



WEEKLY PROPANE MARKET UPDATE

October 18, 2023

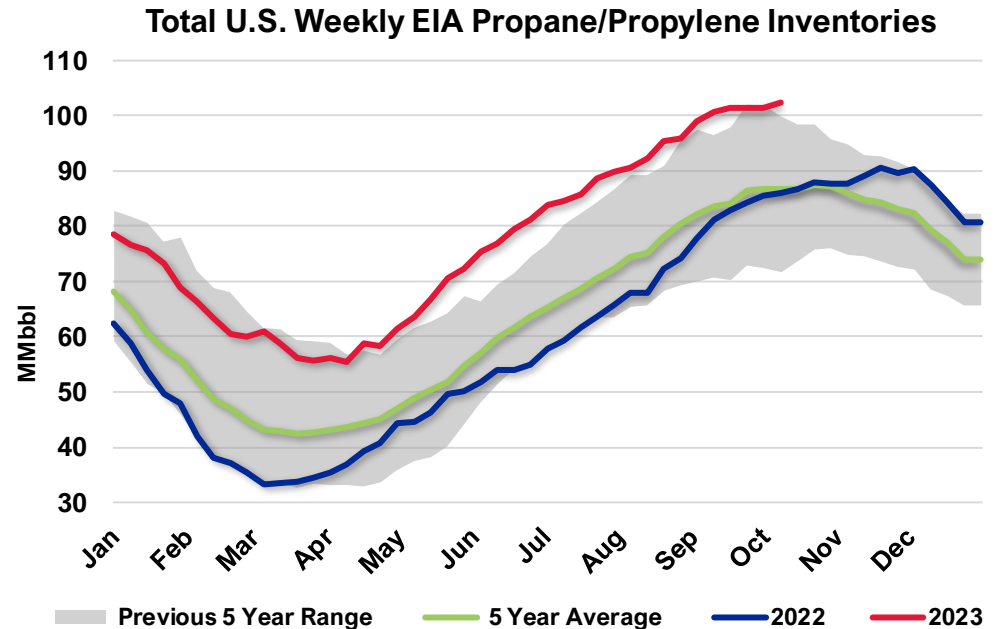
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories built by 806 Mbbbl for the week ended October 13, which was above average industry expectations for a 260-Mbbbl gain and the 222 Mbbbl average build for the week. Total U.S. propane stocks now stand at 102.3 MMbbl, which is 15.7 MMbbl, or 18.1%, above the 5-year average.
- » Crude oil prices were modestly higher during the week as the market focused on supply concerns stemming from the conflict in the Middle East. WTI settled at \$86.66/bbl on October 17, up \$3.17/bbl from October 11. Propane prices were also stronger, but slightly weaker than crude, with Mont Belvieu non-TET increasing by 1.9 c/gal from last week to 70.2 c/gal on October 17. As a result, the propane-to-WTI ratio declined by 1 percentage point to 34%.
- » Weekly exports of propane reported by the EIA plunged to 1.15 MMbbl/d, down 983 Mbbbl/d from last week's record-high rate and well below the year-to-date average of 1.57 MMbbl/d.
- » Total U.S. production of propane/propylene increased by 18 Mbbbl/d to 2,649 Mbbbl/d as output increased in PADD 1 and PADD 2.

MARKET OVERVIEW

Mont Belvieu propane prices increased by 2.8% during the past week, settling at 70.2 c/gal on October 17. WTI prices were stronger than propane, increasing by \$3.17/bbl, or 3.8%, to \$86.66/bbl over the same period, which pushed the propane-to-WTI ratio down 1 percentage point to 34% (blue line, Figure 4). The current ratio remains below the 41% average recorded in October 2022. The forward propane-to-

Figure 1

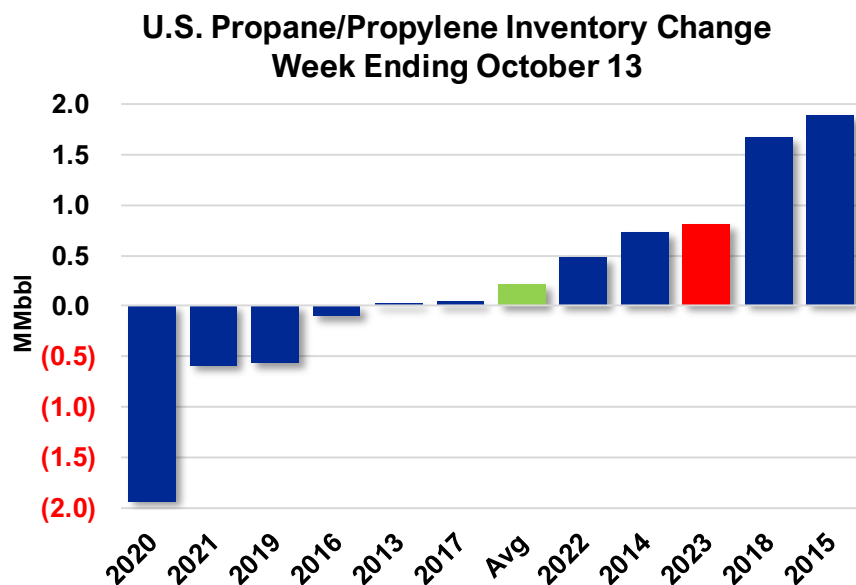


WTI ratio for November 2023-January 2024 was unchanged from last week at 35% (red dashed line, Figure 4).

ANALYSIS & INSIGHTS

In today's EIA report, U.S. propane inventories recorded an above-average build of 806 Mbbbl for the week ended October 13. According to OPIS, the average of industry expectations called for a build of 260 Mbbbl. Total U.S. propane stocks now stand at 102.3 MMbbl. Inventories are 16.4 MMbbl, or 19%, above the same week in 2022 and 2.4 MMbbl, or 2.4%, above the 5-year maximum. Inventories are 15.7 MMbbl, or 18.1%, above the 5-year average. Regional changes were mixed, with PADD 1 having the largest increase in inventory.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 3 (Gulf Coast) had a small draw in propane inventories of 93 Mbbl. Total stocks for the region are now 59.2 MMbbl, putting them at 11.7 MMbbl, or 24.6%, above 2022 but 702 Mbbl, or 1.2%, below the 5-year maximum. Inventories are 11.6 MMbbl, or 24.3%, above the 5-year average.

PADD 2 (Midwest) stocks drew by 281 Mbbl. Midwest inventories stand at 27.7 MMbbl, which is 3.1 MMbbl, or 12.7%, over 2022 but 239 Mbbl, or 0.9%, below the 5-year maximum. Stocks are 1.7 MMbbl, or 6.4%, above the 5-year average.

PADD 1 (East Coast) had a strong build in stocks of 1.1 MMbbl. East Coast inventories are now at 9.5 MMbbl, which is 794 Mbbl, or 9.1%, above 2022 (also the 5-year maximum) and 1.4 MMbbl, or 17.8%, above the 5-year average.

PADD 4 (Rocky Mountain) plus PADD 5 (West Coast) inventories built by 122 Mbbl. Total stocks for the region are 5.9 MMbbl, which is 763

Mbbl, or 14.7%, over 2022 and on par with the 5-year maximum. Stocks are 987 Mbbl, or 19.9%, above the 5-year average.

Total U.S. production increased by 18 Mbbl/d to 2,649 Mbbl/d. PADD 1 and PADD 2 production increased by a combined 38 Mbbl/d, which was partially offset by a 20-Mbbl/d decline in PADD 3 and PADD 4/5 supply. Exports plunged from last week's record high, sinking by 983 Mbbl/d to 1,146 Mbbl/d, well below the 4-week average of 1,823 Mbbl/d. Imports increased by 4 Mbbl/d to 105 Mbbl/d, supported by higher volumes into PADD 2 and PADD 4/5. Product supplied increased sharply by 906 Mbbl/d to 1,493 Mbbl/d.

Propane Inventory Change

The build in propane stocks for the week ended October 13 (red bar, Figure 2) of 806 Mbbl was 584 Mbbl higher than the average increase of 222 Mbbl (green bar, Figure 2).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu non-TET narrowed from last week, with Conway trading at a 1.7 c/gal discount on October 17. The forward-price differential between Mont Belvieu (TET or LST) and Conway was relatively flat from the prior week, with Mont Belvieu trading at a 1.8 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 122 days, 41 days higher than the same week in 2022 and 22 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 five days more than 2022 but five 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

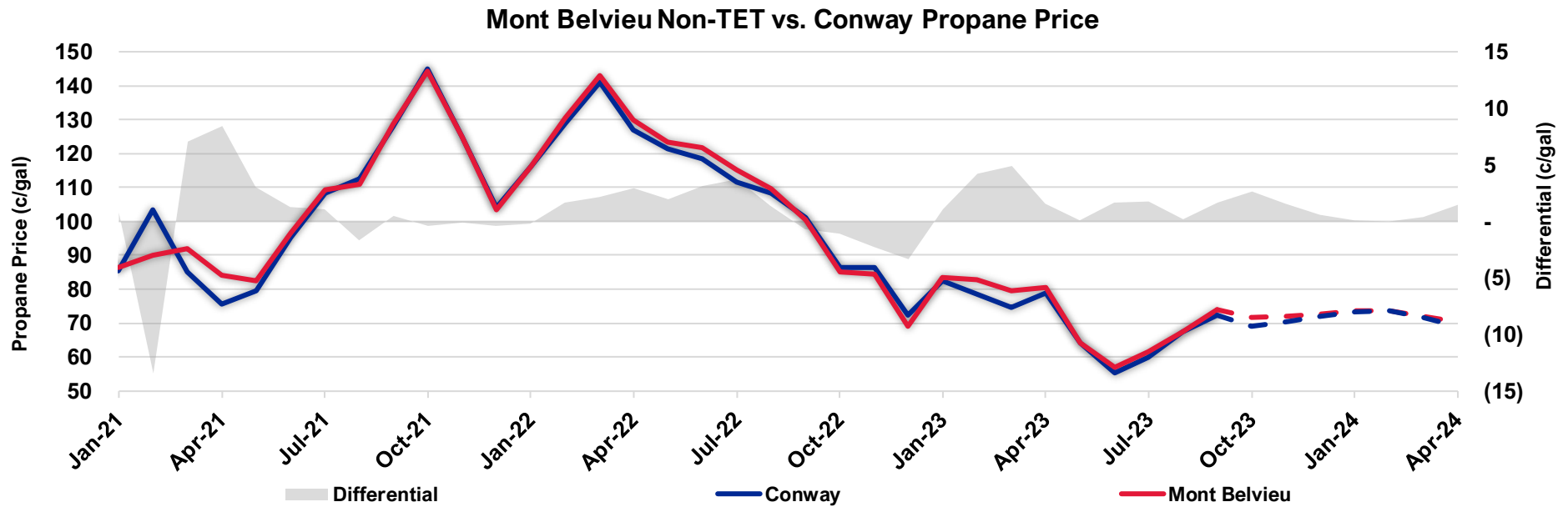
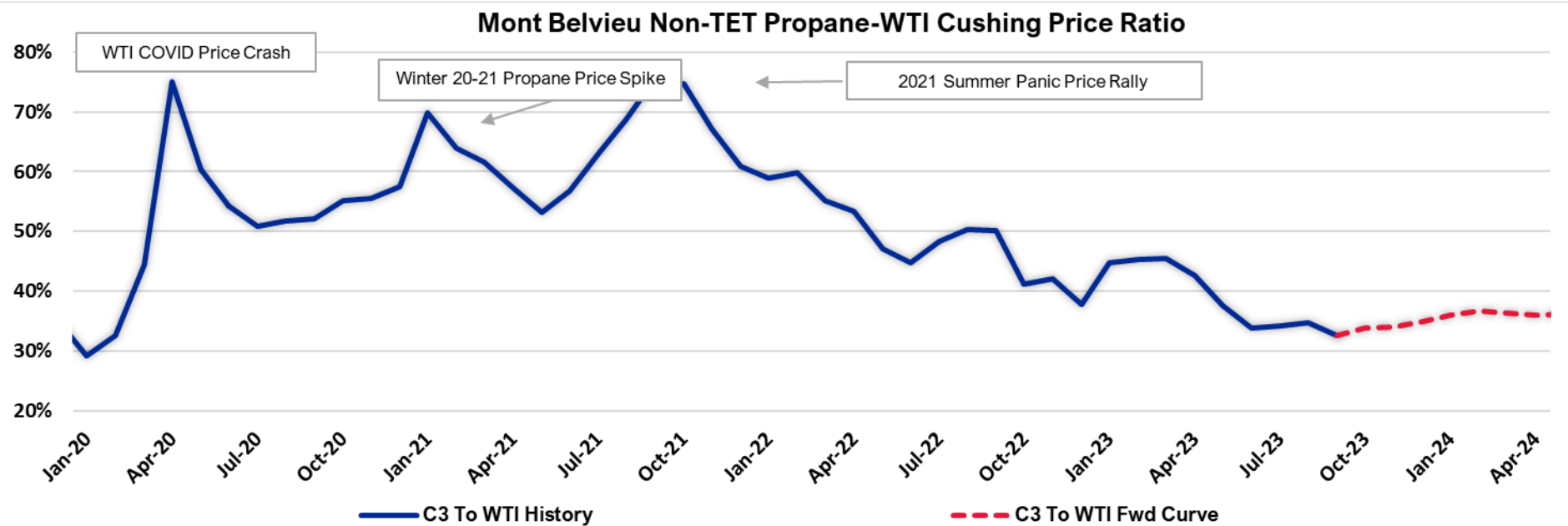


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

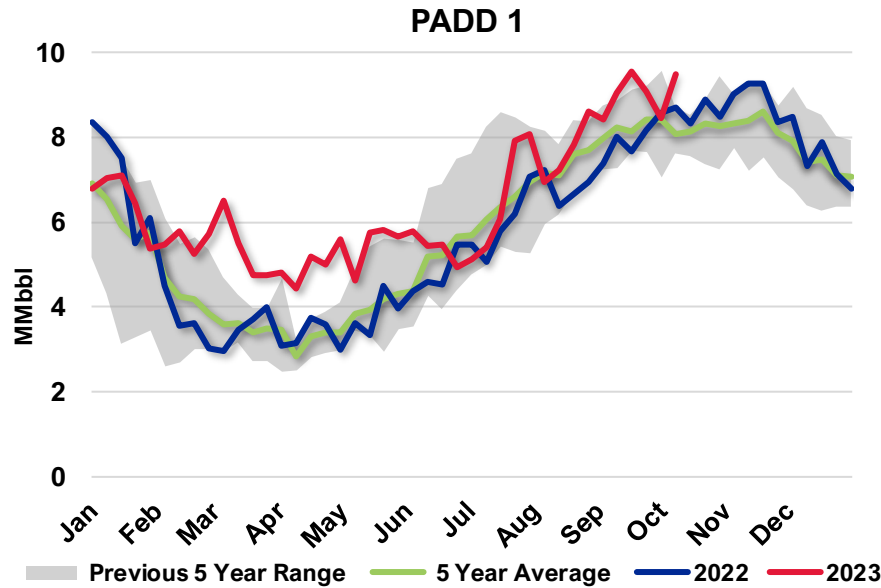


Figure 6

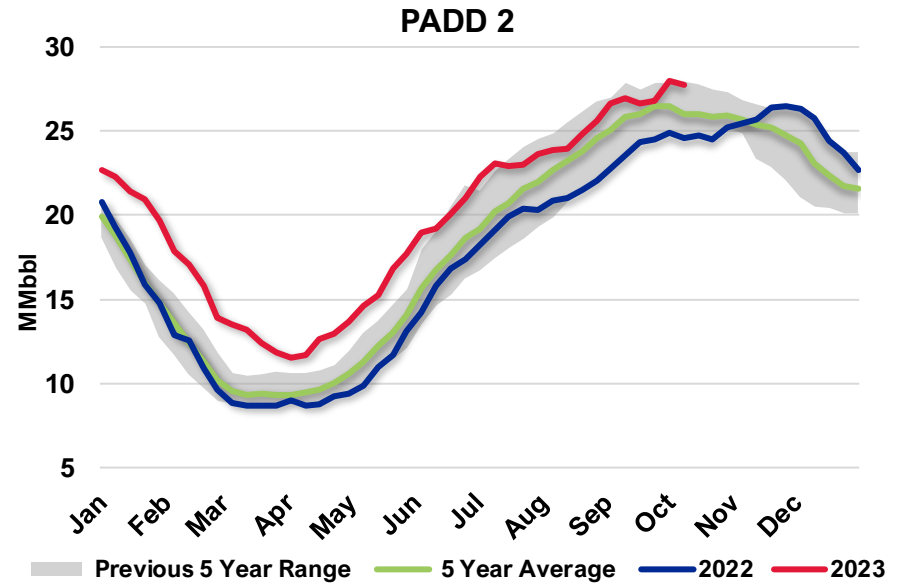


Figure 7

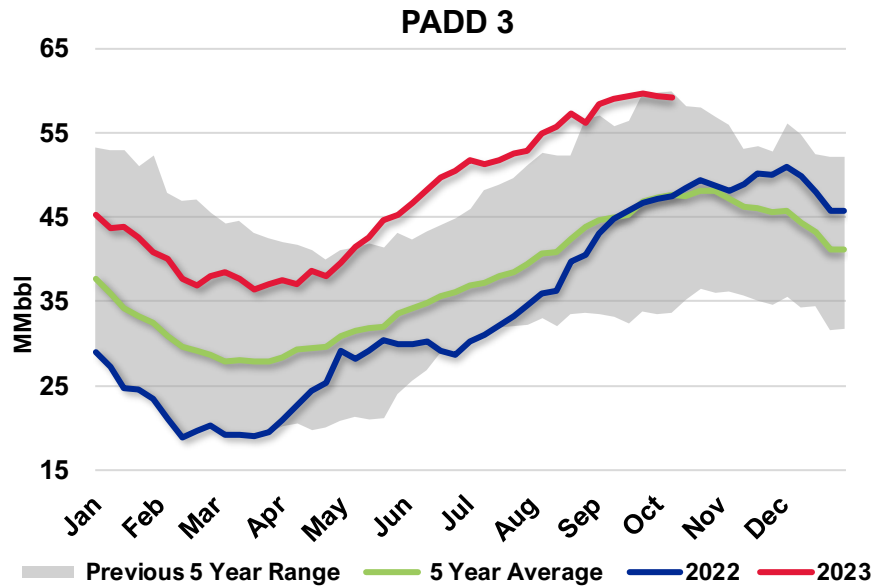


Figure 8

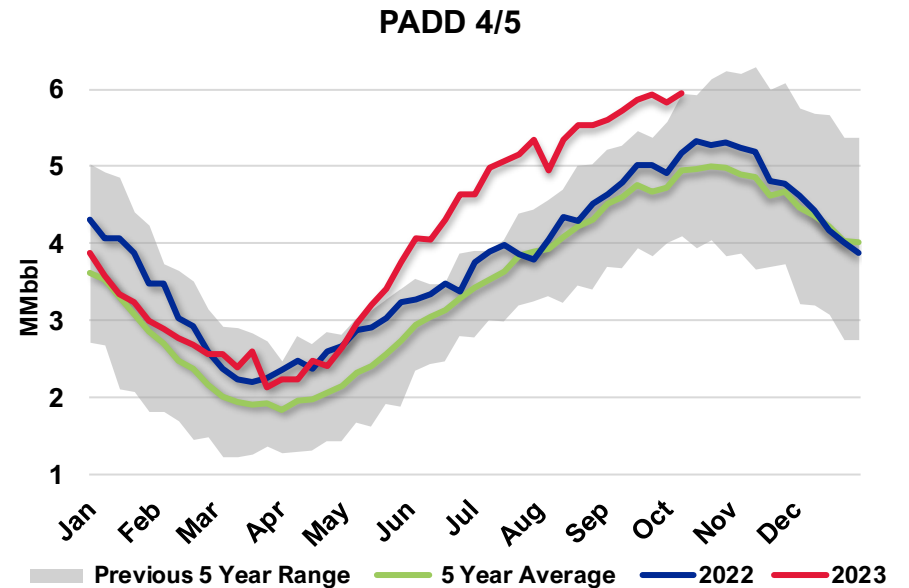


Figure 9

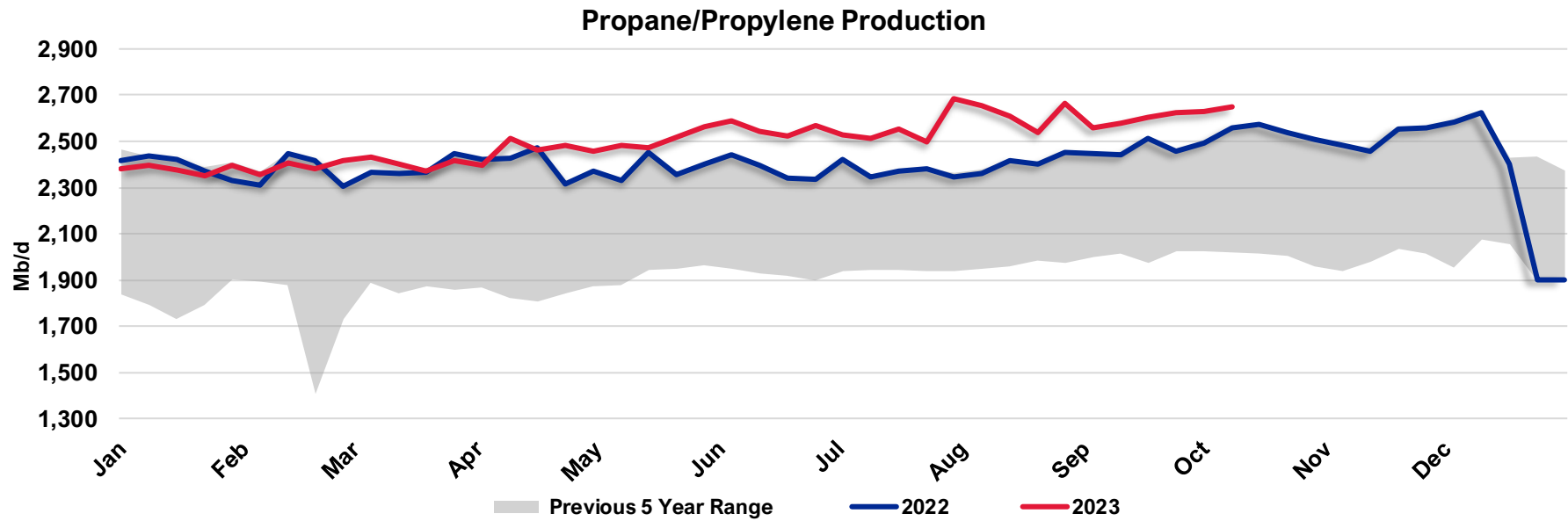


Figure 10

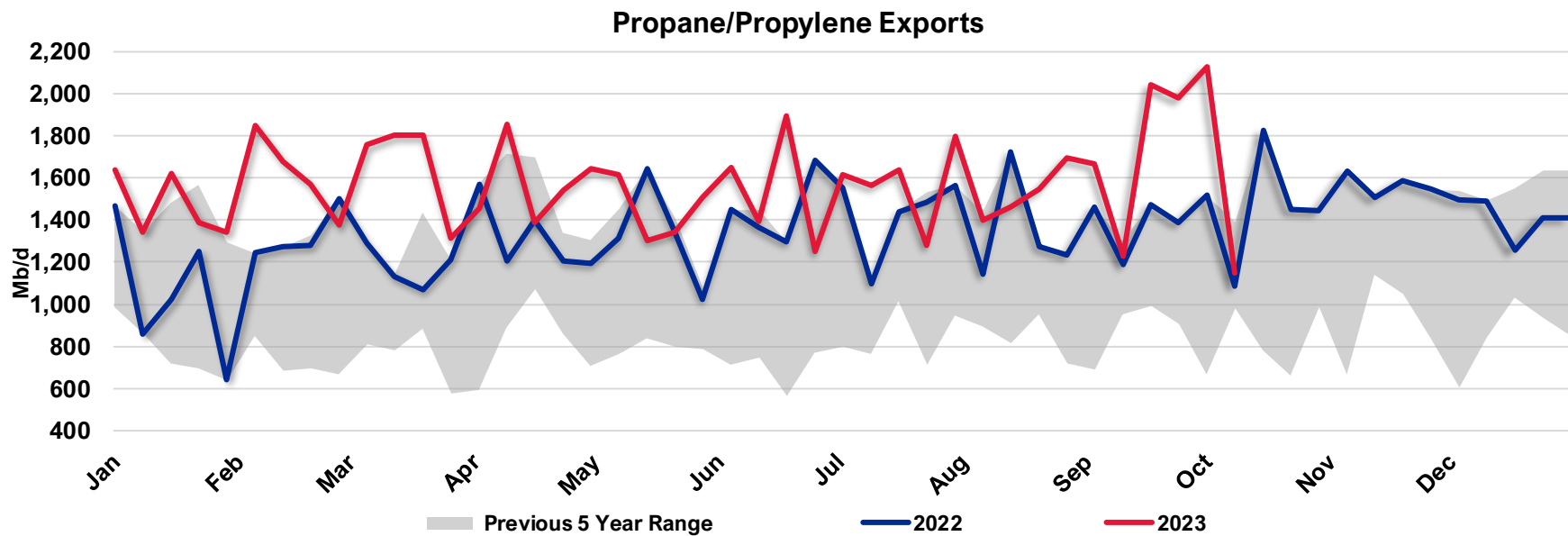


Figure 11

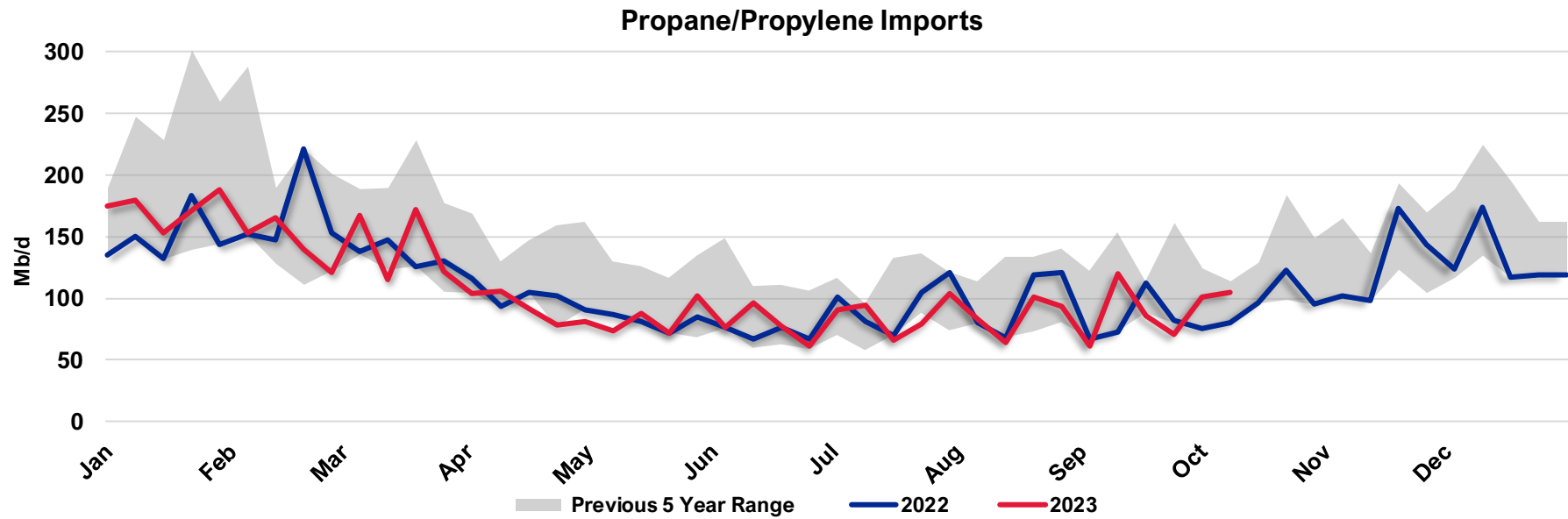


Figure 12

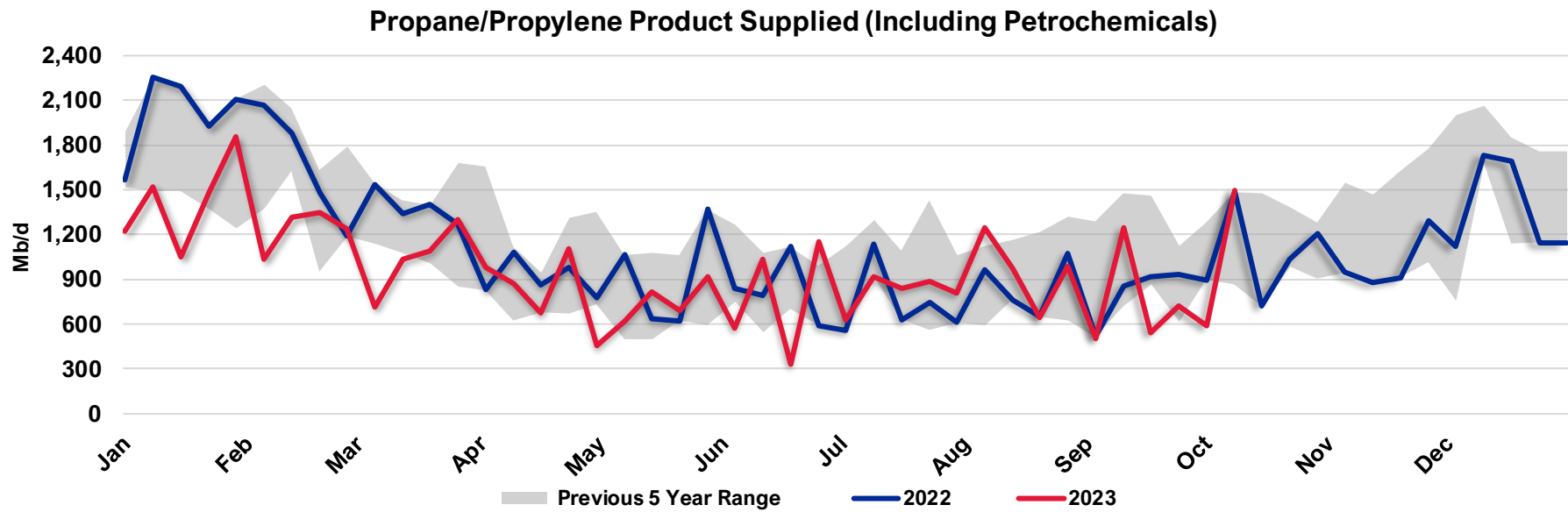


Figure 13

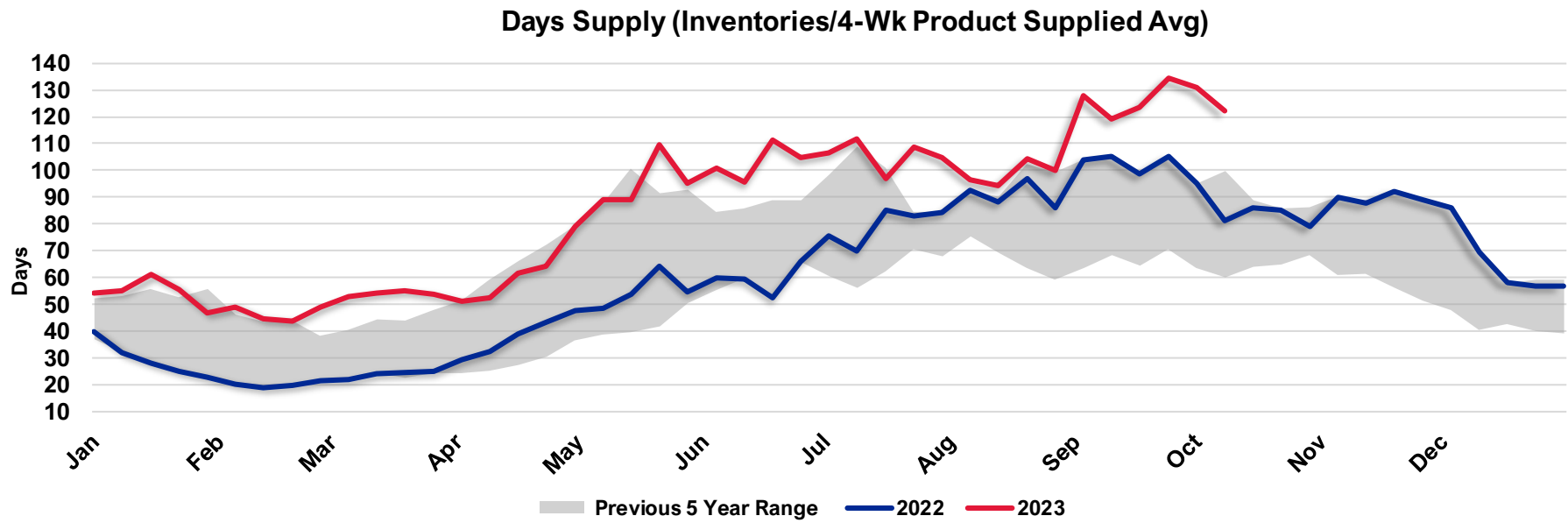
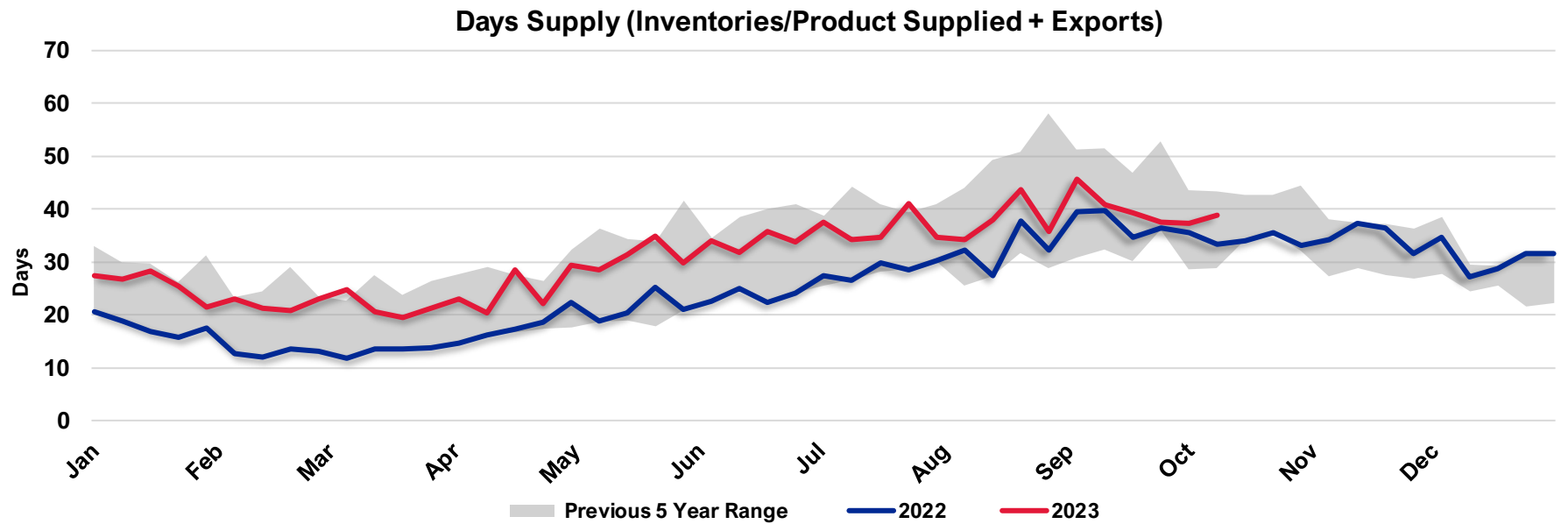


Figure 14



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