



WEEKLY PROPANE MARKET UPDATE

October 25, 2023

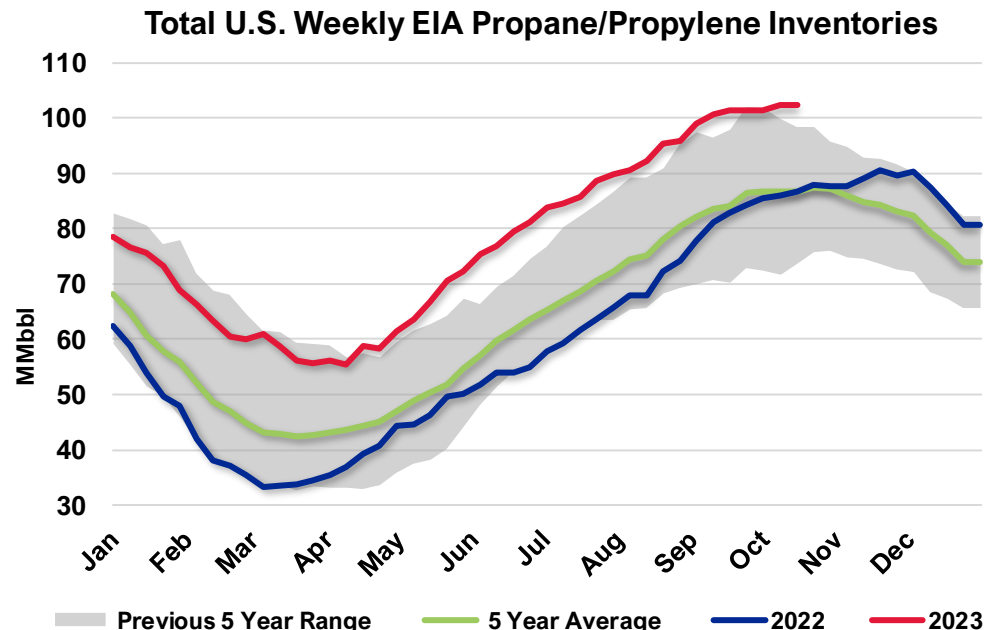
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories built by 111 Mbbbl for the week ended October 20, slightly below average industry expectations for a 420-Mbbbl gain but above the 299 Mbbbl average draw for the week. Total U.S. propane stocks now stand at 102.4 MMbbl, which is 15.8 MMbbl, or 18.2%, above the 5-year average.
- » Crude oil prices moved lower over the last week as poor European economic data weighed on the outlook for oil demand. WTI settled at \$83.74/bbl on October 24, down \$2.92/bbl from October 17. Propane prices were weaker than crude, with Mont Belvieu non-TET falling by 5.3 c/gal from last week to 64.9 c/gal on October 24. As a result, the propane-to-WTI ratio declined by 1 percentage point to 33%.
- » Weekly exports of propane reported by the EIA rebounded sharply to 1.84 MMbbl/d, up 697 Mbbbl/d from last week's low rate and well above the year-to-date average of 1.58 MMbbl/d.
- » Total U.S. production of propane/propylene declined by 68 Mbbbl/d to 2,581 Mbbbl/d as output fell in all PADDs.

MARKET OVERVIEW

Mont Belvieu propane prices fell by 7.5% during the past week, settling at 64.9 c/gal on October 24. WTI prices held up better than propane, declining by \$2.92/bbl, or 3.4%, to \$83.74/bbl over the same period, which pushed the propane-to-WTI ratio down 1 percentage point to 33% (blue line, Figure 4). The current ratio remains below the 41% average recorded in October 2022. The forward propane-to-WTI ratio for November 2023-January 2024 was down 2 percentage points from last week to 33% (red dashed line, Figure 4).

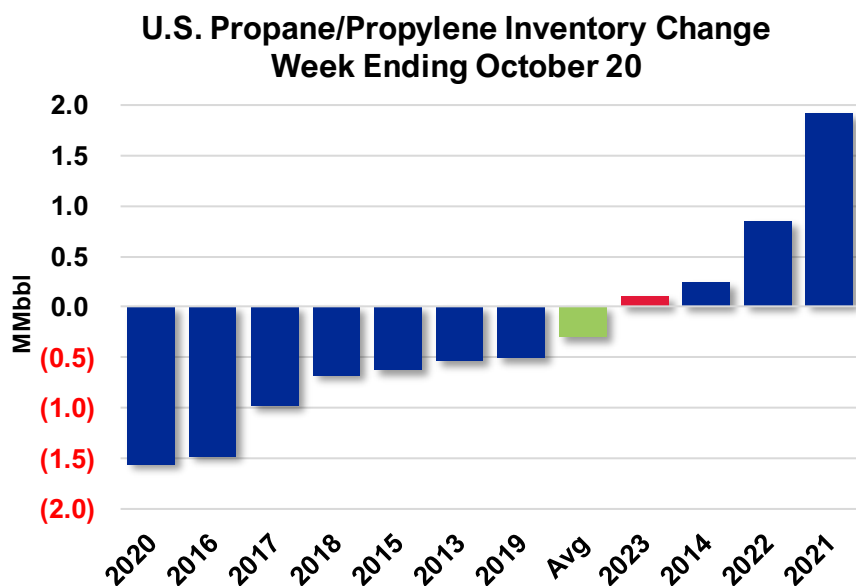
Figure 1



ANALYSIS & INSIGHTS

In today's EIA report, U.S. propane inventories recorded a build of 111 Mbbbl for the week ended October 20. According to OPIS, the average of industry expectations called for a build of 420 Mbbbl; the average change for the week is a draw of 299 Mbbbl. Total U.S. propane stocks now stand at 102.4 MMbbl. Inventories are 15.6 MMbbl, or 18%, above the same week in 2022 and 4.1 MMbbl, or 4.18%, above the 5-year maximum. Inventories are 15.8 MMbbl, or 18.2%, above the 5-year average. Regional changes were mixed, with PADD 3 having the largest increase in inventory.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 3 (Gulf Coast) propane inventories increased by 815 Mbbbl. Total stocks for the region are now 60 MMbbl, putting them at 11.5 MMbbl, or 23.8%, above 2022 and 1.9 MMbbl, or 3.3%, above the 5-year maximum. Inventories are 12.5 MMbbl, or 26.2%, above the 5-year average.

PADD 2 (Midwest) stocks declined by 645 Mbbbl. Midwest inventories stand at 27.1 MMbbl, which is 2.3 MMbbl, or 9.5%, over 2022 but 719 Mbbbl, or 2.6%, below the 5-year maximum. Stocks are 1.1 MMbbl, or 4.1%, above the 5-year average.

PADD 1 (East Coast) had a small draw of 50 Mbbbl. East Coast inventories are now at 9.4 MMbbl, which is 1.1 Mbbbl, or 13.7%, above 2022 and 911 Mbbbl or 10.7%, above the 5-year maximum. Inventories are 1.3 MMbbl, or 16.1%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) propane inventories were essentially unchanged for the week. Total stocks for the region remain at 5.9 MMbbl, which is 605 Mbbbl, or 11.4%, over 2022 and on par with the 5-year maximum. Stocks are 963 Mbbbl, or 19.4%, above the 5-year average.

Total U.S. production decreased by 68 Mbbbl/d to 2,581 Mbbbl/d, with declines reported across all regions. Exports recovered from last week’s drop with a strong increase of 697 Mbbbl/d to 1,843 Mbbbl/d, which is above the 4-week average of 1,774 Mbbbl/d. Imports were essentially unchanged at 104 Mbbbl/d, supported by higher volumes into PADD 2 that were offset by decreases in PADD 1 and PADD 4/5. Product supplied dropped by 667 Mbbbl/d to 826 Mbbbl/d.

Propane Inventory Change

The build in propane stocks for the week ended October 20 (red bar, Figure 2) of 111 Mbbbl was about 410 Mbbbl higher than the average decrease of 299 Mbbbl (green bar, Figure 2).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu non-TET was unchanged from last week, with Conway trading at a 1.7 c/gal discount on October 24. The forward-price differential between Mont Belvieu (TET or LST) and Conway narrowed from the prior week, with Mont Belvieu trading at a 1.4 c/gal premium to Conway for November 2023 (shaded area, Figure 3).

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 113 days, 27 days higher than the same week in 2022 and 24 days above the 5-year maximum.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 39 days of inventory, which is four days more than 2022 but four 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

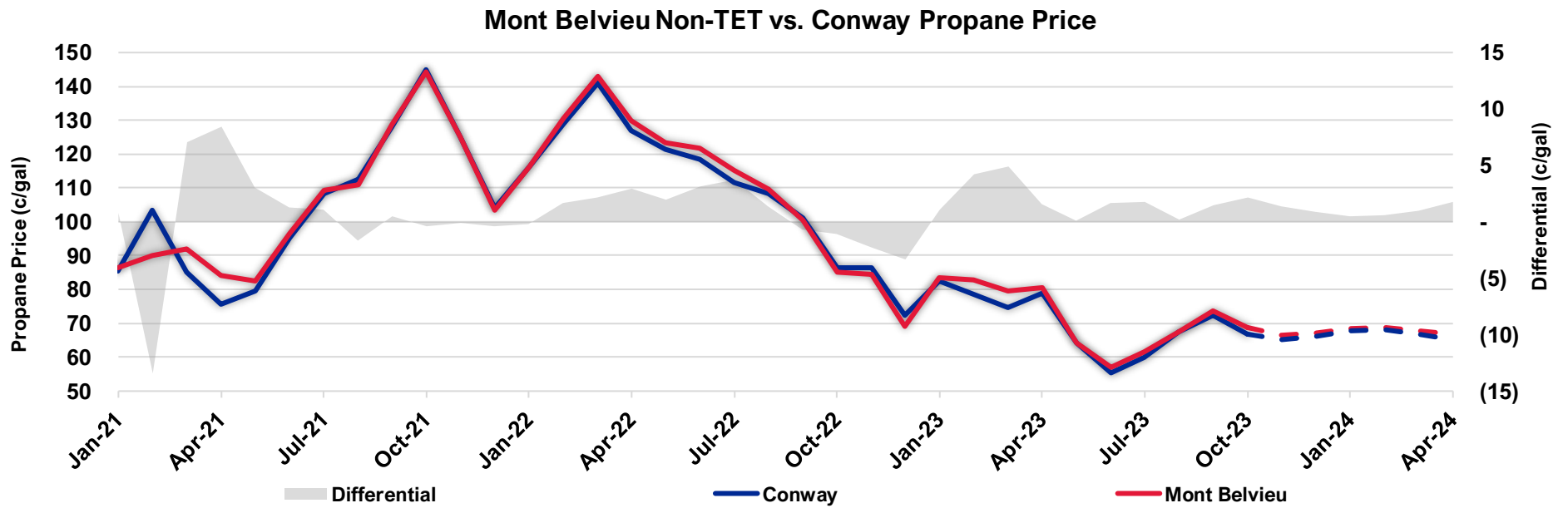
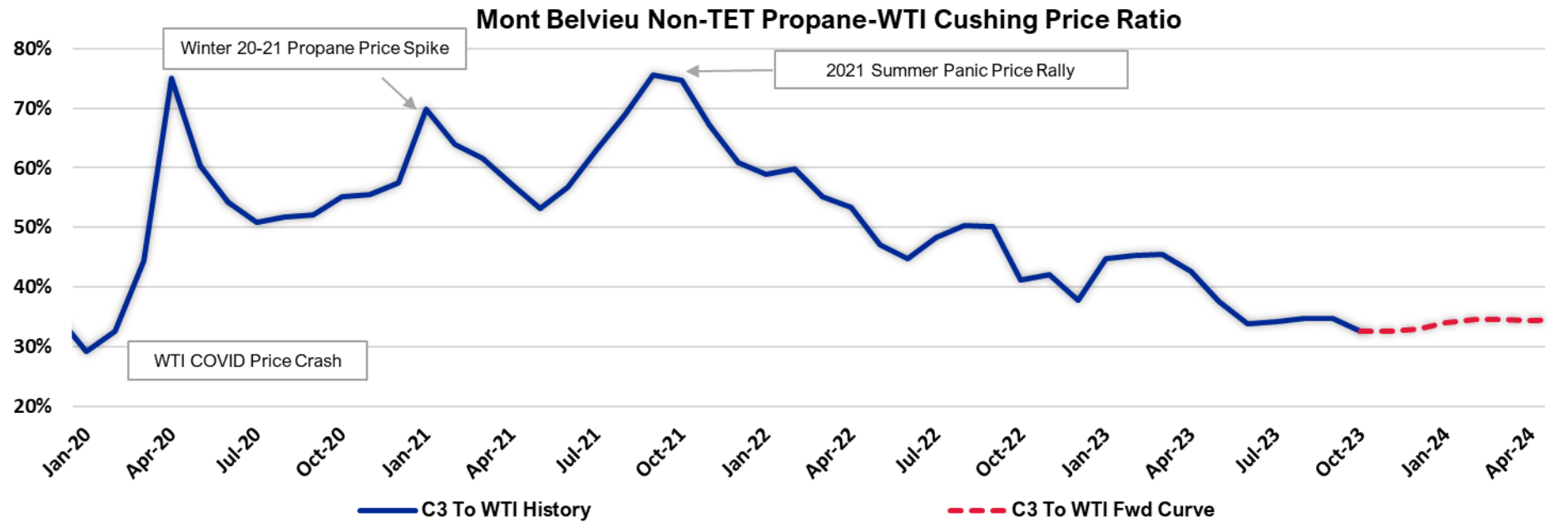


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

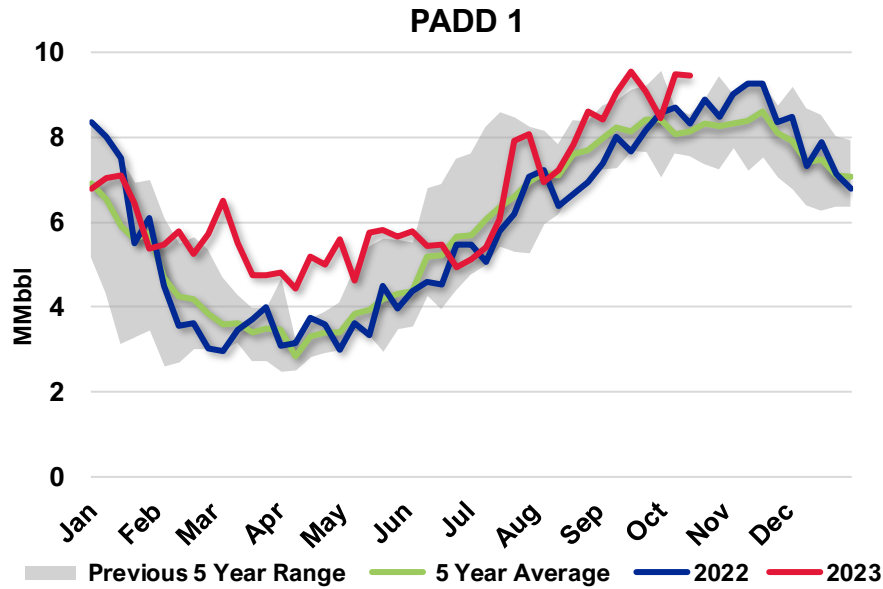


Figure 6

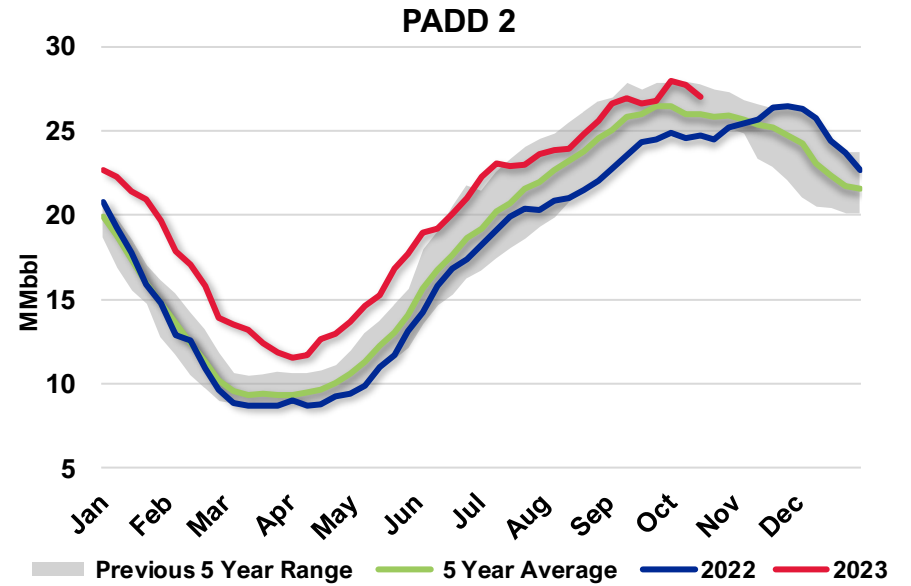


Figure 7

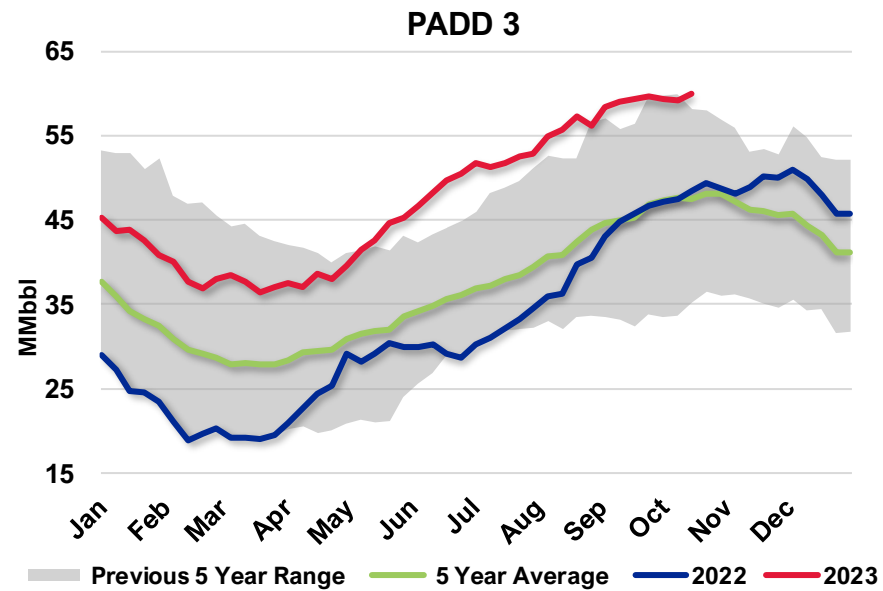


Figure 8

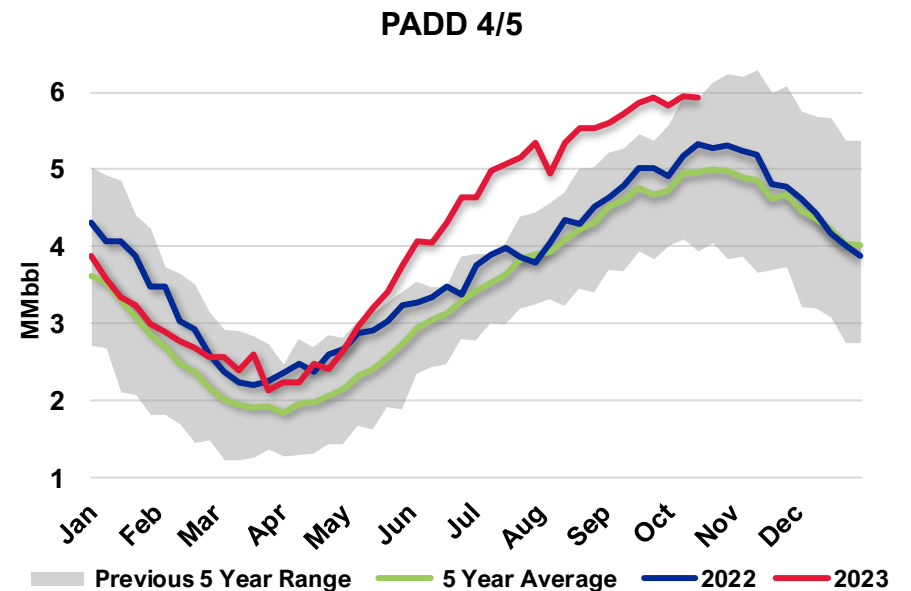


Figure 9

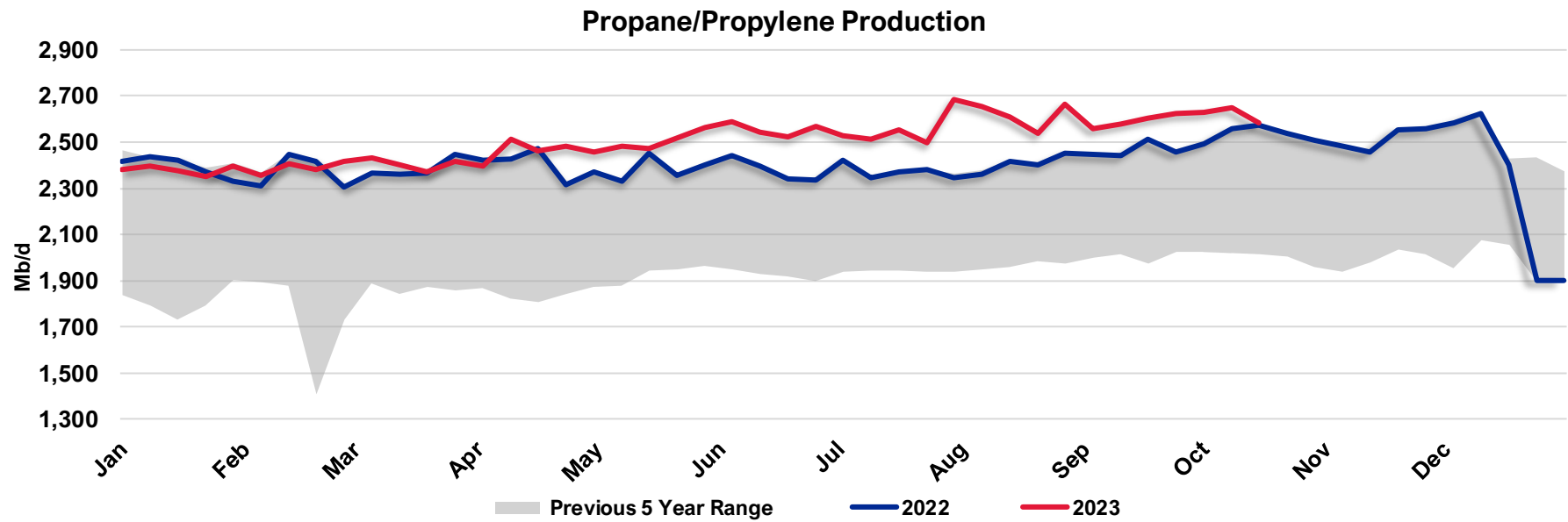


Figure 10

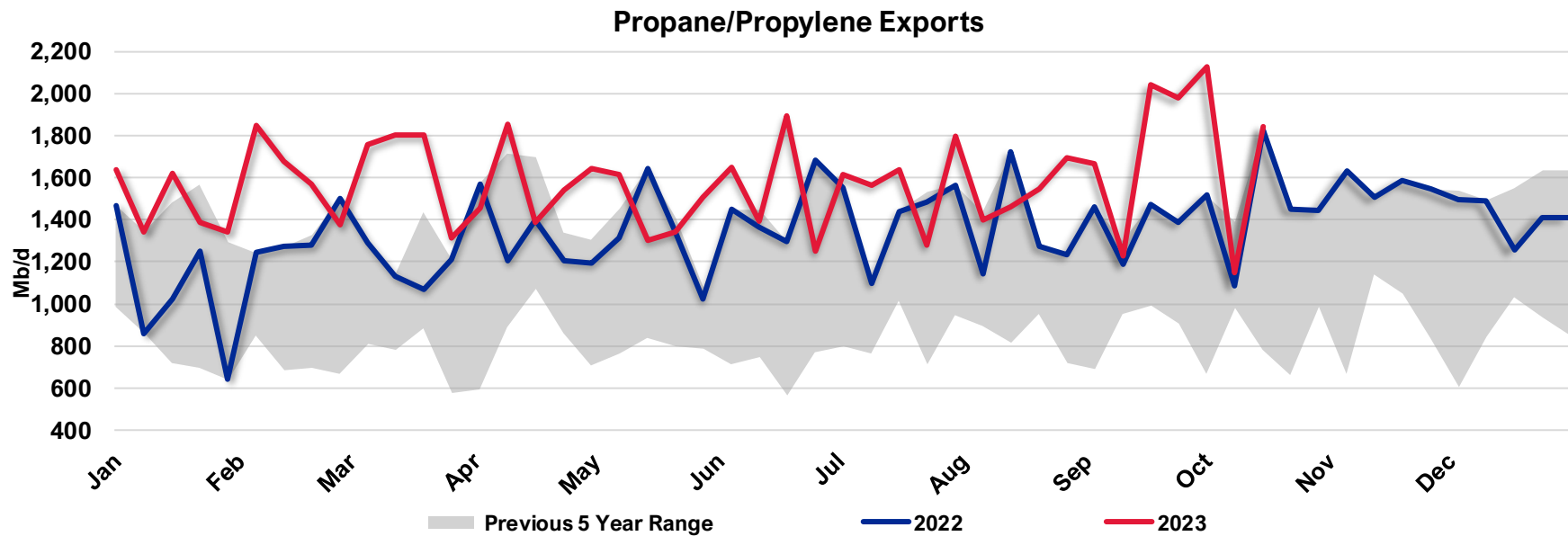


Figure 11

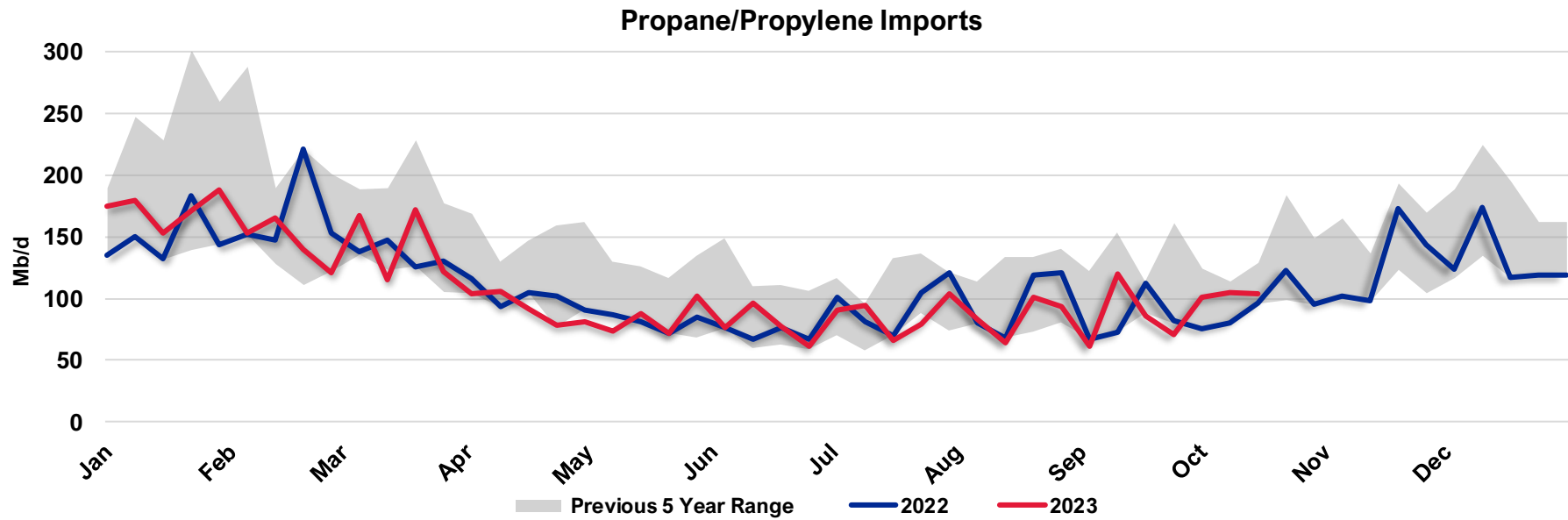


Figure 12

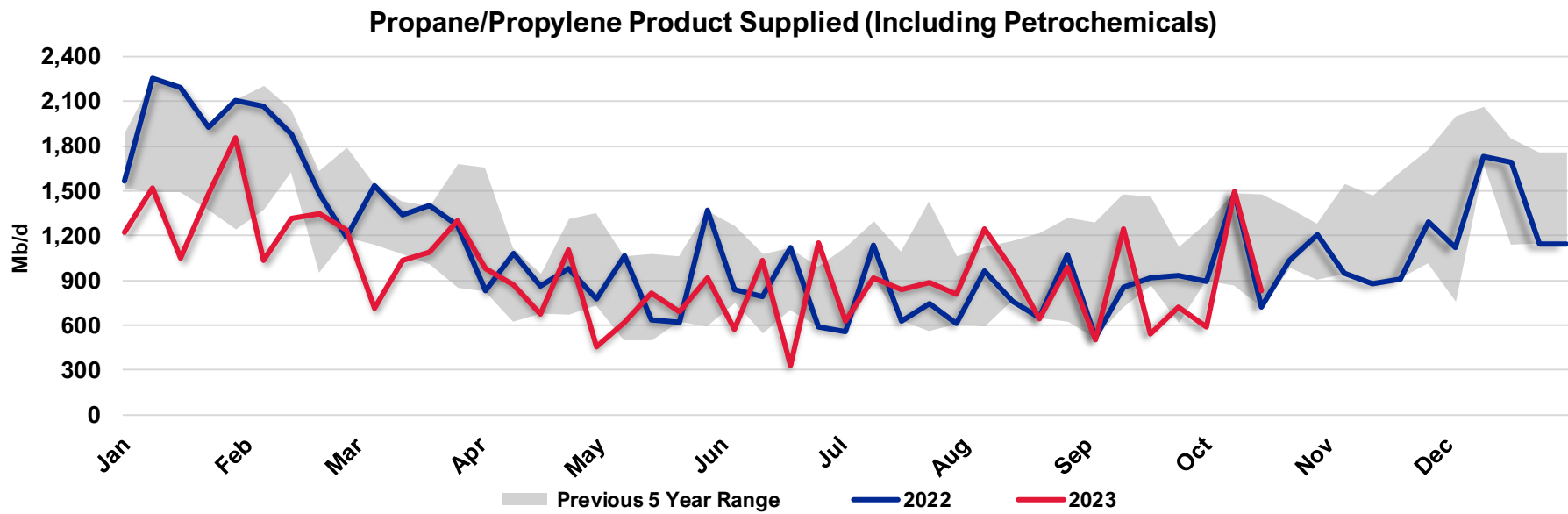


Figure 13

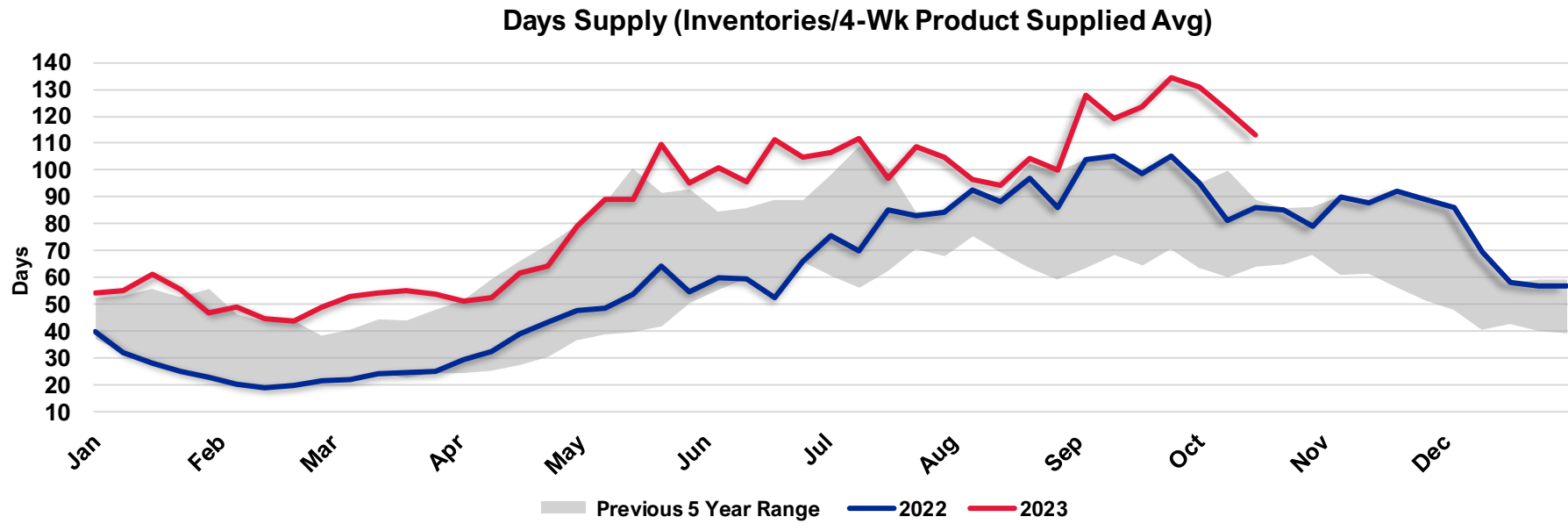
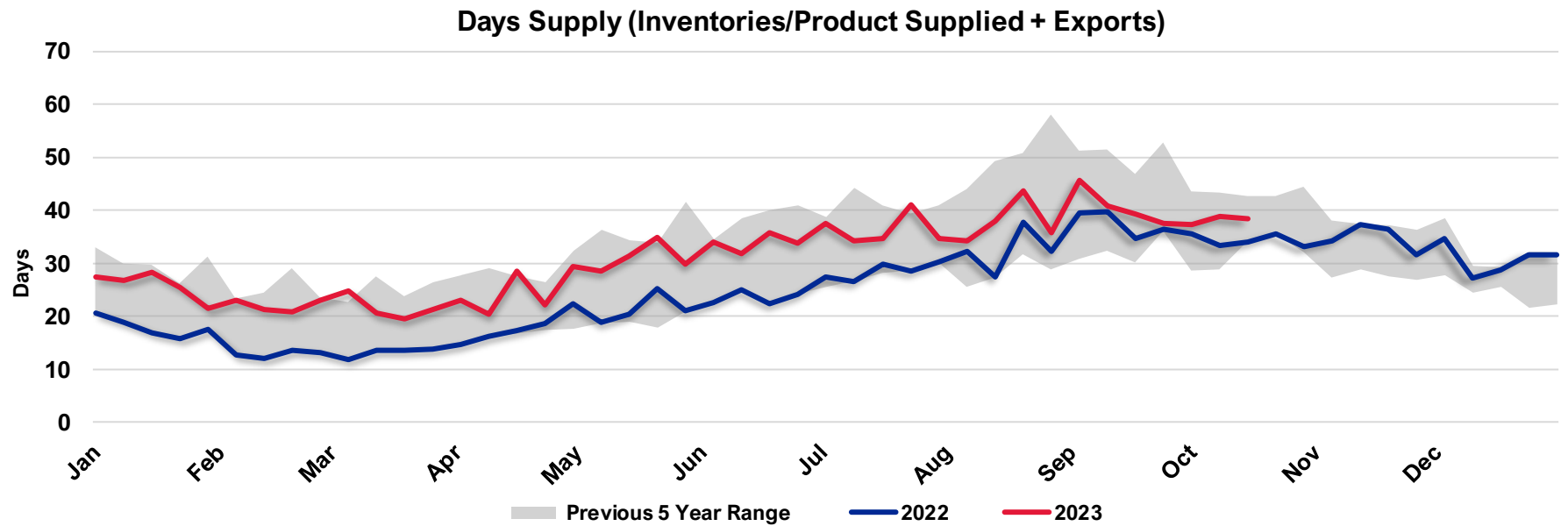


Figure 14



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