



WEEKLY PROPANE MARKET UPDATE

November 1, 2023

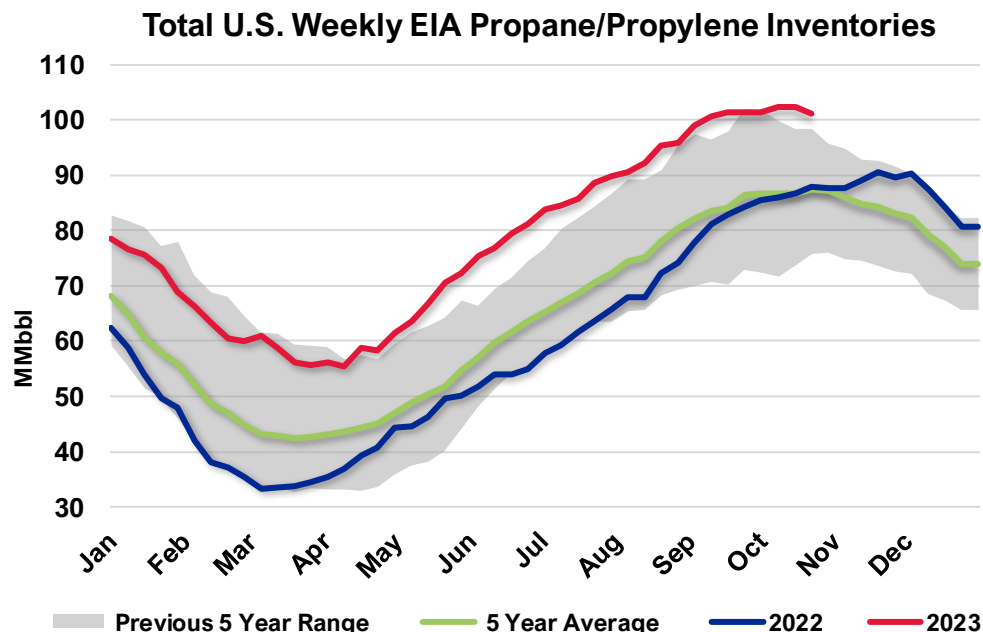
HIGHLIGHTS

- » The EIA reported that total U.S. propane/propylene inventories fell by 1.2 MMbbl for the week ended October 27, which was below average industry expectations for a 500-Mbbl decline but above the 152 Mbbl average draw for the week. Total U.S. propane stocks now stand at 101.2 MMbbl, which is 13.9 MMbbl, or 15.9%, above the 5-year average.
- » Crude oil prices moved lower over the last week amid concerns about rising U.S. interest rates and a slowing global economy. WTI settled at \$81.02/bbl on October 31, down \$2.72/bbl from October 24. Propane prices held up better than crude, with Mont Belvieu non-TET rising by 0.4 c/gal from last week to 65.3 c/gal on October 31. As a result, the propane-to-WTI ratio increased by 1 percentage point to 34%.
- » Weekly exports of propane reported by the EIA remained robust at 1.89 MMbbl/d, up 50 Mbbl/d from last week's low rate and well above the year-to-date average of 1.59 MMbbl/d.
- » Total U.S. production of propane/propylene declined by 29 Mbbl/d to 2,552 Mbbl/d as output fell in PADD 3 and PADD 4/5.

MARKET OVERVIEW

Mont Belvieu propane prices rose by 0.6% during the past week, settling at 65.3 c/gal on October 31. WTI prices were weaker than propane, declining by \$2.72/bbl, or 3.2%, to \$81.02/bbl over the same period, which pushed the propane-to-WTI ratio up 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-WTI ratio for November 2023-January 2024 was up 2 percentage points from last week to 35% (red dashed line, Figure 4).

Figure 1

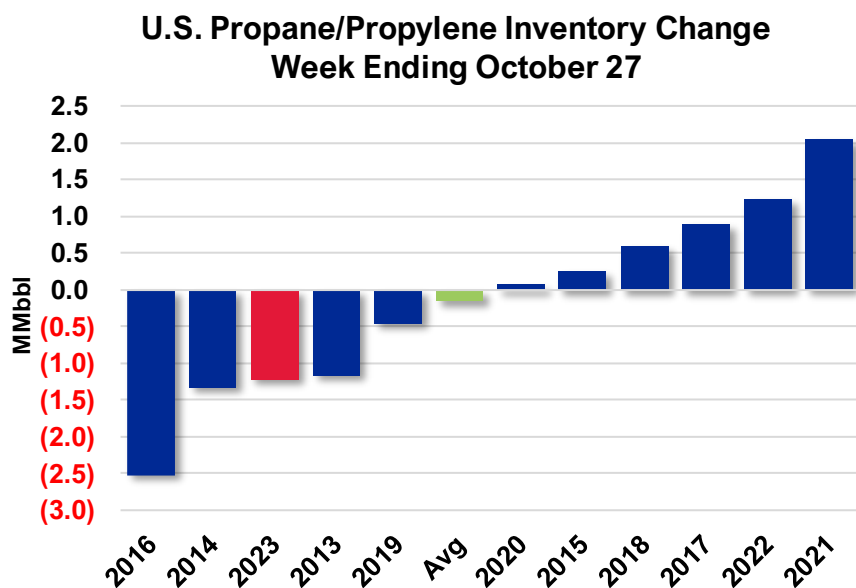


ANALYSIS & INSIGHTS

According to OPIS, the average of industry expectations for U.S. propane inventories for the week ended October 27 was for a draw of 500 Mbbl. In today's EIA report, U.S. propane inventories decreased by 1.2 MMbbl; the average change for the week is a draw of 152 Mbbl. Total U.S. propane stocks now stand at 101.2 MMbbl. Inventories are 13.1 MMbbl, or 14.9%, above the same week in 2022 and 2.8 MMbbl, or 2.85%, above the 5-year maximum. Inventories are 13.9 MMbbl, or 15.9%, above the 5-year average. Regional changes were mixed, with PADD 3 having the largest decrease in inventory.

PADD 3 (Gulf Coast) propane inventories decreased by 1.7 MMbbl. Total stocks for the region are now 58.3 MMbbl, putting them at 8.9 MMbbl, or 18%, above 2022 and 338 Mbbl, or 1%, above the 5-year maximum. Inventories are 10.1 MMbbl, or 21.1%, above the 5-year average.

Figure 2



ANALYSIS & INSIGHTS (continued)

PADD 2 (Midwest) stocks grew slightly by 140 Mbbbl. Midwest inventories stand at 27.2 MMbbl, which is 2.7 MMbbl, or 11.2%, over 2022 but 246 Mbbbl, or 1%, below the 5-year maximum. Stocks are 1.3 MMbbl, or 5.2%, above the 5-year average.

PADD 1 (East Coast) had a build of 342 Mbbbl. East Coast inventories are now at 9.8 MMbbl, which is 916 Mbbbl, or 10.3%, above 2022 and 916 Mbbbl, or 10.3%, above the 5-year maximum. Inventories are 1.5 MMbbl, or 17.6%, 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 621 Mbbbl, or 11.8%, over 2022; however, stocks are 224 Mbbbl under the 5-year maximum. Stocks are 910 Mbbbl, or 18.2%, above the 5-year average.

Total U.S. production decreased by 29 Mbbbl/d to 2,552 Mbbbl/d. PADD 3 had the largest decline of 39 Mbbbl/d along with PADD 4/5, which had as decrease in production of 9 Mbbbl/d. PADD 1 and PADD 2 had a combined increase of 20 Mbbbl/d. Exports remain strong with an increase of 50 Mbbbl/d to 1,893 Mbbbl/d, which is above the 4-week average of 1,753 Mbbbl/d. Imports were essentially unchanged at 102 Mbbbl/d, supported by higher volumes into PADD 1 that were offset by a decrease in PADD 4/5. Product supplied rose by 111 Mbbbl/d to 937 Mbbbl/d.

Propane Inventory Change

The draw in propane stocks for the week ended October 27 (red bar, Figure 2) of 1.2 MMbbl was about 1.1 MMbbl higher than the average decrease of 152 Mbbbl (green bar, Figure 2).

MB Non-TET vs Conway Price

The Conway propane OPIS spot price relative to Mont Belvieu non-TET was modestly wider from last week, with Conway trading at a 2 c/gal discount on October 31. The forward-price differential between Mont Belvieu (TET or LST) and Conway was relatively unchanged from the prior week, with Mont Belvieu trading at a 1.5 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 105 days, 20 days higher than the same week in 2022 and the 5-year maximum.

Figure 14 is an alternative calculation that divides stocks by product supplied plus exports and indicates only 36 days of inventory, which is the same as 2022 but seven 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

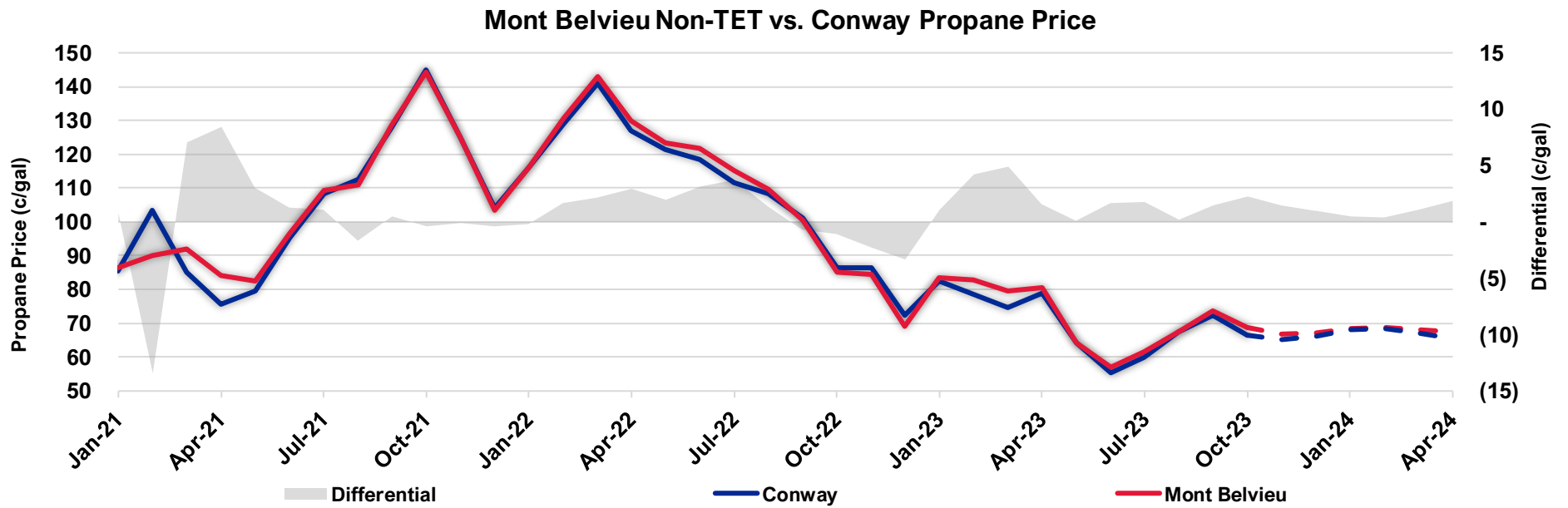
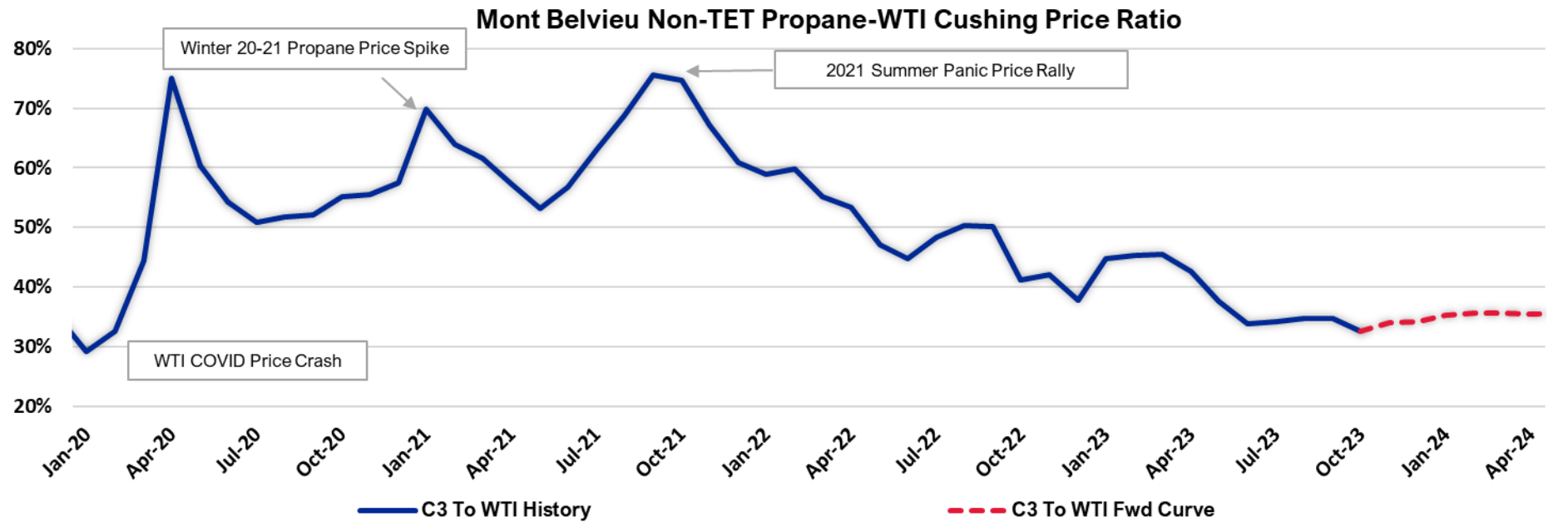


Figure 4



U.S. PROPANE INVENTORIES BY PADD

Figure 5

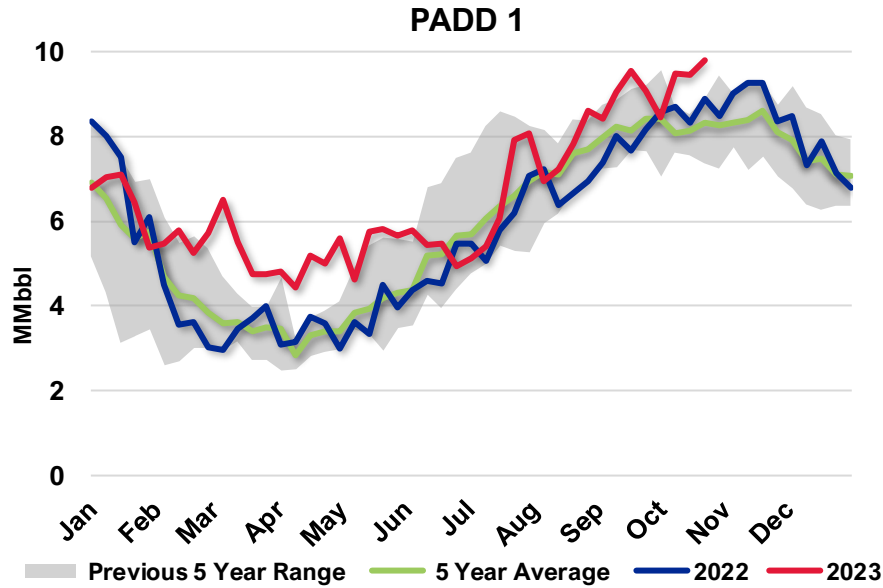


Figure 6

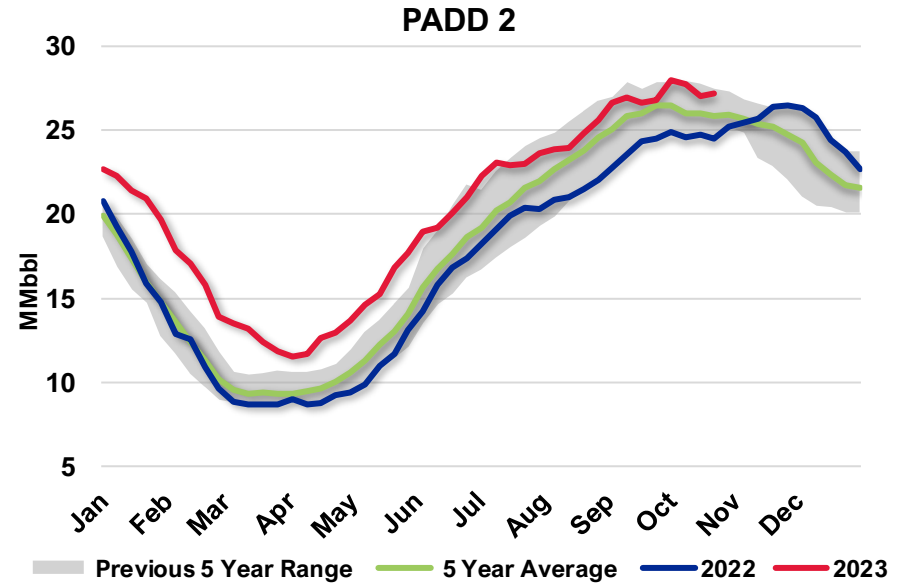


Figure 7

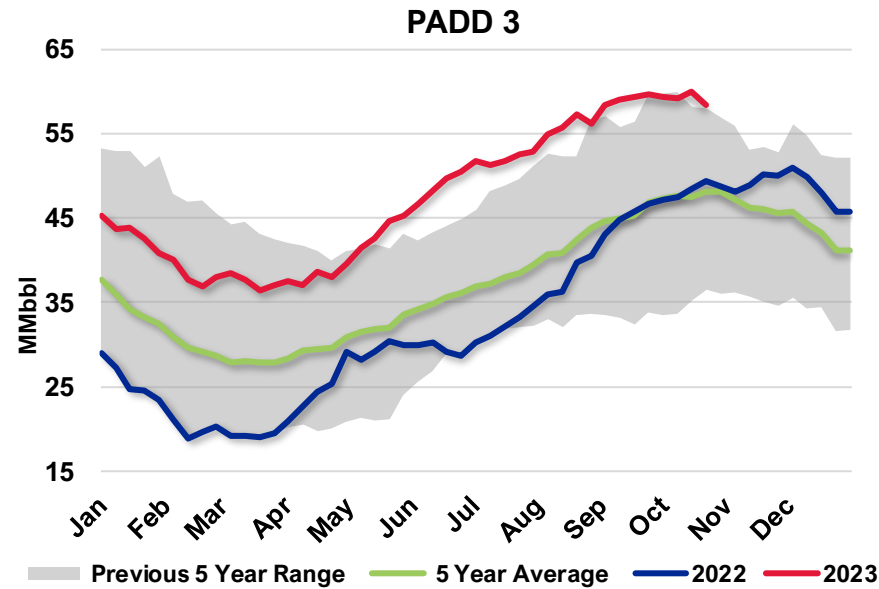


Figure 8

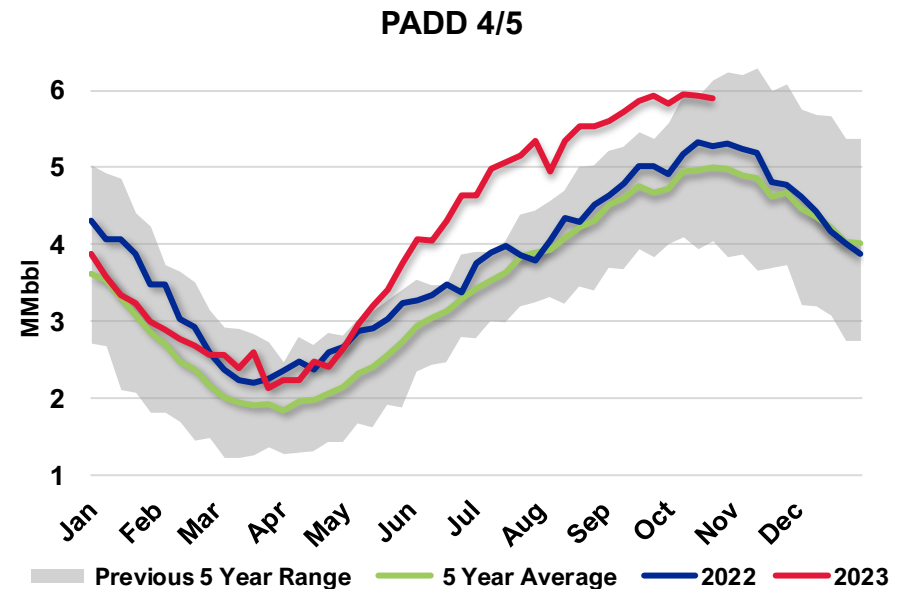


Figure 9

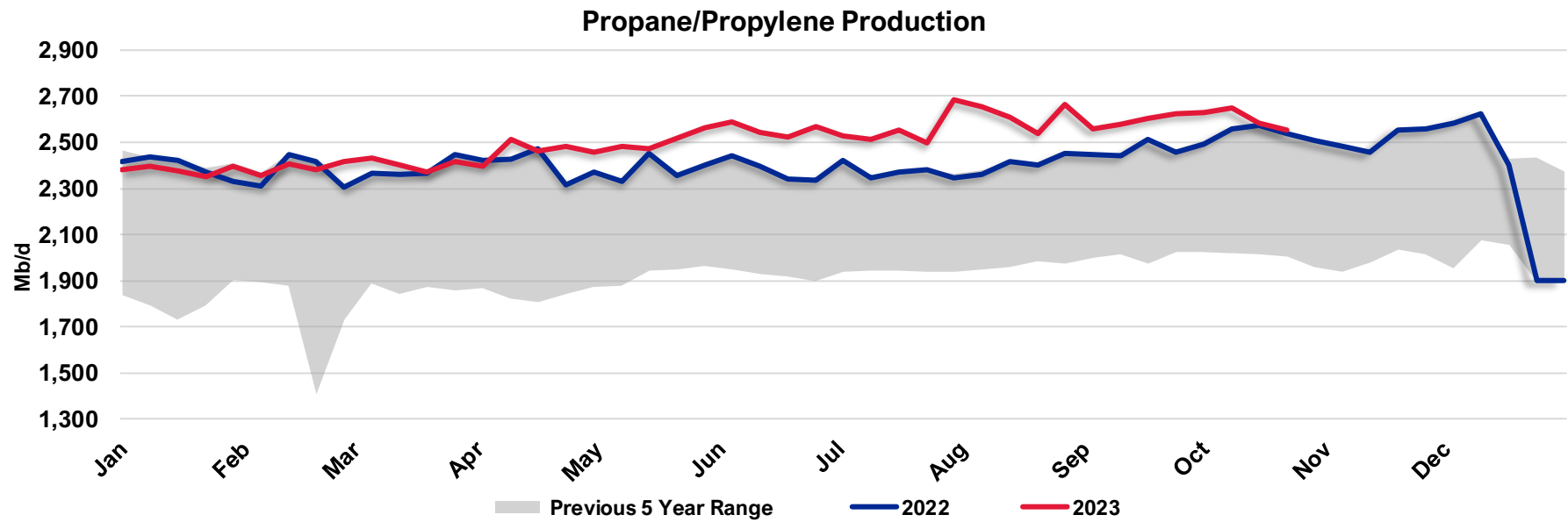


Figure 10

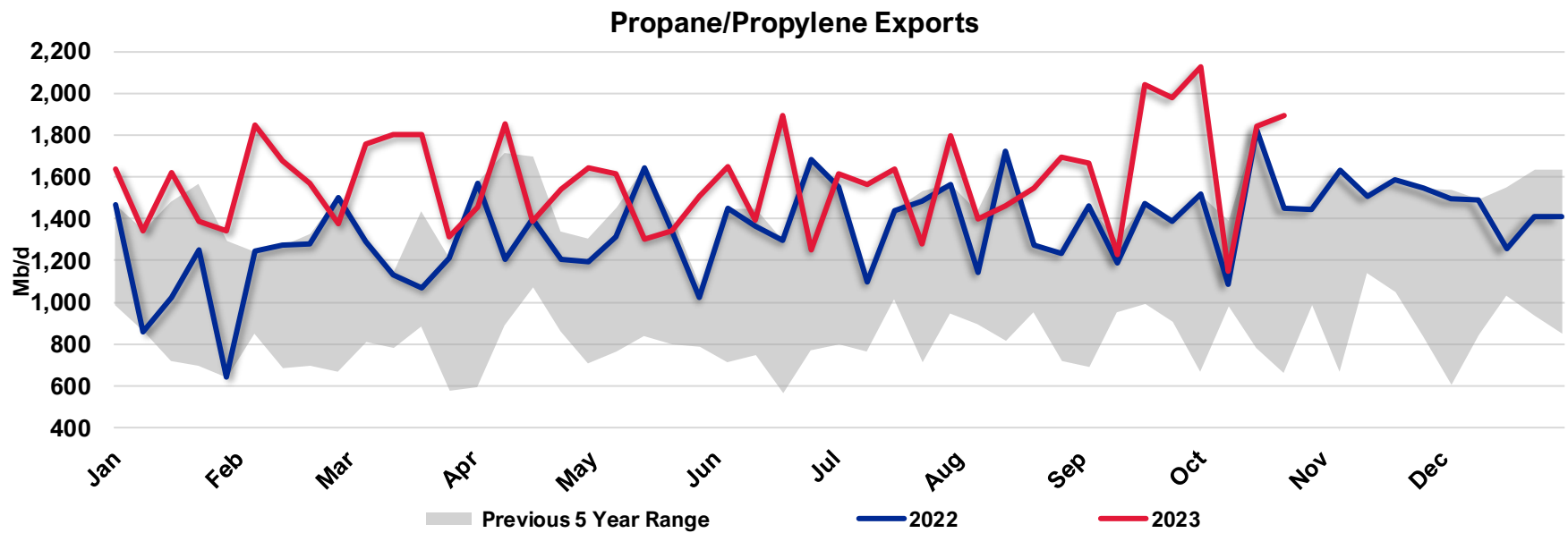


Figure 11

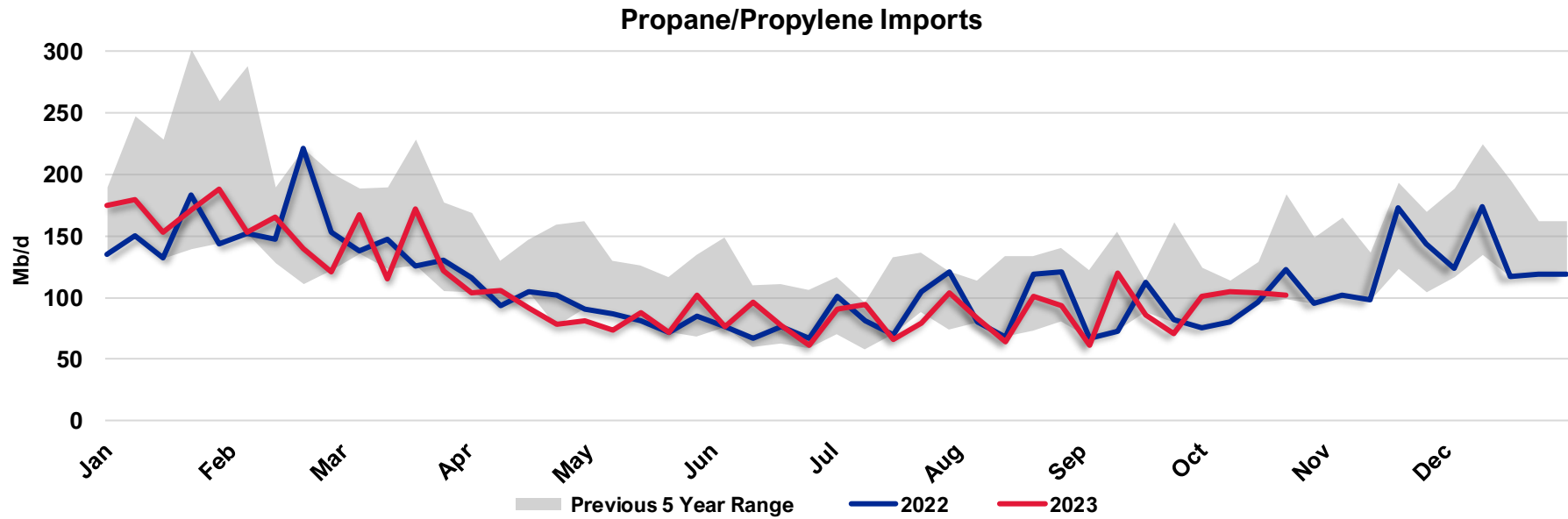


Figure 12

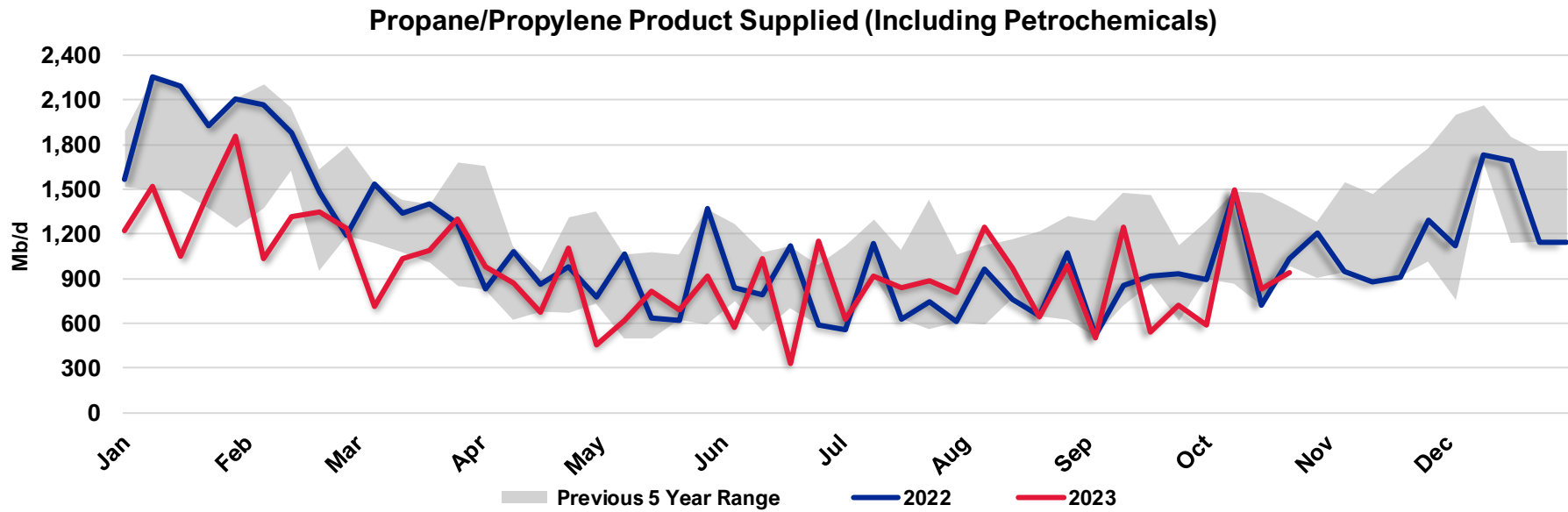


Figure 13

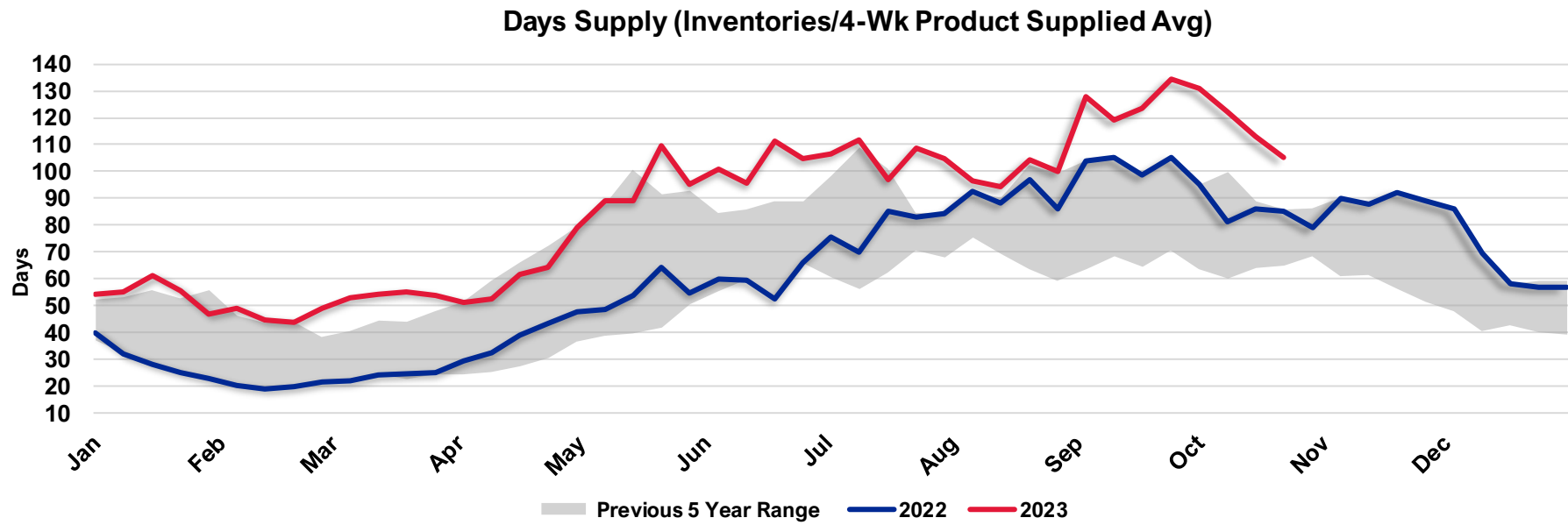
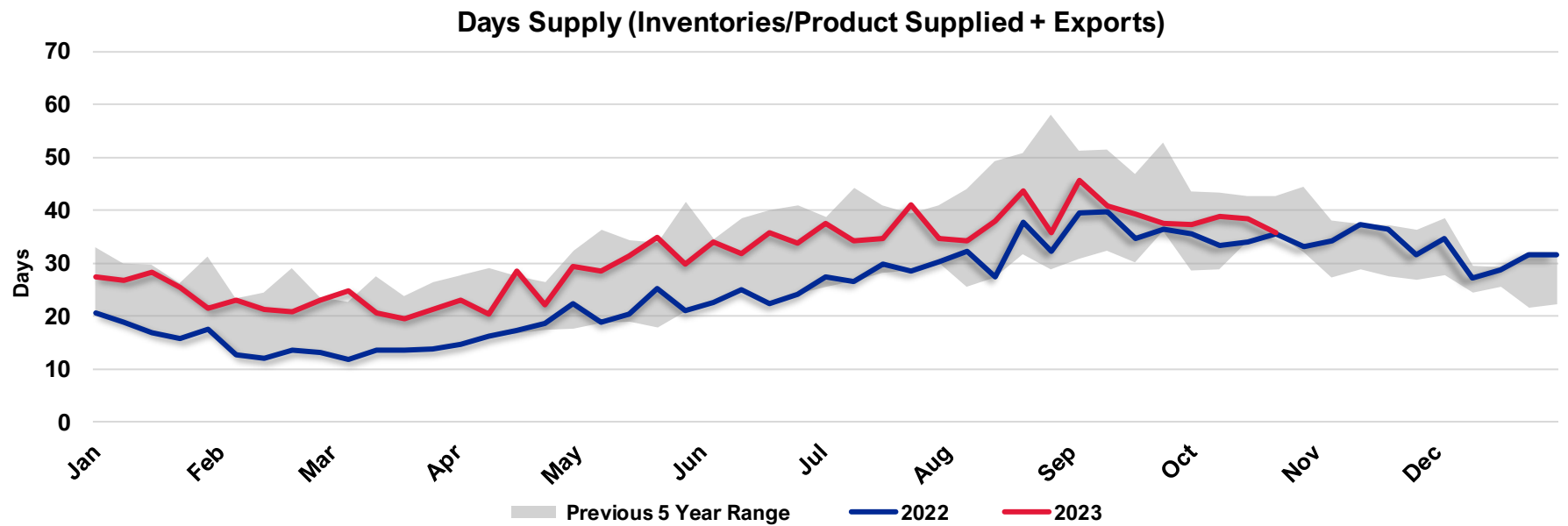


Figure 14



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