
EYES ON ENERGY

FROM GAS-LOCK ADVISORS, LLC

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At Gas-Lock Advisors we track major developments in the energy markets following the leading sources from industry, government and academic research. When conditions warrant, usually about once a month, we refine the crude information and deliver a simple, readable product.

We present the most important information from three perspectives:

1. Economic trends affecting energy
2. The risk level from short-term threats and events
3. Current fuel pricing

We are your eyes on energy.

Macroeconomic Factors

Data from the last month does not show much change in world economic prospects. With some missing data because of the government shutdown, we had to wait until today for September's employment report. October's numbers will also be delayed a week. The employment situation has been strong when measured by layoffs (ignoring the shutdown) but modest in terms of net job changes. Private indicators, like the ISM indexes, show continued US growth. The Fed's Beige Book shows the same.

European economies are somewhat stronger as is the Euro. Chinese growth is over 7.8% for the third quarter, much better than those who expected a "hard landing."

In summary, we continue to see sluggish economic growth, but no indication of a slip into recession.

Potential Risks

Over the past month, gas prices have fallen to their lowest levels in over a year. A number of factors contributed to the move, included what would normally be expected from a seasonal shift. The [National Journal](#) reports:

“A number of factors have spurred the decline, including the seasonal shift to cheaper fuel blends at the end of the summer driving season, decreased likelihood of U.S. intervention in Syria, and booming domestic oil production.

‘Consumer demand is at its highest in the summer, when folks take vacations. In the cooler months, kids are back in school, people go back to work full time, and there's less of an opportunity for recreational consumption,’ said Tom Kloza, chief oil analyst for GasBuddy.com, a gas pricing and information website.”

These continuing trends are expected to contribute to even more substantial price drops in the near future. According to the LA Times, AAA has reported that gas prices could fall another thirty cents by late December.

“Most drivers are paying the lowest gas prices in more than eight months due to abundant gasoline supplies, the end of the summer driving season, lower oil costs and the switchover to winter-blend gasoline,’ said Avery Ash, AAA spokesman, in a statement.

Looking ahead, AAA said it expects further drops in the price through the fall and winter.”

Aside from these general moves, decreased likelihood of US intervention in Syria has been the largest geopolitical move offsetting risk. The Washington Post reports:

“The price of oil closed at a six-week low as the catalysts that drove it above \$110 earlier this month lost strength.

Meanwhile, pump prices in the U.S. are the lowest since early July, and experts say they’re likely headed lower...

...Analysts said the apparent progress being made in the elimination of Syria’s chemical weapons, a seeming thaw in relations between Iran and Western powers and the return to markets of crude from Libya and South Sudan were weighing on oil prices.”

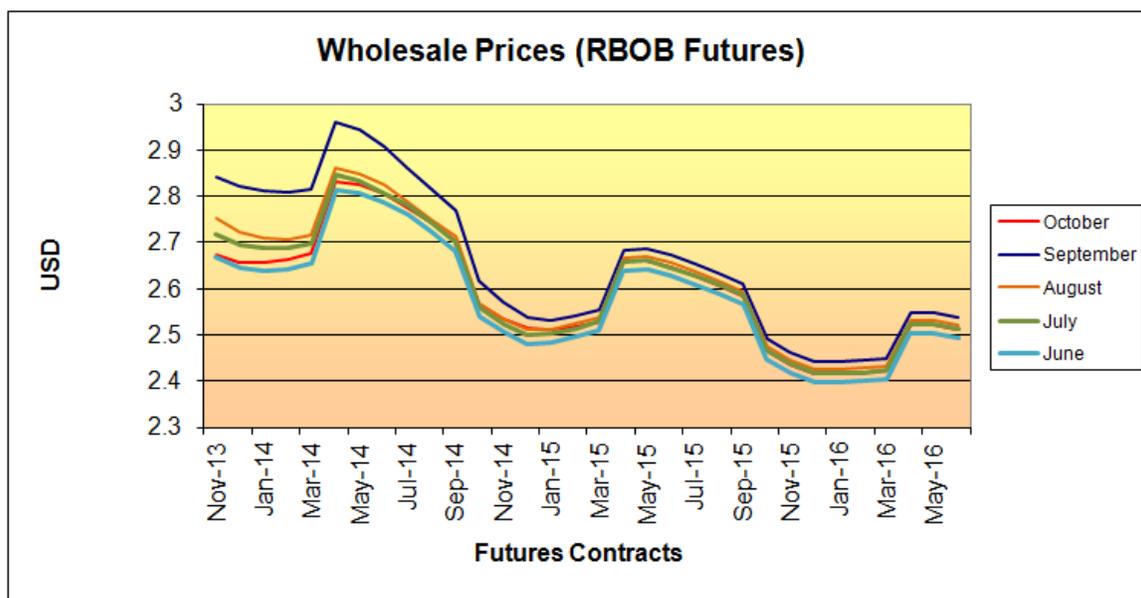
We will remain tuned into new developments in what is sure to be an ongoing situation in the Middle East.

And finally, we have (so far) had a season blissfully free of hurricanes!

Pricing

The best way to look at energy prices is through what is called the forward curve. This is much more informative than the popular media reports of the front month spot price. Sometimes the front month price moves, but the rest of the curve does not.

Earlier in the month, October futures had dropped dramatically from the levels seen in September. This strongly suggested that a significant number of geopolitical issues have been addressed to the general satisfaction of financial markets. However, increased uncertainty due to the US federal government shutdown – as well as a number of terrorist attacks in East Africa – brought the forward curve back to levels indistinguishable from September and August.



For those who have been waiting for the opportunity to lock in better prices, the time is now!