



## WEEKLY PROPANE MARKET UPDATE

July 26, 2023

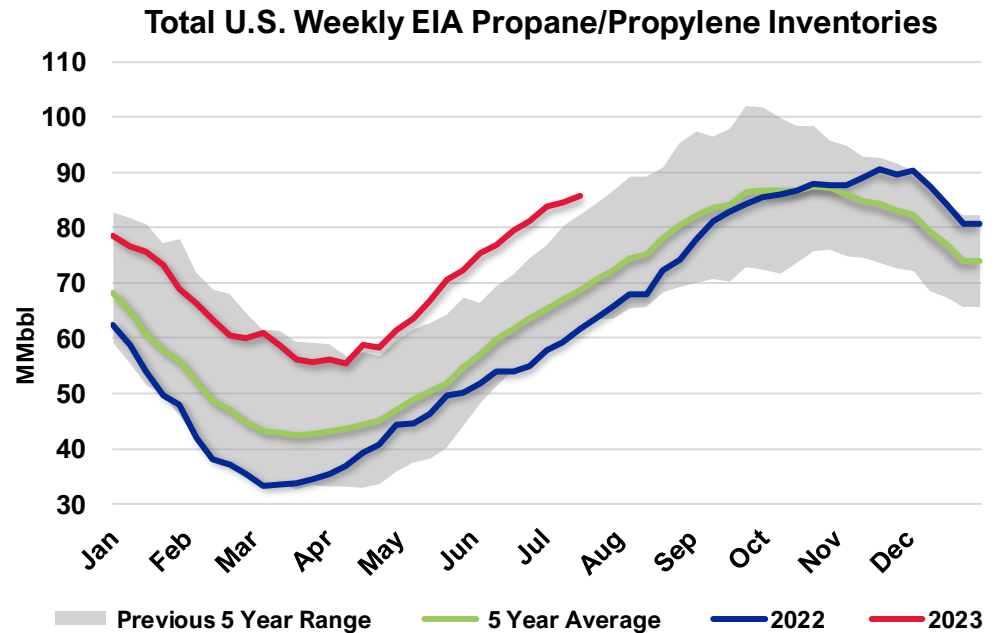
### HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories increased by 1 MMbbl for the week ended July 21, which was below average industry expectations for a 2.2-MMbbl gain and the 1.3 MMbbl average build for the week. Total U.S. propane stocks are now at 85.7 MMbbl, which is 17 MMbbl, or 25%, above the 5-year average.
- » Crude oil prices moved higher during the week, supported by tightening supply and hopes for additional economic stimulus in China. WTI settled at \$79.63/bbl on July 25, up \$3.88/bbl from July 18. Propane prices were relatively flat, with Mont Belvieu non-TET up by 0.2 c/gal from last week to 62.7 c/gal on July 18. As a result, the propane-to-WTI ratio declined by 2 percentage points from last week to 33%.
- » Weekly exports of propane reported by the EIA remained strong at 1.64 MMbbl/d, up 76 Mbb/d from last week and above the year-to-date average of 1.55 MMbbl/d.
- » Total U.S. production of propane/propylene rose by 41 Mbb/d to 2,554 Mbb/d as production increased in all PADDs.

### MARKET OVERVIEW

Mont Belvieu propane prices were up 0.3% during the past week, settling at 62.7 c/gal on July 25. WTI prices were stronger than propane, increasing by \$3.88/bbl, or 5.1%, to \$79.63/bbl over the same period, which pushed the propane-to-WTI ratio down by 2 percentage points to 33%. 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%. The OPIS non-TET vs. TET propane price spread increased by 1.8 c/gal over the week, with non-TET trading at a discount of 2.2 c/gal on July 25.

Figure 1

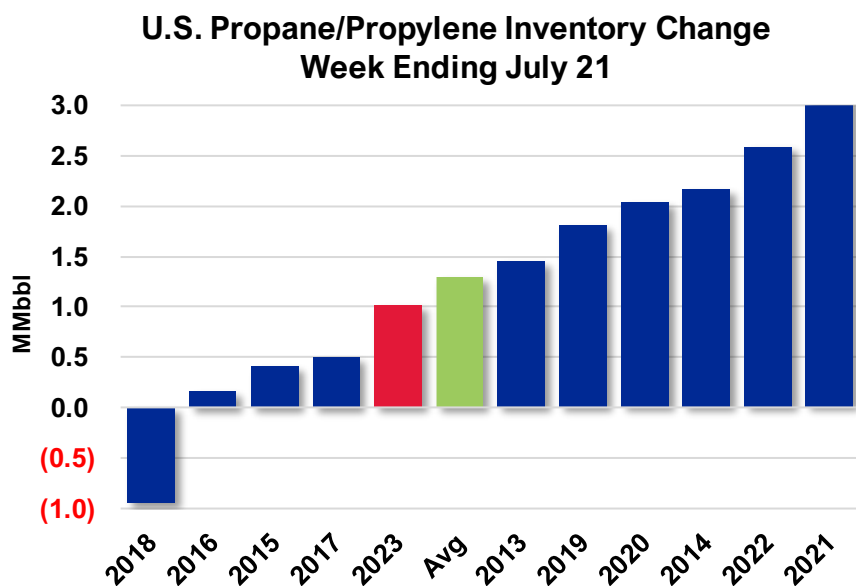


### ANALYSIS & INSIGHTS

According to OPIS, the average of industry expectations called for a build of 2.2 MMbbl for the week ended July 21. In today's EIA report, inventories grew by 1 MMbbl, 1.2 MMbbl below expectations. Total U.S. propane stocks are now 85.7 MMbbl. Inventories are 23.9 MMbbl, or 38.7%, above the same week in 2022 and 3.3 MMbbl above the 5-year maximum. Regional stock changes were mixed, with PADD 2 having the only decrease in inventory for the week and PADD 1 having the largest build.

PADD 3 (Gulf Coast) propane inventories grew by 506 Mbb. Total inventories for the region are now 51.7 MMbbl, putting them at 19.6 MMbbl, or 61%, above 2022 and 2.9 MMbbl, or 6.1%, above the 5-year maximum. Inventories are 13.7 MMbbl, or 36%, above the 5-year average.

Figure 2



**ANALYSIS & INSIGHTS (continued)**

PADD 2 (Midwest) inventories fell by 223 Mbbbl, bringing the total to 22.8 MMbbl. Inventories are 2.9 MMbbl, or 14.8%, over 2022 but 497 Mbbbl, or 2.4%, below the 5-year maximum. Inventories are 2.1 MMbbl, or 10.3%, above the 5-year average.

PADD 1 (East Coast) stocks rose by 663 Mbbbl. Total inventories for the region are now at 6 MMbbl, which is 275 Mbbbl, or 4.75%, above 2022 but 2.5 MMbbl, or 29.5%, below the 5-year maximum. Inventories are also 273 Mbbbl, or 4.3%, below the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) increased slightly by 79 Mbbbl. Total stocks for the region are 5.1 MMbbl, which is 1.1 MMbbl, or 27%, over 2022 and 1 MMbbl, or 25%, above the 5-year maximum. Stocks are 1.4 MMbbl, or 39%, above the 5-year average.

Total U.S. production increased by 41 Mbbbl/d to 2,554 Mbbbl/d as production increased in all regions. Exports grew by 76 Mbbbl/d to 1,640 Mbbbl/d, which is above the 4-week average of 1,517 Mbbbl/d. Imports went down by 28 Mbbbl/d to 66 Mbbbl/d as volumes into PADD 2 and PADD 4/5 decreased by a combined 33 Mbbbl/d while PADD 1 increased by 4 Mbbbl/d. Product supplied fell slightly by 82 Mbbbl/d to 834 Mbbbl/d.

**Propane Inventory Change**

The build in propane stocks for the week ended July 21 (red bar, Figure 2) of 1 MMbbl was about 275 Mbbbl less than the average increase of 1.3 MMbbl (green bar).

**MB Non-TET vs Conway Price**

The Conway propane OPIS spot price relative to Mont Belvieu non-TET narrowed by 0.8 c/gal from last week, trading at a 1.6 c/gal discount as of July 25. The forward-price differential between Mont Belvieu and Conway widened from last week, with Mont Belvieu trading at a 2.2 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 97 days, 12 days higher than the same week in 2022 and four days below the 5-year high.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 35 days of inventory, which is five days more than 2022 and six 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

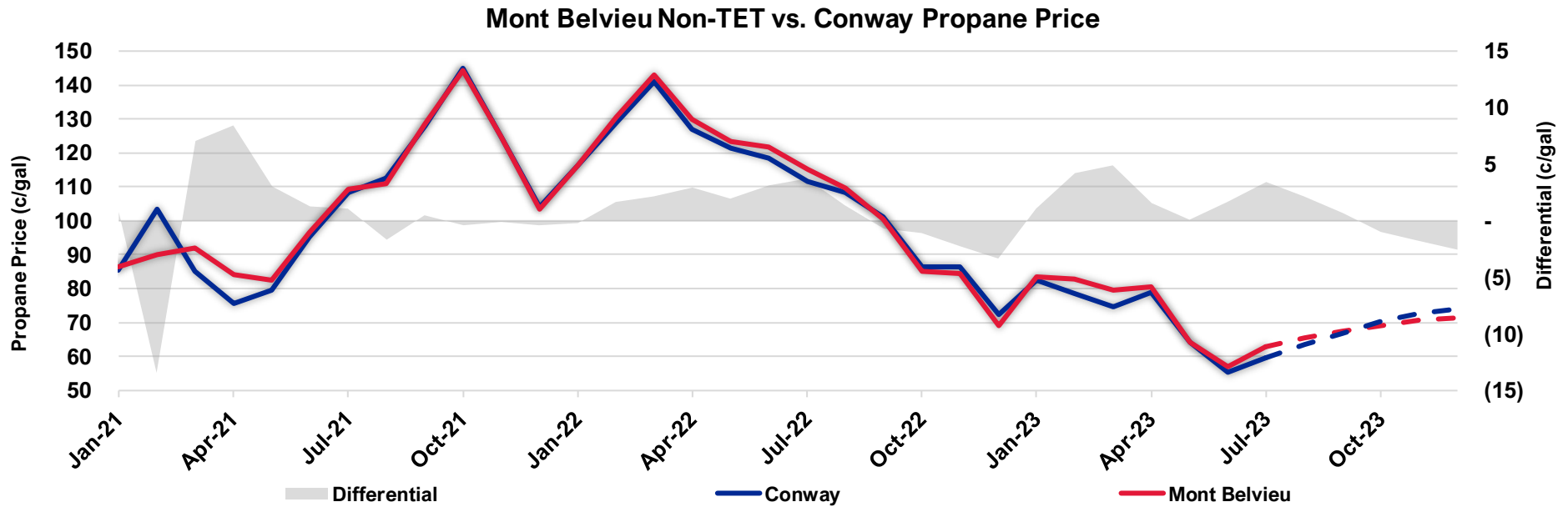
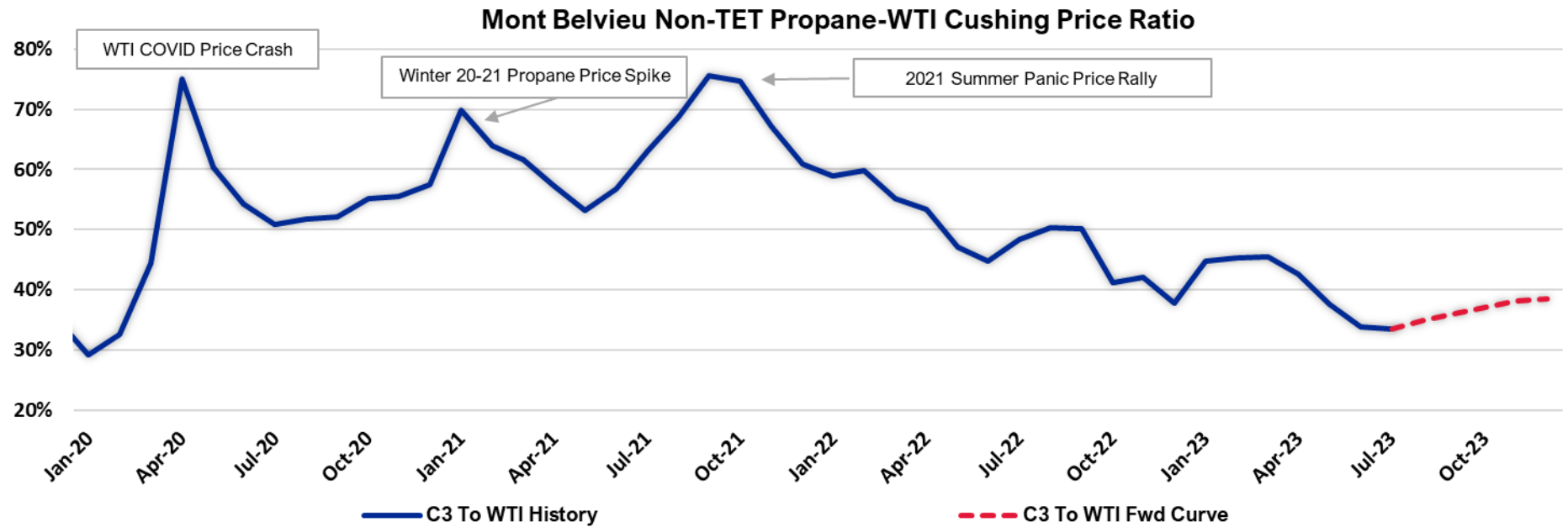


Figure 4



# U.S. PROPANE INVENTORIES BY PADD

Figure 5

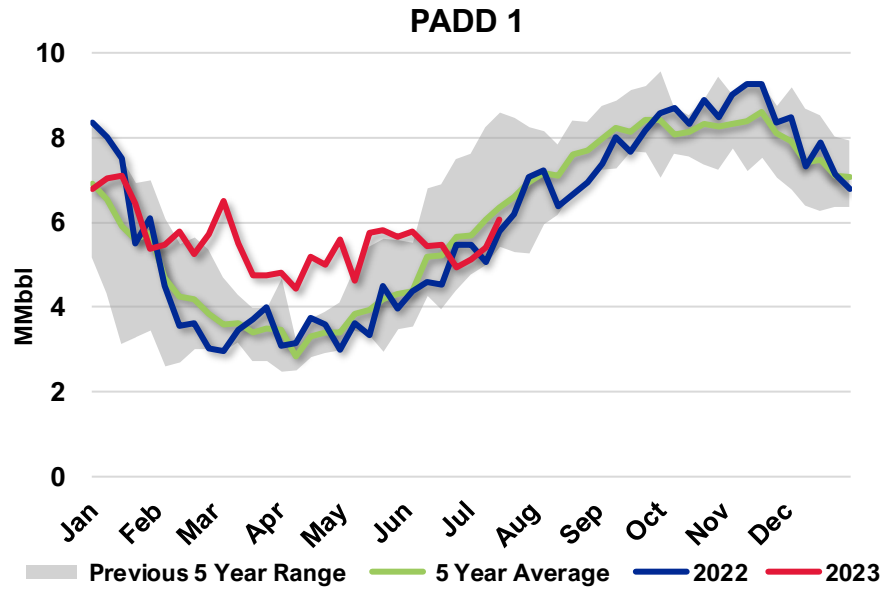


Figure 6

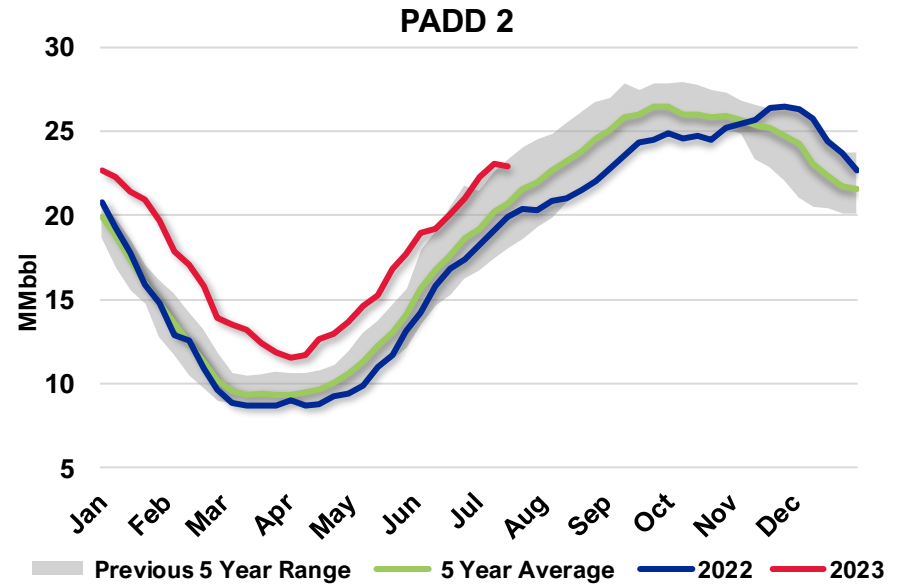


Figure 7

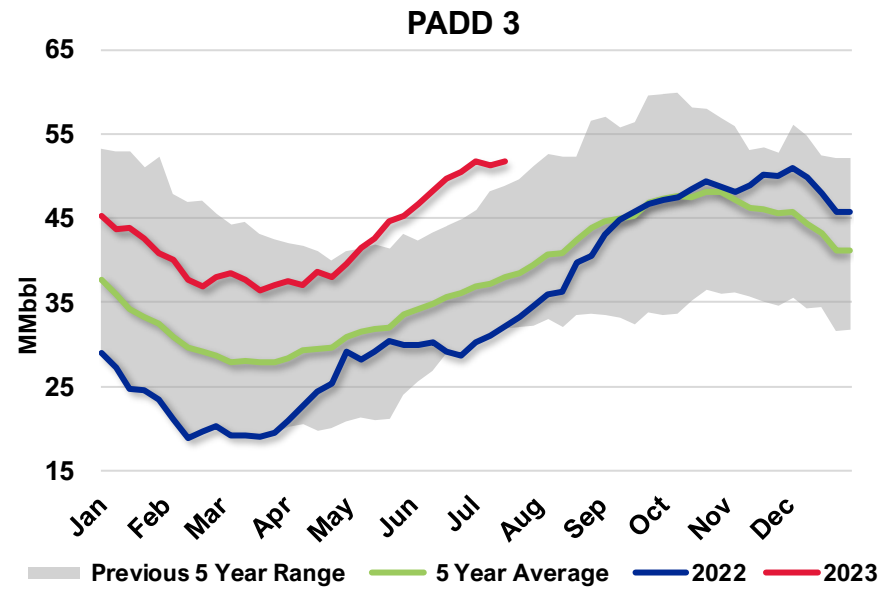


Figure 8

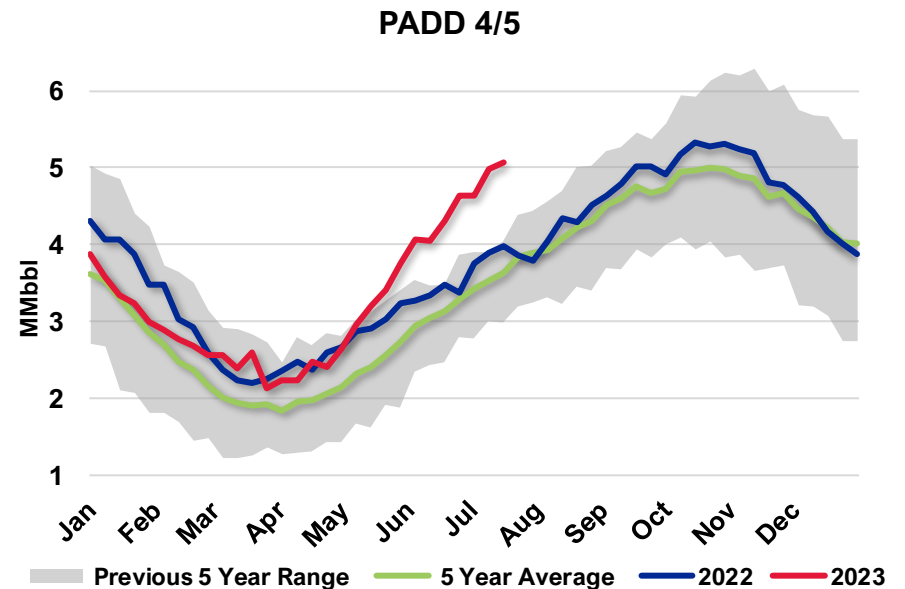


Figure 9

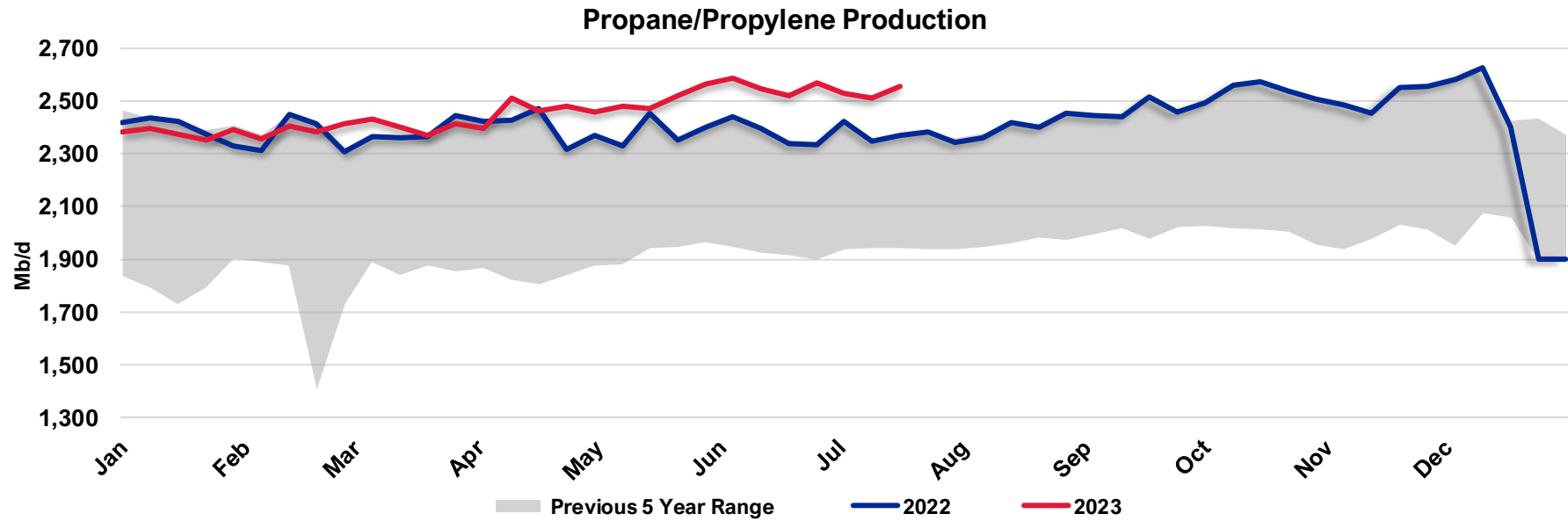


Figure 10

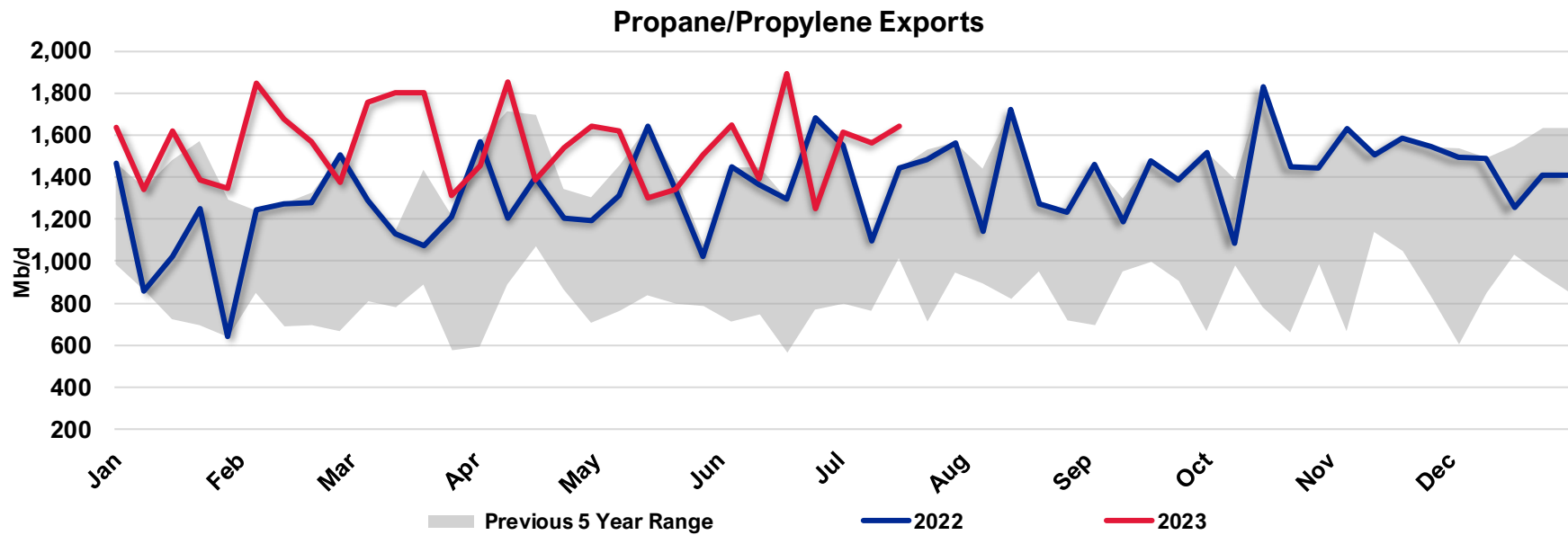


Figure 11

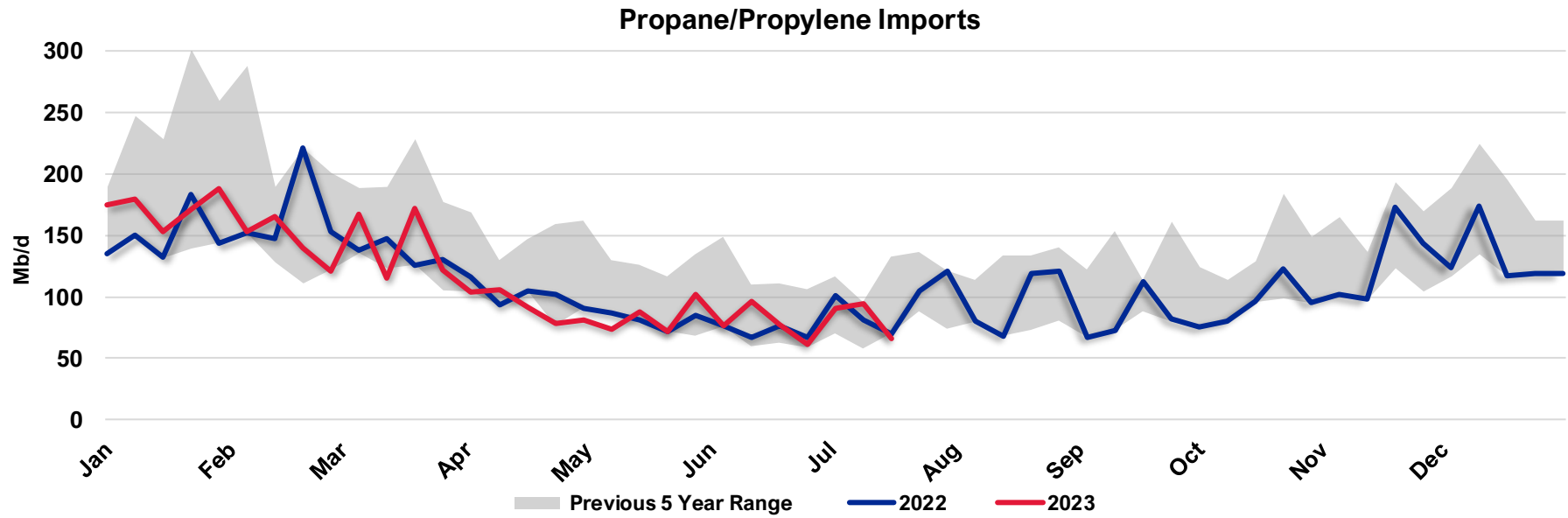


Figure 12

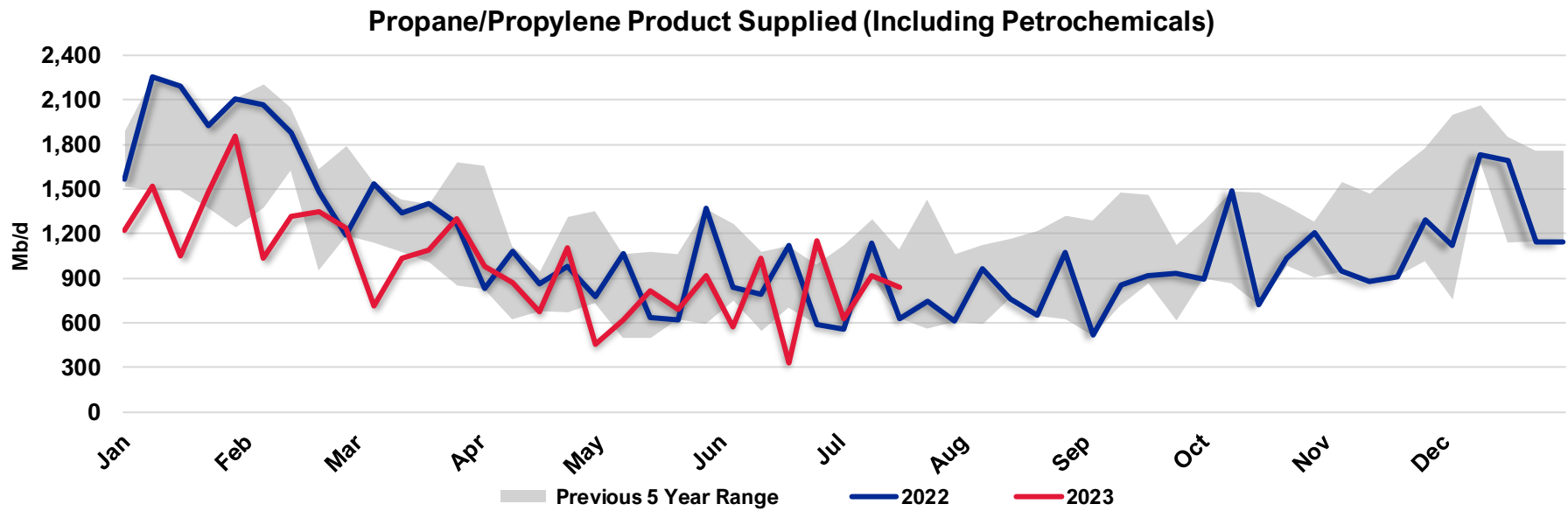


Figure 13

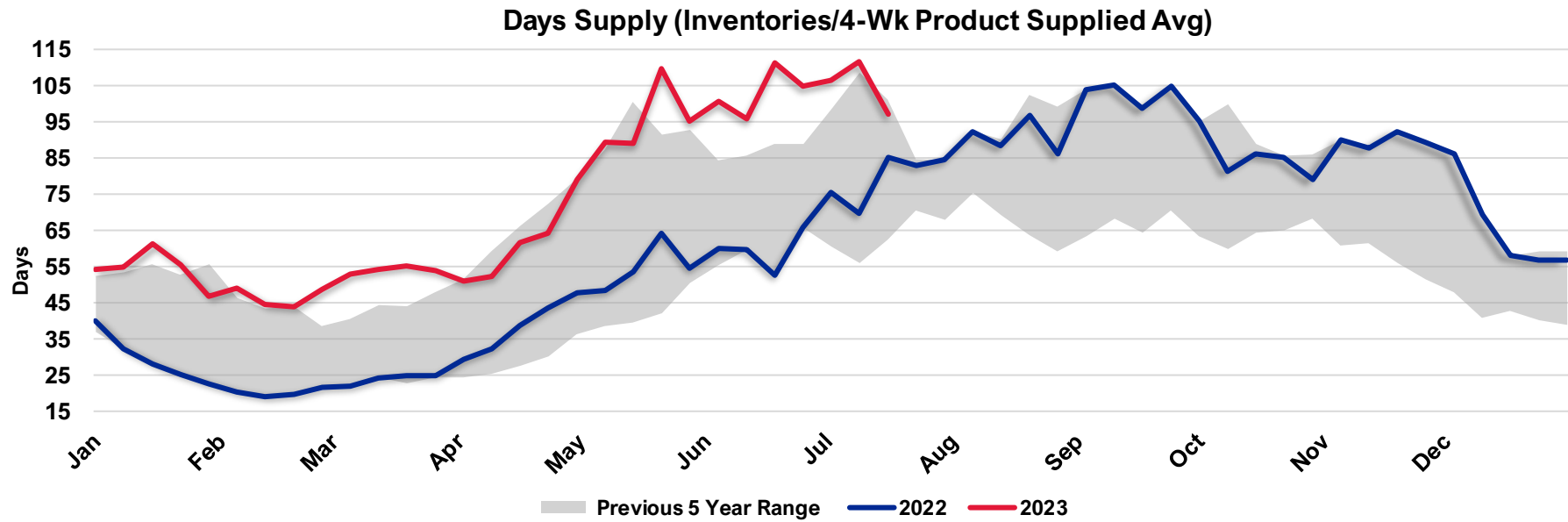
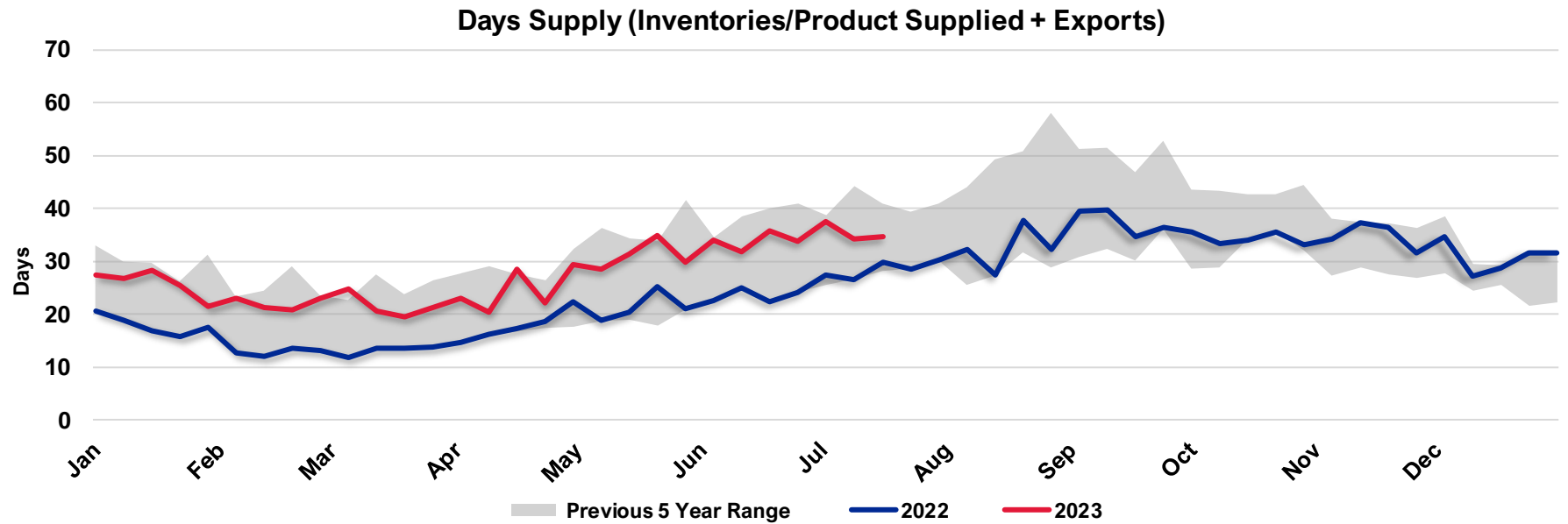


Figure 14



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