadian crude oil to Texas refineries.

USDA weekly crop progress report indicated 73 percent of the U.S. corn crop has been harvested vs. the five year average of 71 percent. As for soybean harvest, it is 86 percent vs. the five year average of 85 percent. However, progress in some areas has been stalled because of rains moving through last week. In addition, another round of storms is in the forecast for mid-week for much of the Midwest.



Last week’s energy update included an article about why prices at the pump vary by state. A co-worker passed along an article about state gasoline tax rates, which contributes to the high variability by state. The graph above depicts gasoline motor fuel taxes as of last month. The nationwide average tax on gasoline is 49.5 cpg, up 0.1 cpg from the July 2013 study. California is now in 1st place with the highest rate of 53.2 cents per gallon, while

Alaska has the lowest rate at 12.4 cents per gallon

	Crude				Gasoline				Heating Oil			
	Change	Total	3Yr Avg.	5 Yr. Avg.	Change	Total	3Yr Avg.	5 Yr. Avg.	Change	Total	3Yr Avg.	5 Yr. Avg.
DOE	+1.577	383.9	360	346	-3.755	213.8	206	205	-4.899	122.7	140	143
EST.	-0.500/+3.70				-1.50/+2.0				-2.10/+0.50			
Propane	Total -2.7 62.1				Midwest -2.1 20.6				Gulf -0.4 33.6			
API's	Crude +.871 Cushing +.999				Gasoline -4.3				Distillates -2.7			

One corporate European oil executive feels that crude prices could fall \$15/barrel if production in Libya is ramped up and sanctions on Iran get lifted. He feels the drop would force some expensive US oil projects to stop pumping. However, he also says several European refiners are expected to close over the next few years. Refinery maintenance upsets in production, and extended fall demand could keep diesel fuel firm or at least keep it from falling too far.



Can propane sustain its current price path upward now that its relative value is over 50% of crude prices? Overall propane demand spiked up during the month of October, even as petrochemical propane demand has fallen. Exports are a bigger part of the U.S. propane picture than ever before, as domestic prices remain well under global prices. Crop drying is still taking a big toll on Midwest propane inventory, but prices will have a difficult time staying supported in the face of falling crude oil prices.

