



WEEKLY PROPANE MARKET UPDATE

July 19, 2023

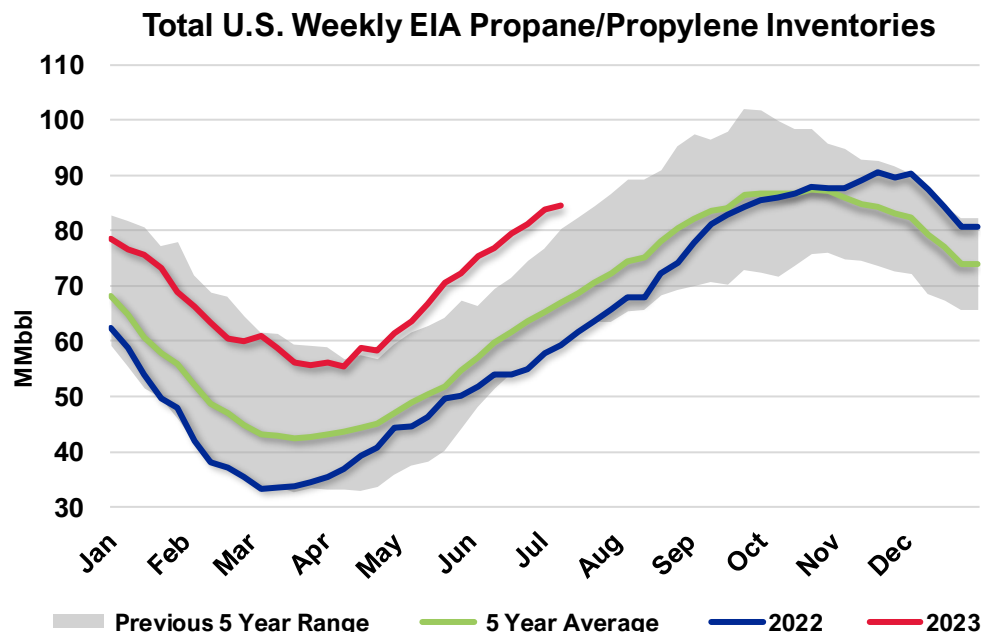
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories increased by 0.9 MMbbl for the week ended July 14, which was below average industry expectations for a 2.5 MMbbl gain and the 1.9 MMbbl average build for the week. Total U.S. propane stocks are now at 84.7 MMbbl, which is 17.7 MMbbl, or 26%, above the 5-year average.
- » Crude oil prices moved higher during the week, supported by rising demand forecasts and supply cuts by OPEC+. WTI settled at \$75.75/bbl on July 18, up \$0.92/bbl from July 11. Propane prices were also stronger, with Mont Belvieu non-TET up by 1.6 c/gal from last week to 62.5 c/gal on July 18. As a result, the propane-to-WTI ratio increased by 1 percentage point from last week to 35%.
- » Weekly exports of propane reported by the EIA remained robust at 1.56 MMbbl/d, down 48 Mbbl/d from last week but in line with the year-to-date average of 1.55 MMbbl/d.
- » Total U.S. production of propane/propylene declined by 17 Mbb/d to 2,513 Mbb/d, as production fell slightly in all PADDs.

MARKET OVERVIEW

Mont Belvieu propane prices were up 2.7% during the past week, settling at 62.5 c/gal on July 18. WTI prices were also stronger, increasing by \$0.92/bbl, or 1.2%, to \$75.75/bbl over the same period, which pushed the propane-to-WTI ratio up by 1 percentage point to 35%. The current ratio is well below the 48% average recorded in July 2022. The forward propane-to-WTI ratio for August-October 2023 was unchanged from last week at 36%.

Figure 1

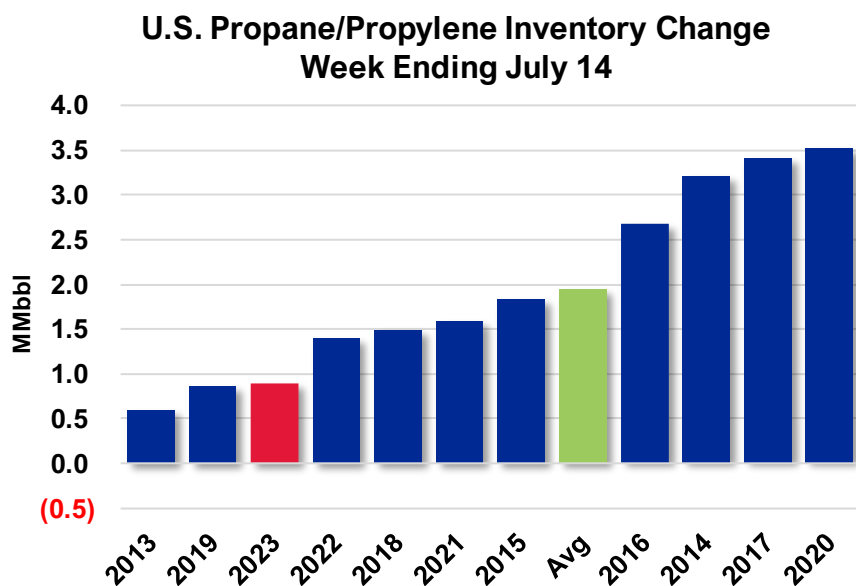


ANALYSIS & INSIGHTS

According to OPIS, the average of industry expectations called for a build of 2.5 MMbbl for the week ended July 14. In today's EIA report, inventories grew by 0.9 MMbbl, 1.6 MMbbl below expectations. Total U.S. propane stocks are now 84.7 MMbbl. Inventories are 25.5 MMbbl, or 43%, above the same week in 2022 and 4.3 MMbbl above the 5-year maximum. Regional stock changes show PADD 3 having the only decrease in inventory for the week and PADD 2 having the largest build for the third week in a row.

PADD 3 (Gulf Coast) propane inventories fell by 568 Mbb. Total inventories for the region are now 51.2 MMbbl, putting them at 20.1 MMbbl, or 64.7%, above 2022 and 3 MMbbl, or 6.3%, above the 5-year maximum. Inventories are 14 MMbbl, or 37.6%, above the 5-year average.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 2 (Midwest) inventories grew by 829 Mbbl, bringing the total to 23.1 MMbbl. Inventories are 3.9 MMbbl, or 20.5%, over 2022 and 513 Mbbl, or 2.5%, above the 5-year maximum. Inventories are 2.9 MMbbl, or 14.4%, above the 5-year average.

PADD 1 (East Coast) stocks rose by 282 Mbbl. Total inventories for the region are now at 5.4 MMbbl, which is 350 Mbbl, or 6.9%, above 2022 but 2.8 MMbbl, or 34.5%, below the 5-year maximum. Inventories are also 678 Mbbl, or 11.2%, below the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) stocks grew by 343 Mbbl. Total stocks for the region are now 5 MMbbl, which is 1.1 MMbbl, or 27.7%, over 2022 and the 5-year maximum. Stocks are 1.5 MMbbl, or 41.4%, above the 5-year average.

Total U.S. production declined slightly by 17 Mbbl/d to 2,513 Mbbl/d as production decreased in all regions. Exports fell by 48 Mbbl/d to 1,564 Mbbl/d, which is slightly less than the 4-week average of 1,580 Mbbl/d. Imports were essentially unchanged at 94 Mbbl/d. Product supplied increased by 290 Mbbl/d to 916 Mbbl/d.

Propane Inventory Change

The build in propane stocks for the week ended July 14 (red bar, Figure 2) of 0.9 Mbbl was about 1 MMbbl less than the average increase of 1.9 MMbbl (green bar).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu non-TET widened by 0.3 c/gal from last week, trading at a 2.4 c/gal discount as of July 18. The forward-price differential between Mont Belvieu and Conway narrowed from last week, with Mont Belvieu trading at a 1.9 c/gal premium to Conway for August 2023.

Days of Supply

Figure 13 shows days of supply using the EIA’s methodology, dividing the level of stocks by the four-week average of “product supplied,” a surrogate statistic representing domestic demand. On that basis, supply is at about 112 days, 42 days higher than the same week in 2022 and three days above the 5-year high.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 34 days of inventory, which is eight days more than 2022 and 10 days less than the 5-year high for this metric. Including exports clearly makes a significant difference in the days-of-supply calculation.

Figure 3

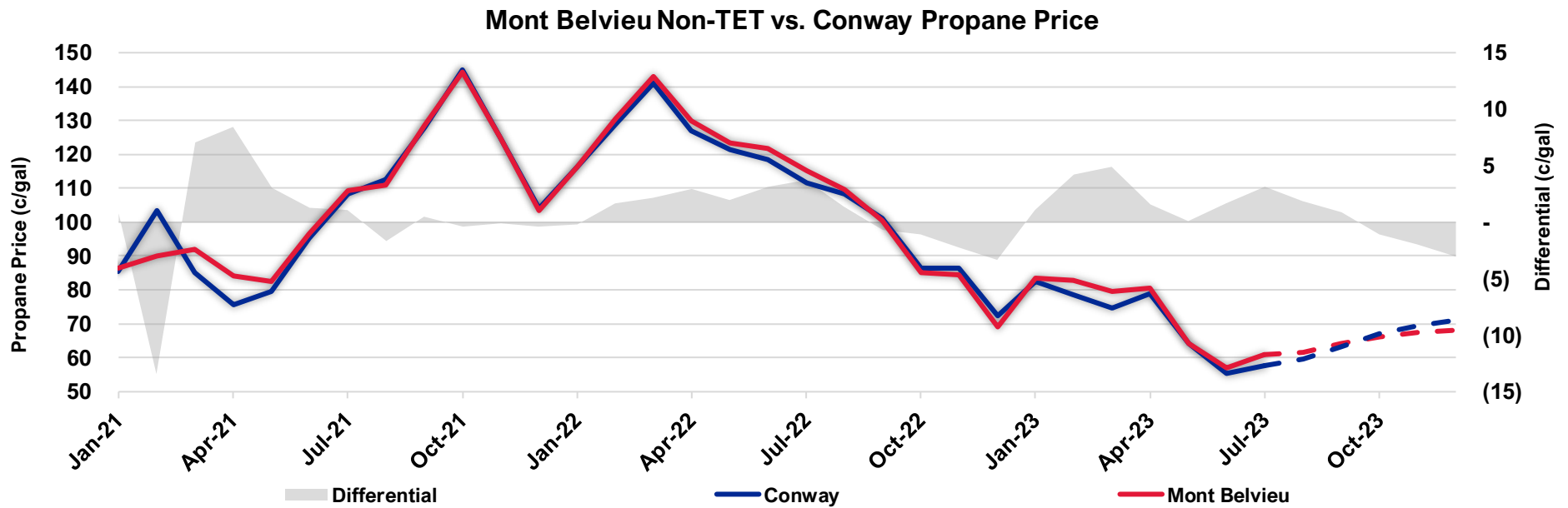
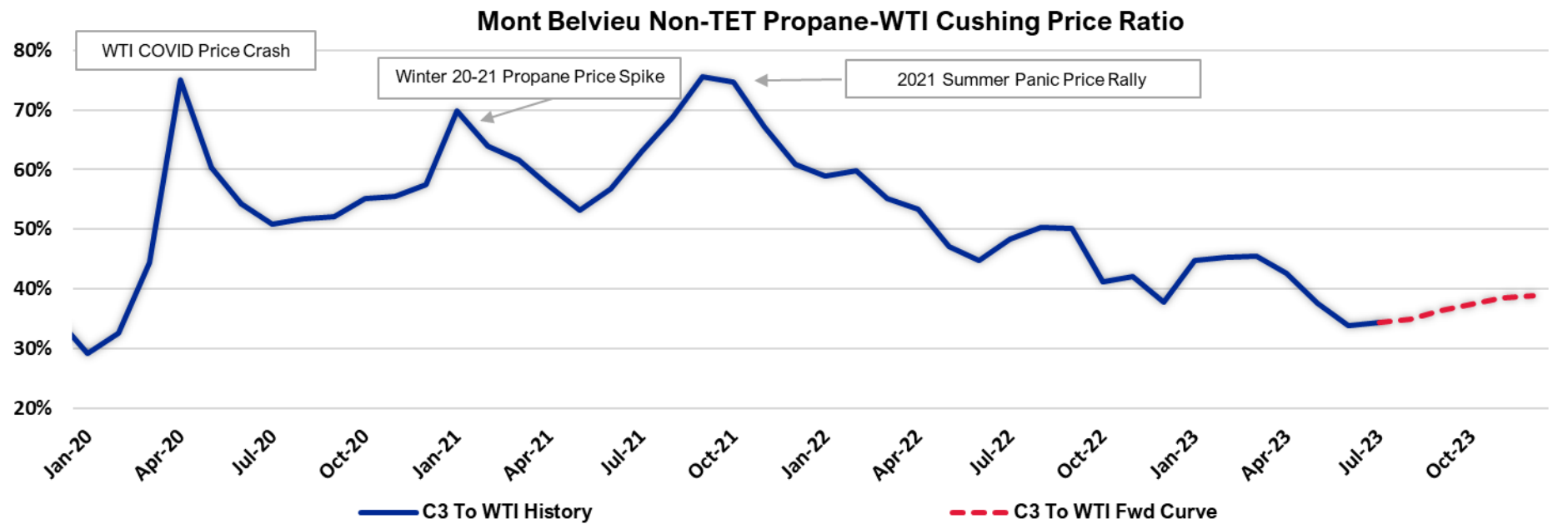


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

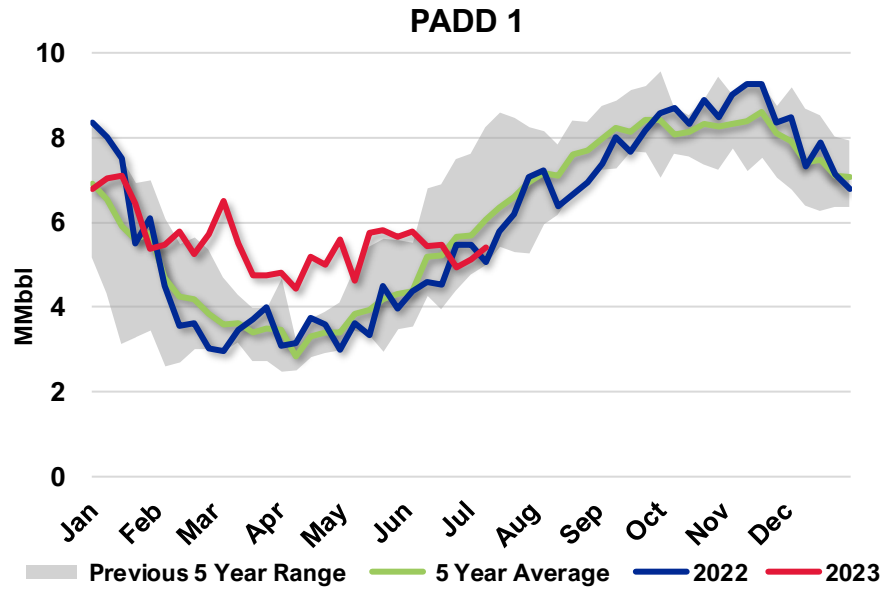


Figure 6

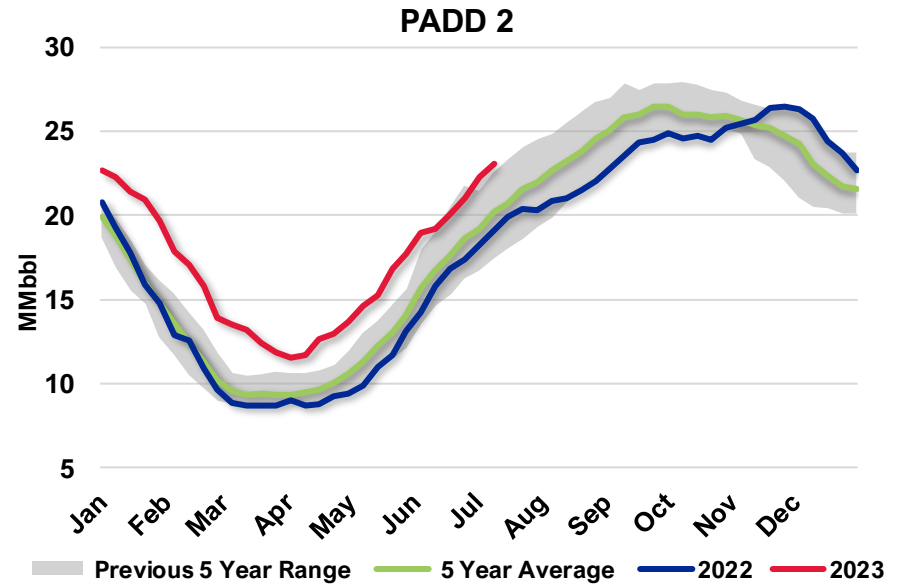


Figure 7

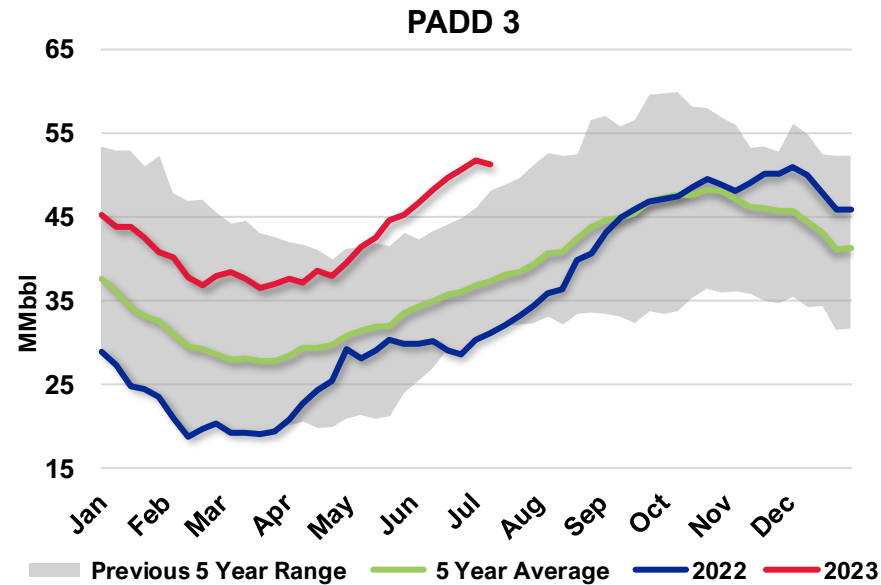


Figure 8

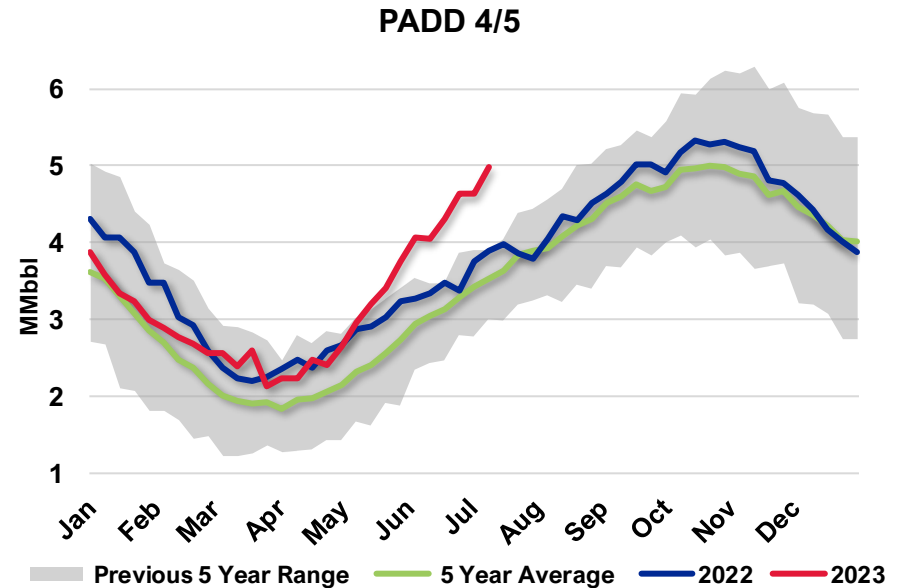


Figure 9

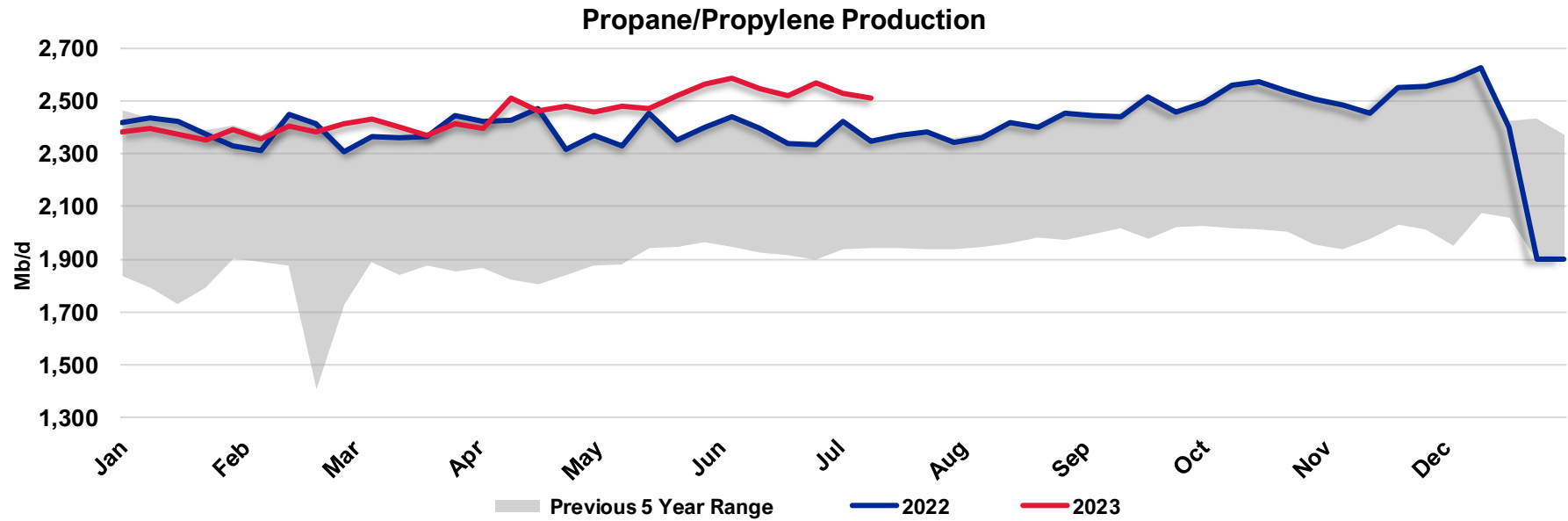


Figure 10

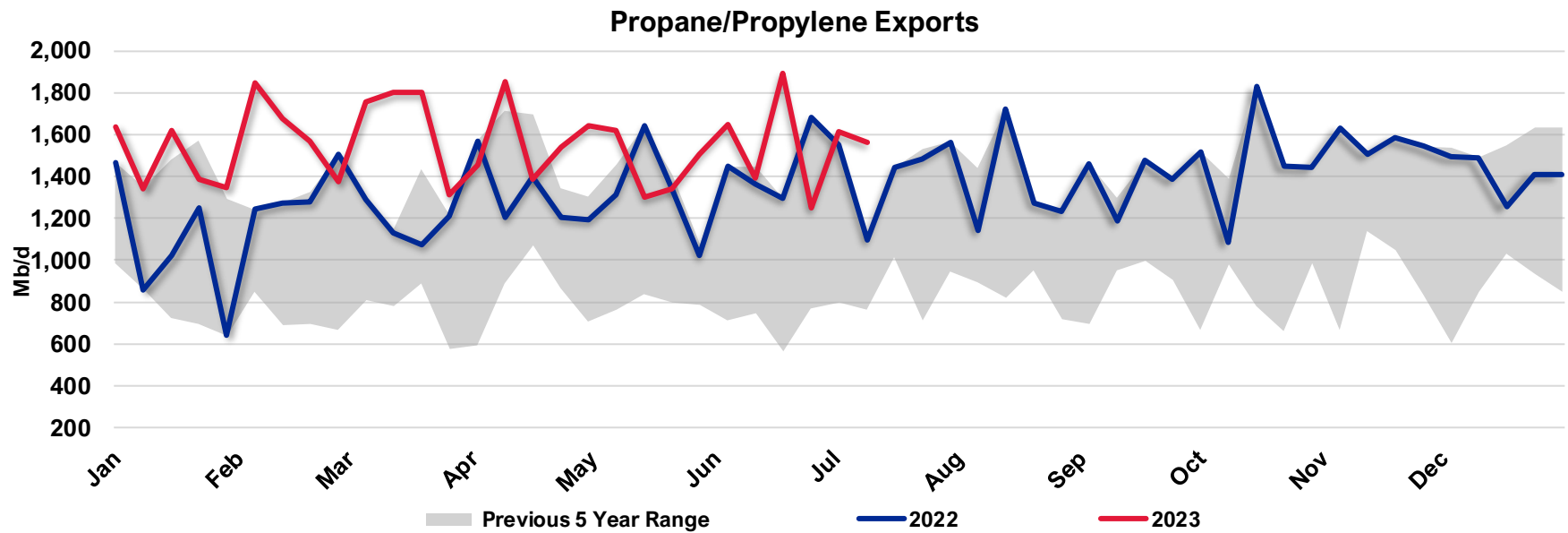


Figure 11

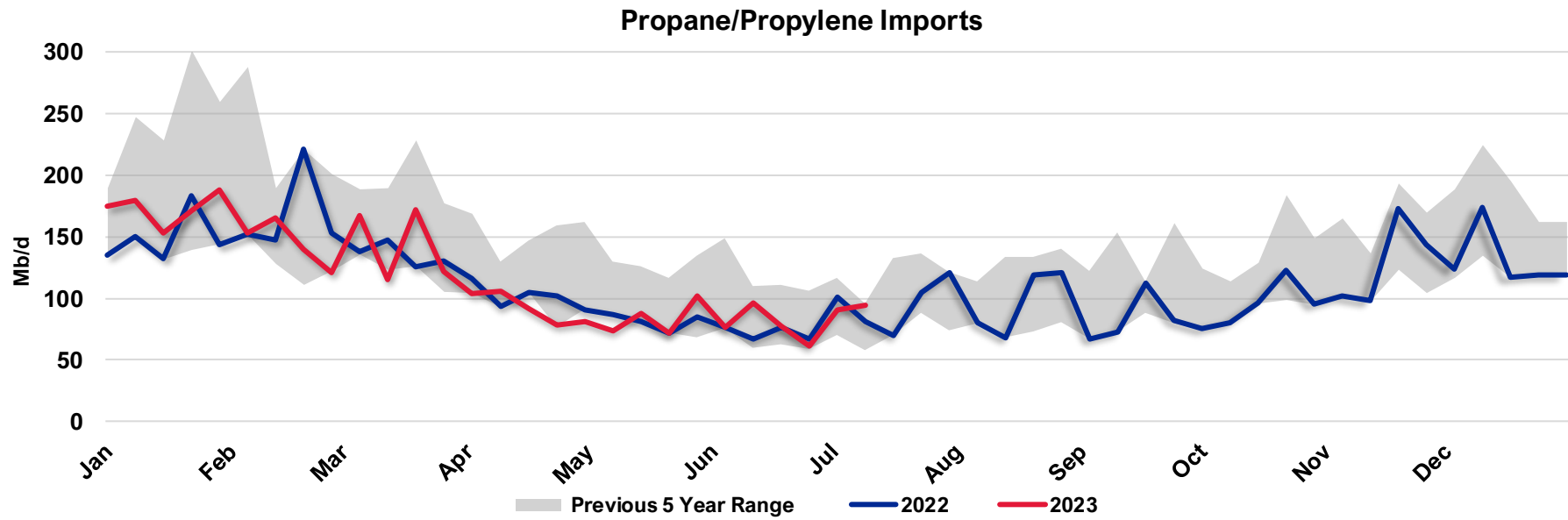


Figure 12

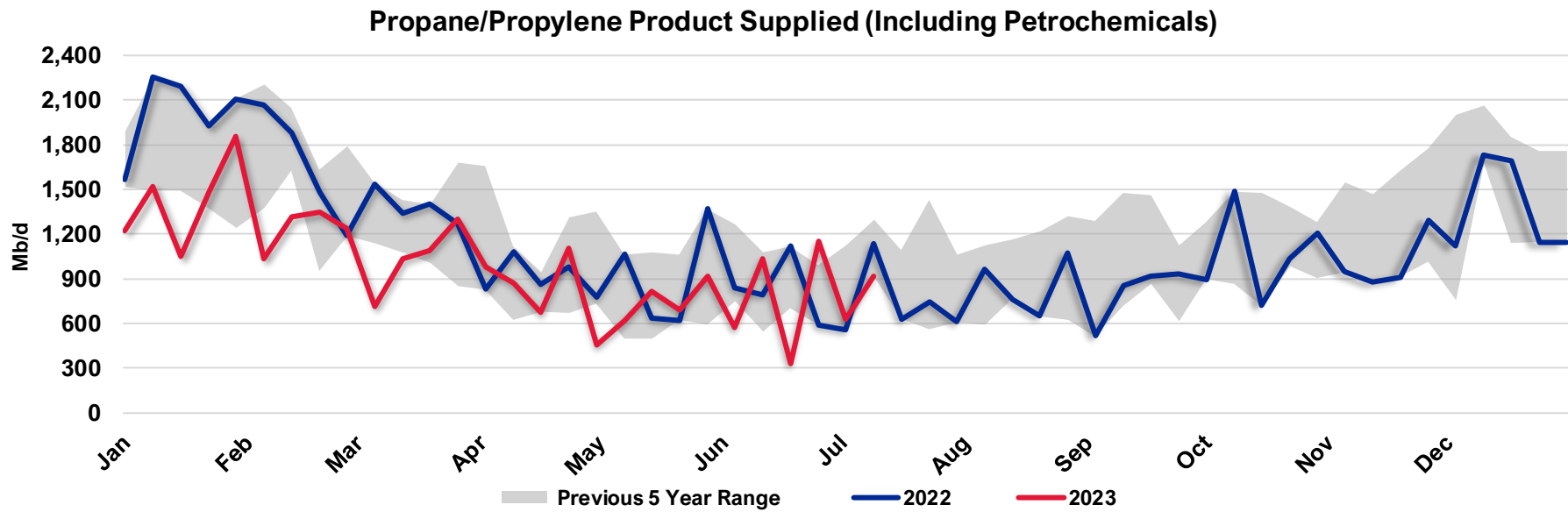


Figure 13

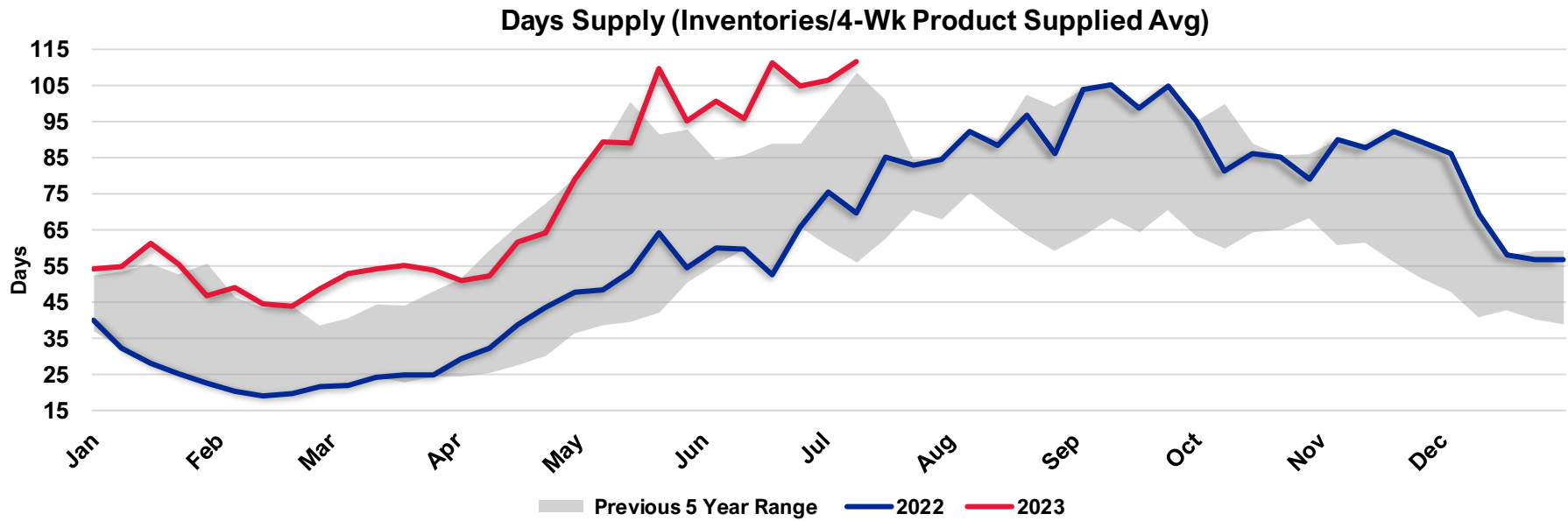
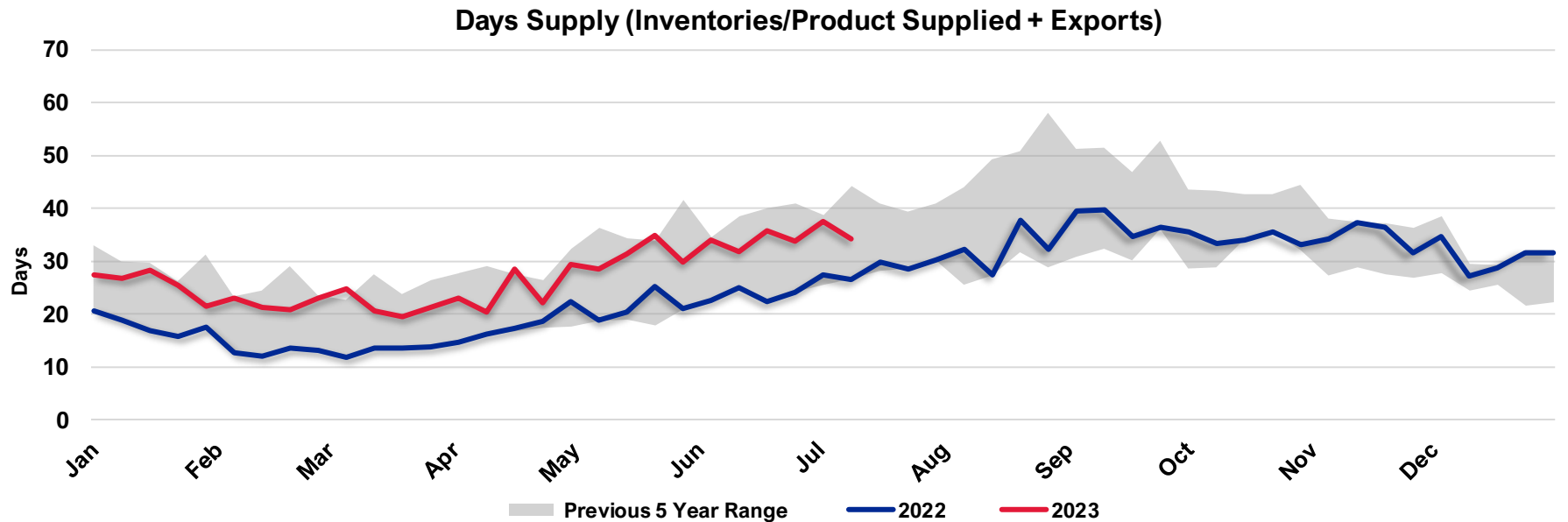


Figure 14



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