

Gateway FS, Inc.

Energy Market Update October 10, 2018

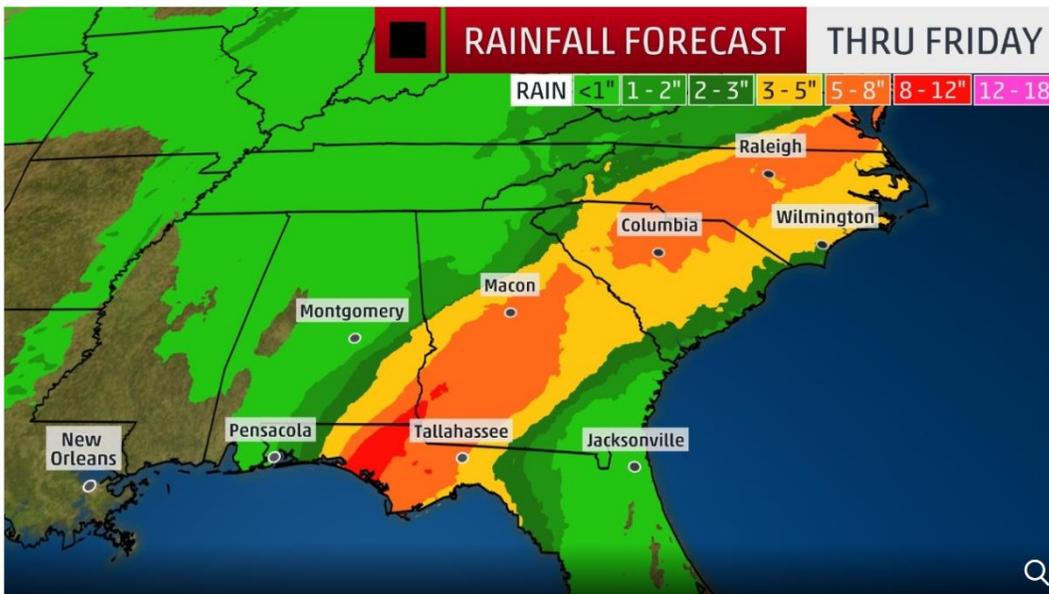
NYMEX Prices

	Close	Wk. Change
Nov Crude Oil	\$73.03	-3.38
Nov Gasoline	\$2.0204	-0.1174
Nov Heating Oil	\$2.4372	-0.0423
Nov Natural Gas	\$3.275	+0.045

Market Comments: The S & P 500 is on pace for worst week in months. Oil was following the stock market down today. The Energy Information Administration says that natural gas supplies are at the lowest levels for this time of year since 2005. Hurricane Michael slammed into Mexico Beach in the Florida panhandle with 155 mph winds. Transformer explosions could be heard. There has been some flooding in Tampa Bay, 300 miles away. API inventory stats will be out at 3:30 pm central time today. DOE inventory stats will be out at 10:00 am central time tomorrow.

President Trump is moving to allow year round sale of gasoline containing a higher percentage of ethanol, satisfying campaign promises he made to the Farm Belt.

Oil prices started the week under pressure, amid reports the U.S. could grant waivers to some buyers of Iranian crude when oil sanctions on the Islamic Republic go into effect next month.

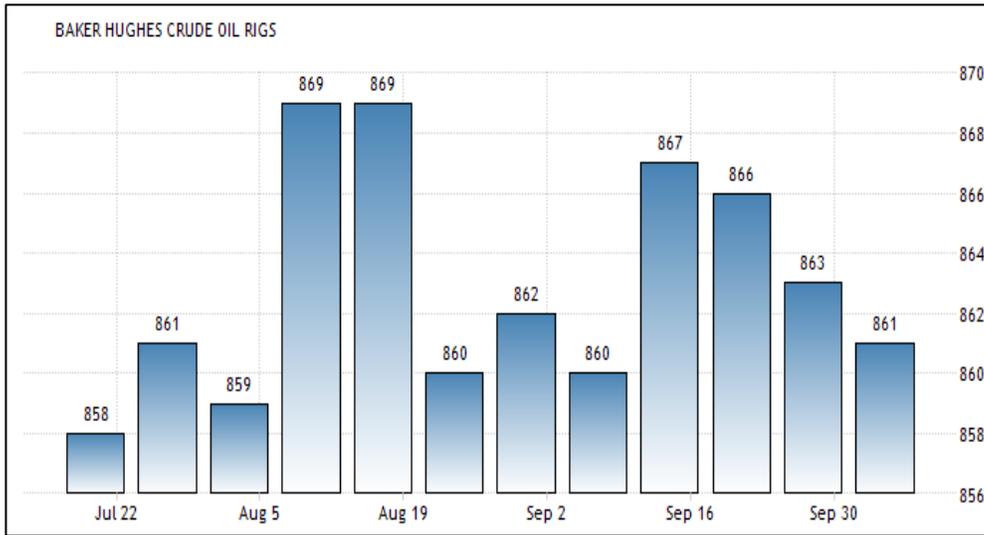


Hurricane Michael is the strongest storm to hit the Florida panhandle in at least 13 years. The panhandle area has not had a category 4 storm since records have been kept starting in 1851. Michael is massive and fast-moving; it will sustain hurricane force winds into Georgia. Landfall came around 1

pm eastern time today. Oil production in the Gulf of Mexico has been cut by 40% and natural gas output by 28%.

Not only will North and South Carolina receive lots of rain from this event, but a large part of the Midwest will also receive 1-2 more inches. Hurricane Sergio from the Pacific side could also be sending some rain into the southern Midwest.

The U.S saw its trade deficit continue to widen as soybean exports dropped by \$1 billion in August. The imbalance increased \$3.2 billion in August to \$53.2 billion, a 6.4 percent increase and part of an ongoing trend in 2018, according the Bureau of Labor Statistics and the U.S. Census. For the calendar year, the trade deficit is up \$31 billion or 8.6 percent from a year ago.

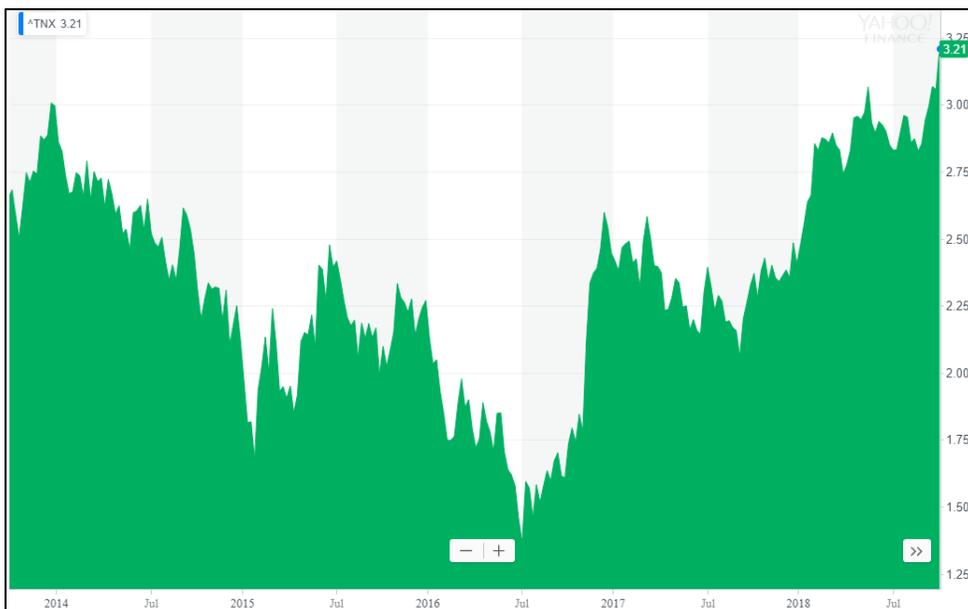


The U.S. rig count fell for a third straight week even though crude prices hit four-year highs last week. Rising costs and pipeline bottlenecks in the Permian Basin have slowed down new drilling since June. Drillers cut two oil rigs last week, bringing the total count to 861. This is the longest streak of weekly

cuts since October 2017. More than half the total U.S. oil rigs are in the Permian, the country's biggest shale oil formation. Active rigs in the Permian have declined by one this week to 485.

The Labor Department reported last Friday that the unemployment rate fell to 3.7 percent in September, the lowest level since December 1969. Employers added 134,000 jobs, although the figure was likely lowered by Hurricane Florence. Thousands of businesses were closed when the storm struck North and South Carolina in the middle of September. Many forecasters believe unemployment will continue to decline in the coming months.

The rising monthly wage report continues to positively impact Treasury yields. Benchmark 10-year Treasury yields keep hitting new highs. The yield is currently sitting at 3.21 percent, down slightly from a level of 3.23 percent that was hit immediately following the jobs report. 10-year Treasuries were as low as 1.37 percent in July of 2016.



This is in turn affecting the stock market, with traders now worrying about inflation, rising interest rates, rising national debt costs and slowing economic growth especially in emerging economies. This is causing some big sell-offs in both equities and commodities.