

# FS

## Energy Market Update July 6, 2011

### NYMEX Prices

	Close	Wk Change
Aug Crude Oil	\$ 94.77	+1.88
July Gasoline	\$ 2.9976	-.0121
July Heating Oil	\$ 2.9633	+.0431
Aug Natural Gas	\$ 4.217	-.098

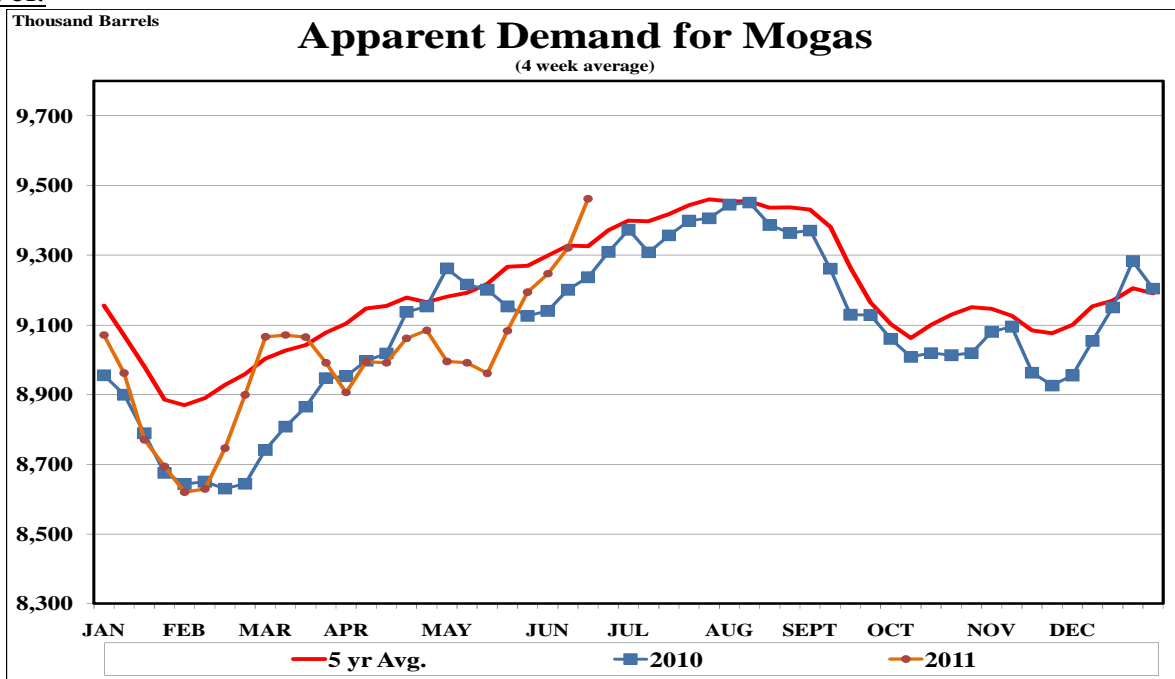
### MARKET COMMENTS:

Oil closed over \$95 this week and is trending towards \$100. There has been light volume as investors have sat on the sidelines for month end and the July 4<sup>th</sup> holiday. For the most part they are still sitting on the sidelines as they wait for tomorrow's inventory report. The inventory report is a day late this week because of the holiday. The 15 and 25 year seasonal patterns suggest higher from now until fall. Propane continues to remain strong as July is the "critical" month for inventory builds. Until the markets are sure that inventories will climb to 60 million barrels prices will most likely stay firm with the risk to the upside.

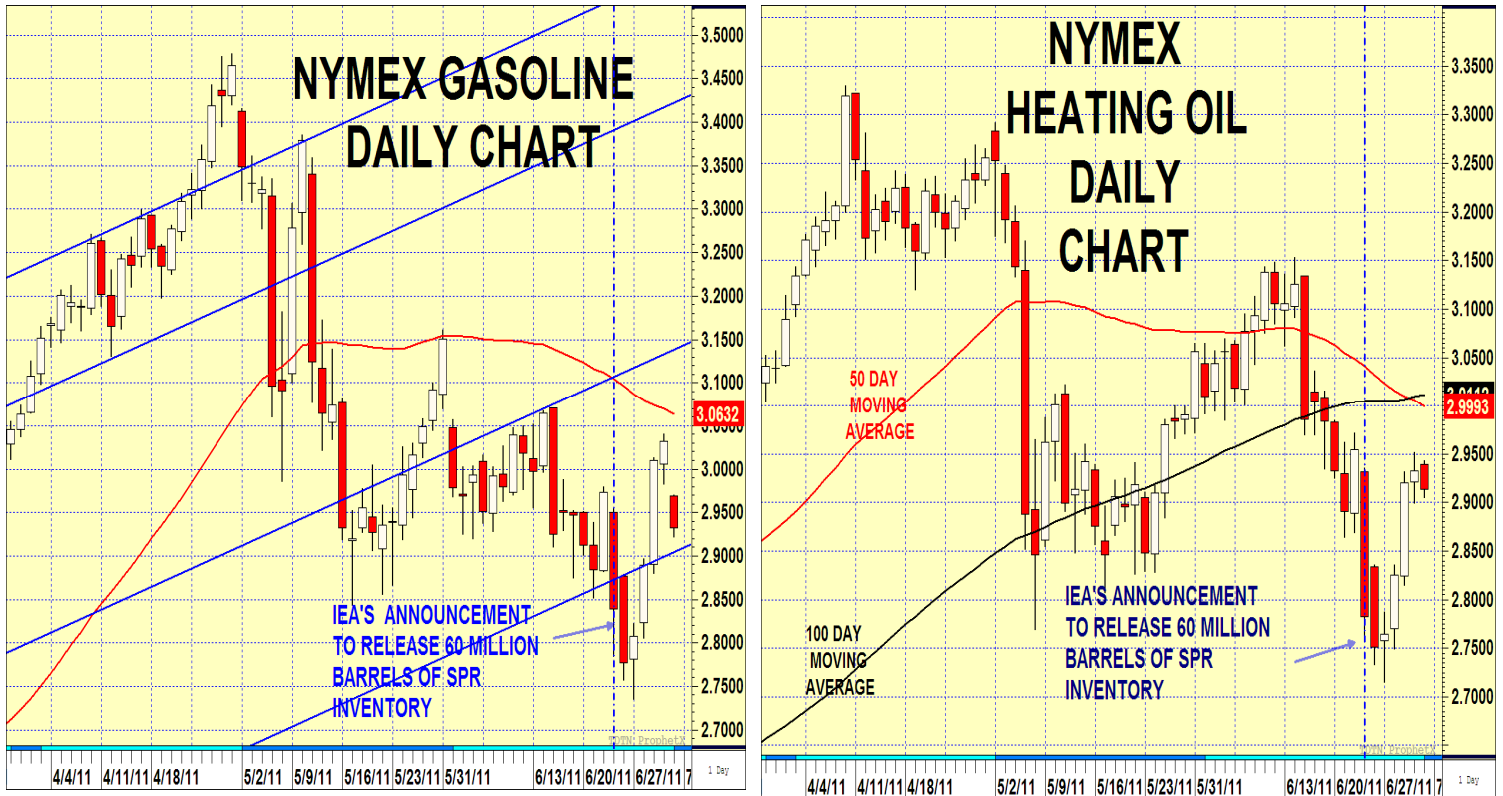
**ECONOMY AND VACATIONS:** Many analysts have talked about the weak economy and whether the driving public in the US will have money to take vacations.

The following chart suggests that gasoline demand has been surging. The current four week average shows gas demand over last year and now over average levels also. The large dip in retail gasoline prices came just as the summer vacation season was beginning.

Great weather across much of the US during recent holiday weekend should have allowed for very active travel.



**These charts show what Nymex gasoline and heating oil have done since the announcement of the release of SPR inventory.** Interesting to note that we are above the levels of 6/23/2011, so this release has been discounted by the traders and had limited effect. Basically, we have been in a down market on both charts since around the end of March or early April. Ecuador, a member of the Organization of the Petroleum Exporting Countries, did not see the release having any long-term impact on the market. "These strategic reserves can be compared to a pail of water in an Olympic pool," said Oil Minister Wilson Pastor.



**UPDATE ON PROPANE STOCKS:** Given the total US propane stocks number last week of 39.2 mln barrels, here are what builds are needed to attain certain stocks levels by fall.  
To get to 60 mln barrels by November 1<sup>st</sup>, total stock builds need to be 1.54 mln for the next seven weeks.  
To get to 65 mln barrels by November 1<sup>st</sup>, total stock builds need to be 2.25 mln for the next seven weeks.  
Both of those calculations assume that builds after those first seven weeks will be at least 1 mln barrels for the next ten weeks beyond the first seven.