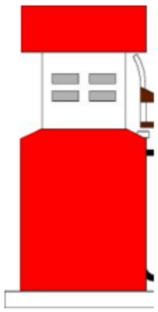
Gateway FS

Energy Market Update, March 19, 2025



NYMEX Prices

Product	Month	Close	Wk. Change
Crude Oil	Apr 25	67.16	-.52
RBOB Gas	Apr 25	2.1696	+0.0195
NYH ULSD	Apr 25	2.2319	+0.0256
Nat. Gas	Apr 25	4.247	+0.163

Market Comments:

Energy prices were higher following today's DOE report, settling higher mid-week

Crude started out lower this morning but has turned positive following the release of the DOEs. Overall, WTI is continuing its choppy sideways trading seen so far this month. The RBOB and ULSD contracts were supported by yesterday's American Petroleum Institute (API) inventory levels reported which showed draws to both gasoline and diesel. The Department of Energy's inventory data this morning showed a draw to gasoline and distillate stocks as well, but the gasoline draw was lighter than expected, and the distillate draw was much greater, leading to a slight boost in ULSD futures. Total domestic distillate inventories are now 3.7 million bbls. below levels at this time last year. Distillate demand increased in this past week's data, but gasoline and propane demand were both lower.

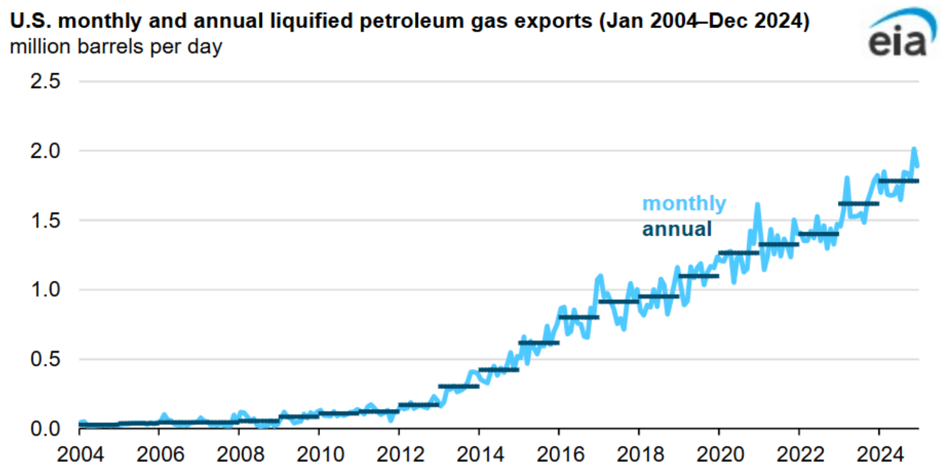
Weekly Petroleum Status Report

	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	**1.7**	**437.0**	448	459	**-0.5**	**240.6**	237	238	**-2.8**	**114.8**	117	127
Est.	+0.5				-2.4				+0.1			
Propane	**Total 43.3 -1.9**				**Midwest 8.7 -0.3**				**Gulf Coast 28.6 -1.8**			
API	Crude 4.6	Cushing -1.1			Gasoline -1.7				Distillates -2.1			

U.S. propane exports have been on the rise since 2007

U.S. propane exports averaged 1.8 million barrels daily in 2024, the most since the EIA began collecting data in 1973. U.S. propane exports have increased for the last 17 years, with growth driven by higher demand in Asia, particularly China, and a widening propane price differential between U.S. and global benchmarks.

Propane is consumed globally in the residential and commercial sectors for space heating. It's also used as a petrochemical feedstock to produce propylene and ethylene, the primary feedstocks in plastic production.



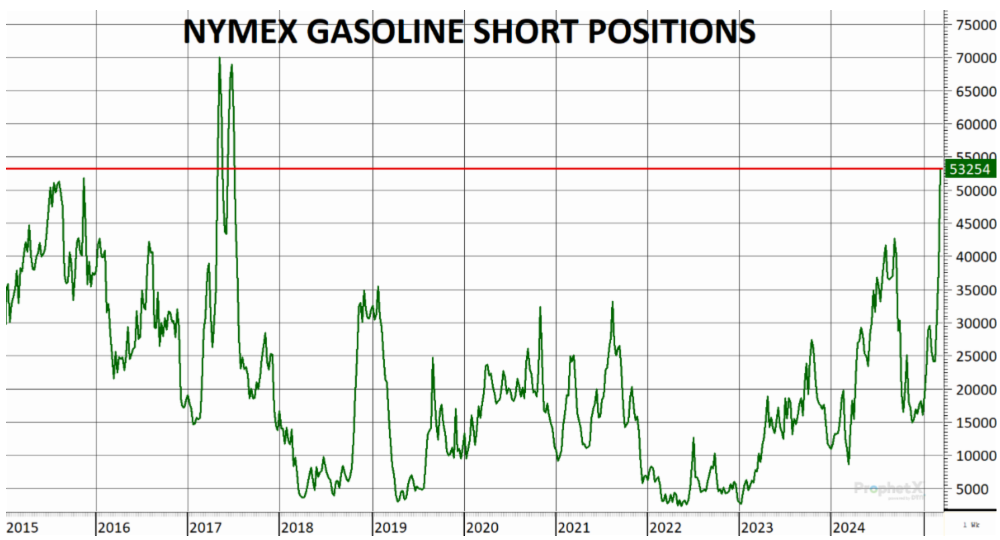
Recorded U.S. propane production has supported the rise in propane exports.

Propane production, a byproduct of natural gas processing and crude oil refining, has increased rapidly over the past 10 years in the US natural gas output has grown.

Higher propane production has led to lower U.S. propane prices relative to Asia, underpinning the record export levels.

Signs that new speculator (money managers) shorts have helped fuel the gasoline market's strong slide of the past month has emerged.

- According to the latest data from the US Commodity Trading Futures Commission (CFTC) speculators have increased their bearish positions (shorts) in NYMEX RBOB contracts to their highest levels since July of 2017.
- Factors that have attracted new shorts (sellers) in the gasoline market are:
    1. Increased uncertainty about the outlook for economic growth and fuel demand caused by the mounting trade conflict (tariffs) between the United States and China, Canada, Mexico, and possibly the EU,
    2. Signs of elevated motor fuel inventories.
    3. Potential of increased crude oil supplies from OPEC and non-OPEC producers in the coming year.
- Of note, the number of short positions held by money managers has surged by more than 38,000 positions or more than 3.5 times to a 7.5-year high of 53,254 positions.
- Further, the net-long position held by money managers in the NYMEX gasoline contract has plunged by ~67,000 positions or 92% to a six-month low at 6,085 positions.



- In addition, the number of long positions (buys) held by money managers in the NYMEX RBOB contract over the three months month has dropped by 25,000 positions or 30% to a five-month low at 59,339 positions.

Why it matters: Elevated speculative position levels, either short or long, can sometimes be a signal that if the right catalyst occurs (i.e. stronger-than-expected motor fuel demands), speculators will look to exit their positions and drive a contrary price movement. In this case, an exit of shorts could potentially push gasoline prices higher in the coming months.

- Of note: global demand is forecast to increase by only 1.3M bbls in 2025 and by 1.2M bbls/d in 2026, an indication that production growth could exceed demand growth and trigger a growing supply/demand surplus in the coming years.

The U.S. dollar has fallen sharply this month to four-month lows, supporting energy prices.

- After trading to the highest levels since late 2022 to begin 2025, the US Dollar index has fallen from 110 to around the 103-104 level, which was last seen in early November 2024, ahead of the Presidential election.

- The higher dollar index may have weighed on exports for those buying in foreign currencies early this year, during the timeframe that we witnessed a sharp decline in exports (chart above). The softening of the exchange rate with the lower dollar value may help turn exports around if demand is there.