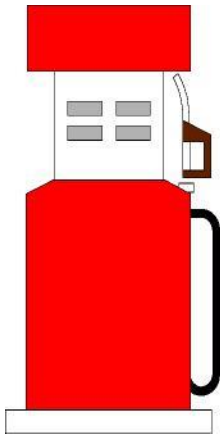


Gateway FS Inc.

Energy Market Update February 15, 2017

NYMEX Prices

	Close	Wk. Change
March Crude Oil	$53.11	$+0.71
March Gasoline	$1.5479	$-0.0051
March Heating Oil	$1.6305	$-0.0062
March Natural Gas	$2.925	$ -0.213

Market Comments:

Energy markets finished the day mostly lower-to-unchanged, gasoline futures did manage to muster some small gains. Crude stocks rose 9.5 million barrels last week, nearly three times more than forecasted, but again the bears couldn't take hold and send it lower. This was the sixth straight weekly rise in U.S. crude inventories and nothing in the report seemed overly bullish, but WTI prices have managed to hang on to the low $50's. Elsewhere, propane inventories got some relief this week, falling 2.6 million barrels week-over-week, significantly less than previous reports (see chart below).

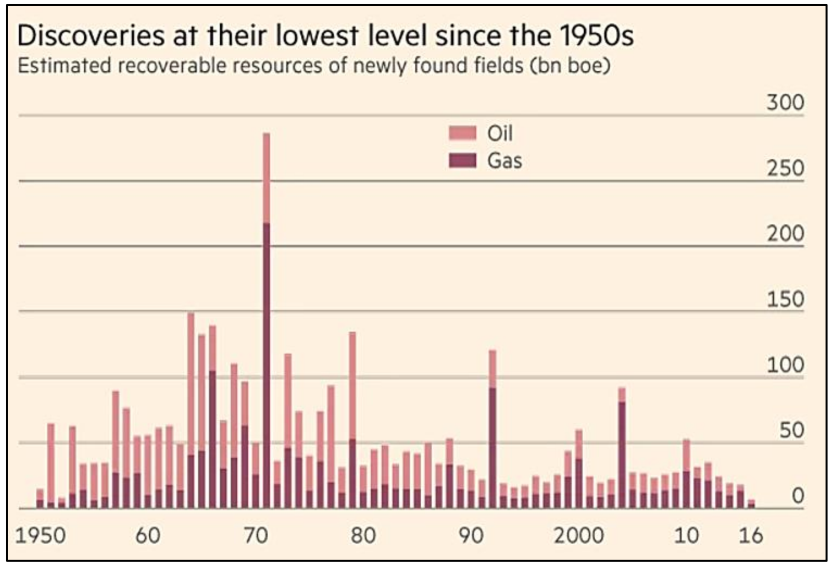
Dollar futures are in the midst of their longest winning streak in five years, rising for the 11th straight session today. Currencies and global stocks got a boost from Janet Yellen's comments, indicating a possible interest rate rise next month. The Fed chairwoman said the U.S. economy was expected to continue growing at a moderate pace, and touted signs of both inflation and wage growth, two data points the Fed watches closely. Yellen's hawkish remarks rekindled early expectations of the Fed raising rates three times in 2017.

Hedge Funds cut their net long position in WTI contracts by 23 million barrels last week. Long positions were cut by 8 million barrels while short positions were increased by 16 million barrels. This was the first cut to net long positions in four weeks, and the largest cut since November 8th. Hedge fund ratios are still extremely one-sided at 8.9:1 long-to-short, but a trend reversal is a positive sign for the bears.

The number of active oil rigs in the US rose again last week, by eight to 591. The count, up for a fourth straight week, is more than 80% higher than the low reached in May 2016. The Permian Basin, in West Texas and New Mexico, again led the rise, adding six. While rig gains have been substantial in recent months, it's still a far cry from the number of rigs in production on October 10, 2014, when the United States had 1,609 oil rigs in production—the highest number of active oil rigs since Baker Hughes began tracking the data in 1944

	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	**+9.5**	**518.1**	425	397	**+2.8**	**259.1**	243	239	**-0.7**	**170.7**	136	137
EST.	+4.500 / +2.000				+2.54 / -2.600				+1.22 / -2.000			
Propane	Total 53.1 -2.6				Midwest 14.7 -0.7				Gulf 31.9 -1.7			
API's	**Crude +9.94 Cushing -1.27**				**Gasoline +0.717**				**Distillates +1.5**			

Discoveries of new oil and gas fields have dropped to a fresh 60-year low, as companies put the brakes on exploration and large fields have become harder to find. There were only 174 oil and gas discoveries worldwide last year, compared to an average of 400-500 per year up until 2013, according to research firm IHS Markit. Discoveries hit a 60-year low in 2015, and then dropped again last year to about 8.2bn barrels of oil and gas. The slowdown reflects both the cyclical cuts in exploration made by companies struggling to stay afloat after the drop in oil and gas prices, and the structural shift in the industry towards onshore shale and similar reserves, especially in North America. Spending on exploration fell from $100bn in 2014 to $40bn last year. The world's two largest discoveries of the year were both in the US: Caelus Energy's discovery at Smith Bay in shallow water off the north coast of Alaska, which could hold up to 4bn barrels of recoverable oil, and ConocoPhillips' Willow discovery, which is also in Alaska but onshore, and is estimated to hold 300m barrels.



With Spring around the corner, we're hearing reports of some early field work taking place in some southern portions of the Midwest. With that, the EIA is forecasting U.S. ethanol production to rise to 1.01 million barrels per day in 2017 and 2018, up from 1.0 million in 2016. On a weekly basis, ethanol production has been consistently breaking records. The U.S. ethanol industry set another new record for production the week ending Jan. 27, with production averaging 1.061 million barrels per day. The industry set new records three out of four weeks in January. Inventory levels have surpassed the 1 million barrel per day mark only 28 times, all since November 2015, contributing to a glut in U.S. ethanol stocks. Decreased U.S. gasoline demand is one of the major contributors to the rise in U.S. ethanol stocks. This is having a major influence on the amount of E10 being blending into gasoline. Some of this is being offset by higher U.S. export, however China, a huge buyer of U.S. ethanol just increased their tariff on U.S. ethanol from 5% to 30%, leaving producers wondering if this glut is due to last?