

Gateway FS, Inc.

Energy Market Update June 20, 2018

NYMEX Prices

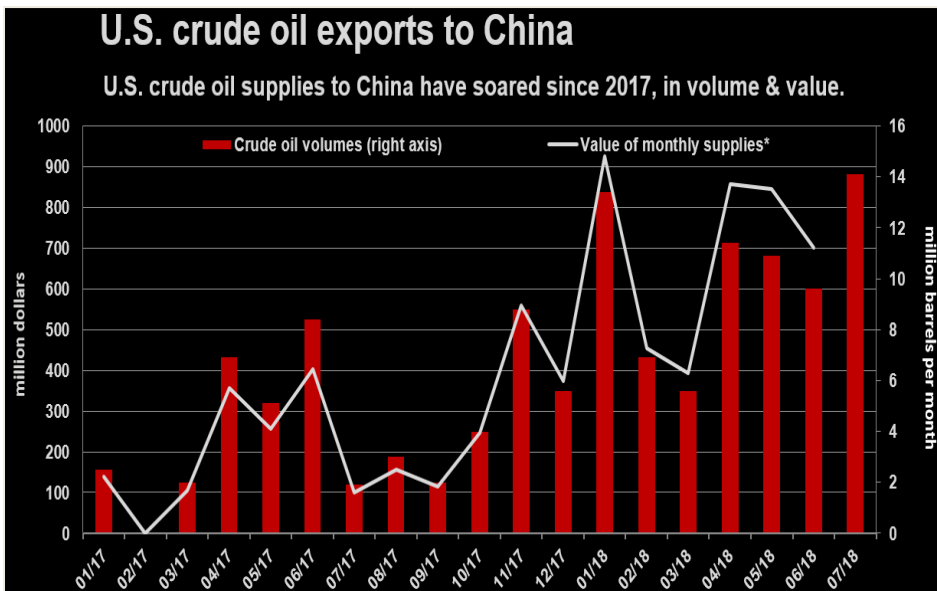
	Close	Wk. Change
July Crude Oil	\$66.22	-0.42
July Gasoline	\$2.0197	-0.1057
July Heating Oil	\$2.1018	-0.0837
July Natural Gas	\$2.963	+0.002

Market Comments: The energy markets closed mixed on Wednesday afternoon. Both gasoline and heating oil closed lower following builds in supplies, while crude oil finished higher and a significant draw in oil supplies.

In other news, Iran's oil minister said he did not expect OPEC to reach a consensus on boosting oil output this week, threatening to turn the cartel's meeting into an unusually contentious one.

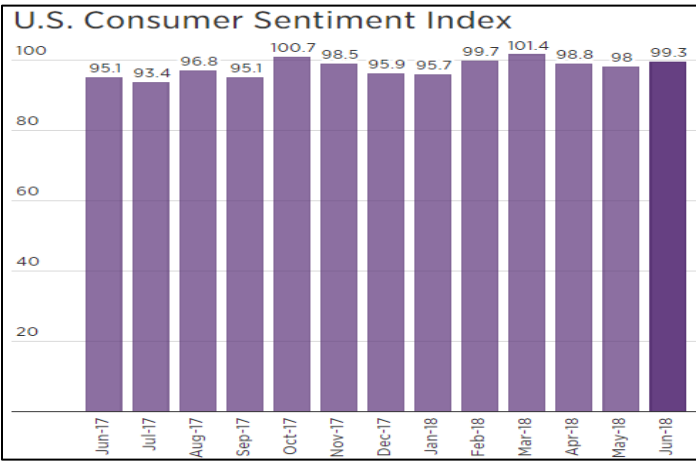
	Crude				Gasoline				Distillate Fuel			
	Change	Total	3Yr Avg.	5 Yr. Avg.	Change	Total	3Yr Avg.	5 Yr. Avg.	Change	Total	3Yr Avg.	5 Yr. Avg.
DOE	-5.9	426.5	462	458	+3.2	240	223	226	+2.7	117	135	136
EST.	-1.000/-3.500				+3.2/-3.625				+1.200/-2.000			
Propane	Total +3.8 at 54.1				Midwest +1.2 at 17.7				Gulf +1.200 at 29.6			
API's	Crude -3.016 Cushing -1.564				Gasoline +2.113				Distillates +0.750			

Weekly crop progress report indicated 78 percent of the U.S. corn crop is in good to excellent condition vs. 67 percent last year. The soybean crop is currently pegged at 73 percent good to excellent vs. 67 percent last year.

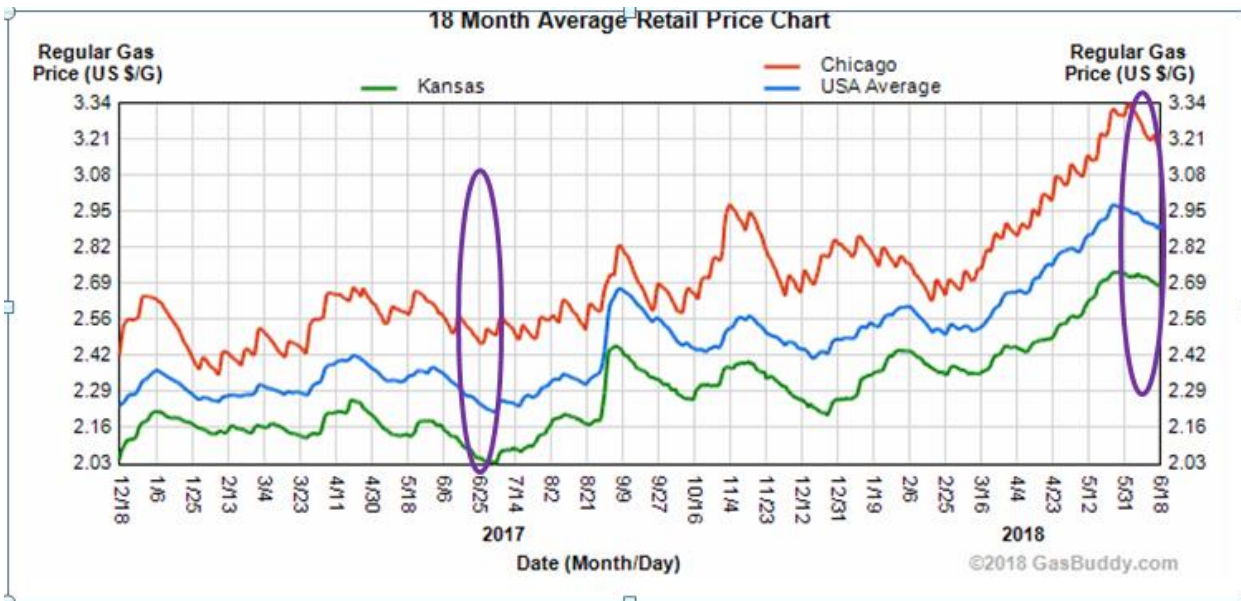


In an escalating situation over the United States' trade deficit with most of its major trading partners, including China, President Donald Trump said last week he was moving forward with tariffs on \$50 billion of Chinese imports, starting on July 6th. China said on Friday it would retaliate by putting duties on several American commodities including oil. U.S. crude exports to China have been rising sharply, thanks to the production surge in the past three years that was a welcome alternative to help make

up for the supply cuts from OPEC and Russia. Shipping data shows that U.S. crude oil shipments to China have increased in value recently, jumping from \$100 million per month in early 2017 to almost \$1 billion per month currently. The tariff would make U.S. oil more expensive compared to supplies from other regions, including the Middle East and Russia, and likely disrupt business that has grown recently.



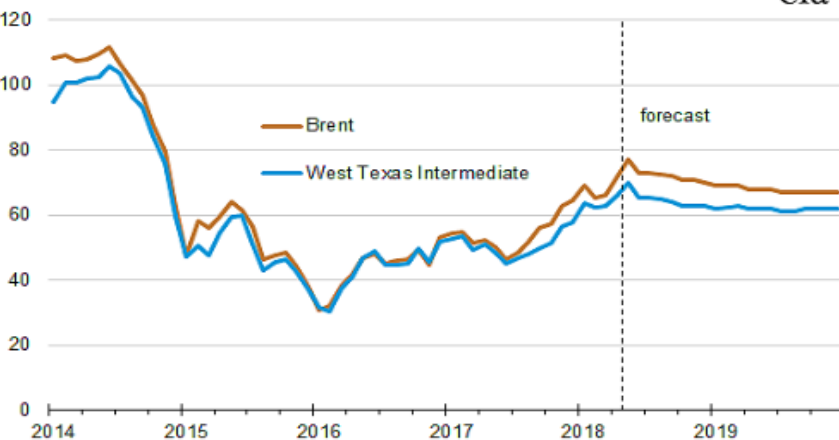
Consumer sentiment increased at the beginning of June, moving opposite of expectations and back toward levels seen earlier this year. The University of Michigan’s report on consumer attitudes about the economy reached 99.3 in a preliminary June reading, higher than the 98.3 that was expected. Consumers surveyed by the university viewed both their current financial situation and the current buying conditions for household durable goods more favorably, according to chief economist Richard Curtin.



Looking at the chart it is easy to see gasoline prices this summer are well above prices we experienced last year at this time. Currently, prices are approximately \$0.68 higher.

Likely, a floor will be kept under the market as we are in high driving demand season.

Figure 1. Monthly crude oil spot prices dollars per barrel



The EIA forecasts Brent crude oil prices will average \$71 per barrel in 2018 and \$68 per barrel in 2019. The new 2019 forecast price is \$2 per barrel higher than the May forecast. The increase reflects global oil markets balances that EIA expects to be tighter than previously forecast because of lowered expected production growth from both the OPEC and the U.S.