

Energy Market Update, October 9, 2024

NYMEX Prices

Product	Month	Close	Wk. Change
Crude Oil	Nov 24	73.24	+3.14
RBOB Gas	Nov 24	2.0664	+0.0805
NYH ULSD	Nov 24	2.2769	+0.0948
Nat. Gas	Nov 24	2.660	-0.226

Market Comments: Energy markets settle lower for a second day.

Tuesday brought on massive energy market volatility as WTI crude was more than \$1 a barrel higher in overnight trade but plunged more than \$4 a barrel at one point on Tuesday as reports surfaced that Israel would NOT target energy infrastructure in Iran as part of its retaliation efforts.

Piling on the downside, EIA's October Short-Term Energy Outlook (STEO) shows the agency revised down its forecast for the price of crude in 2025 by \$7 a barrel as global demand growth is expected to be lower than anticipated in recent months.

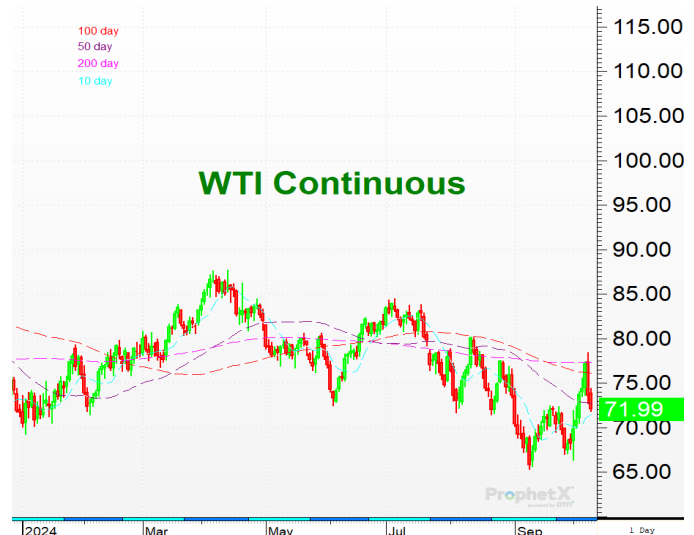
Concerns over demand from China moved to the forefront without additional stimulus efforts by the Chinese government. However, there was an announcement of a meeting this weekend, with expectations that they will be trying to grow their economy with fiscal policies.

A stronger dollar is another factor currently adding to the downside for commodities.

Crude and product losses were much more modest today than yesterday's selloff. The Department of Energy's large draws reported this morning in gasoline and distillates helped limit the move back downward today. Crude also received some support from a 5.8-million-barrel build to inventories, vs. the API's more bearish 11-million-barrel build figure reported yesterday.

After falling for the past three weeks, crude and gasoline stocks are now about 4% below the five-year average, and distillate stocks are now 9% below the five-year average for this time of year.

Today's 1.9-million-barrel propane build was above expectations but in line with what is typical for Week 40 of the year, with Midwest stocks accounting for 200,000 of the build.



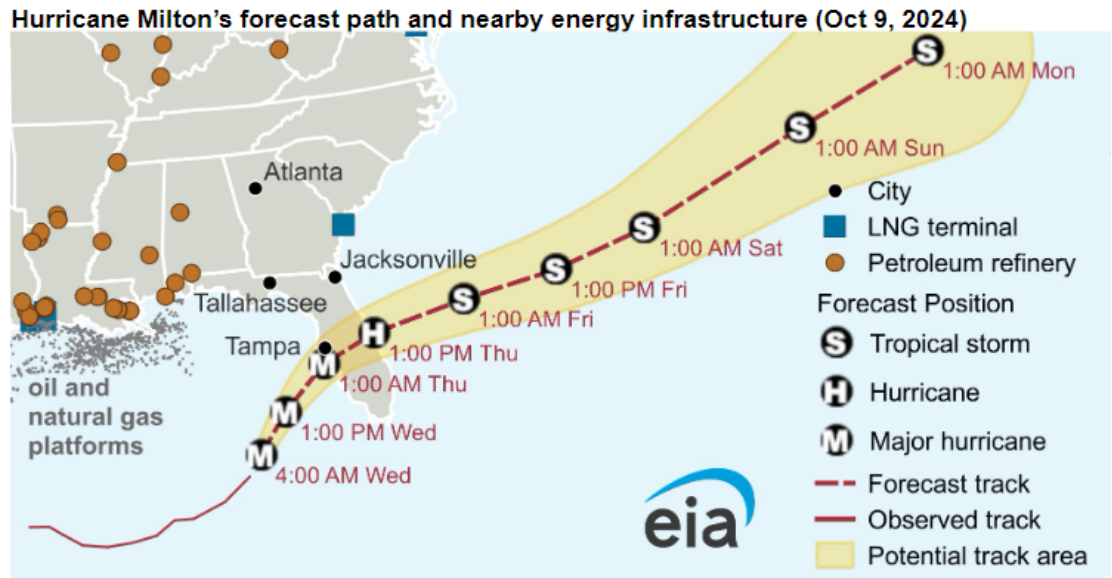
Department of Energy Supply & Demand numbers for Week 40 of the year

	Crude				Gasoline				Distillate Fuel			
	Change	Total	3-Yr. Avg.	5-Yr. Avg.	Change	Total	3-Yr. Avg.	5-Yr. Avg.	Change	Total	3-Yr. Avg.	5-Yr. Avg.
EIA	5.8	422.7	457	456	-6.3	214.9	236	236	-3.1	118.5	146	148
Est.	+3.000/-2.000				+1.800/-2.600				+1.000/-3.300			
Propane	Total		99.8	1.9	Midwest		28.3	0.2	Gulf Coast		58.1	2.1
API	Crude	10.9	Cushing	1.4	Gasoline -0.6				Distillates -2.6			

Looking ahead: The market is still awaiting Israel's retaliation against Iran's missile attack and the prospects of a ceasefire deal between Israel and Hezbollah. The Consumer Price Index, which will be used to measure inflation in the U.S., is out tomorrow.

Milton to miss Gulf Coast oil and Natural Gas Production Areas

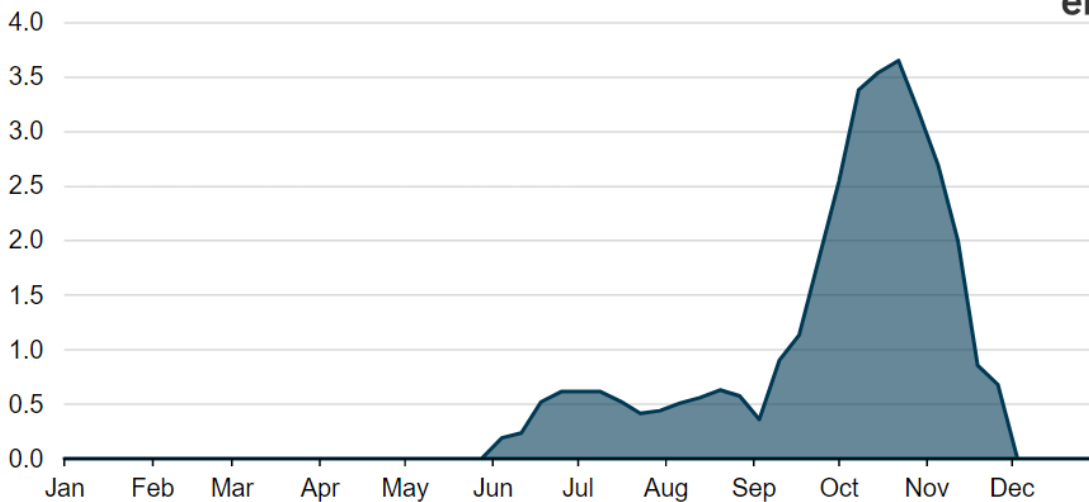
- While Hurricane Milton's damage to Central Florida is expected to be catastrophic, oil and natural gas production areas are not expected to be shut in significantly. As you can see in the map below, the storm's path is away from this important area in the Gulf.
- As you can see in this week's DOE numbers, gasoline demand was heavy ahead of the hurricane, but it would be expected to be reduced following the storm's movement through the state.



Data source: U.S. Energy Information Administration, U.S. Energy Atlas map of hurricanes, cyclones, and typhoons

Harvest season expected to boost distillate demands by ~4% in the coming months as diesel-powered agriculture equipment is harvest and transport crops.

Acres harvested from select crops in the United States, five-year average (Jan 2019–Dec 2023)
million acres per day



Data source: U.S. Department of Agriculture, National Agricultural Statistics Service and Crop Progress Report

Note: The figure is an estimate based on data for crops included in the Crop Progress Report. These crops, including corn and soybeans, make up about 80% of harvested acreage in the United States.

- According to the EIA, US total distillate fuel oil consumption is expected to increase by ~500,000 bbls/d to 4.4M bbls/d from late summer until its peak during harvest season (mid-October thru November).
- After which the start of the winter heating season is also forecast to support distillate fuel demands.

- Although distillate demands are largely derived from on-road transport needs and primarily tied to economic conditions, demand for diesel fuel can increase by ~4% during the fall harvest period (corn-30% and soybeans-25%).
- November usually experiences higher demand than September as harvest rolls into heating season.

Why it matters: Increased diesel demands can tighten supplies and potentially drawdown inventories and possibly provide further uplift for #2 prices in the coming months.