INTL · FCStone

MONTHLY ENERGY REPORT

NATURAL GAS
ELECTRICITY
CRUDE OIL
HEATING OIL
UNLEADED
PROPANE

What's Inside...

REPORT DATE: MONDAY, JULY 20, 2015

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NATURAL GAS

The natural gas market for the most part has remained in a sideways range since late-April trading in a fairly wide .450-.550 price band. The market has been supported by increasingly hotter summer weather forecasts but has been pressured lowered by high storage injections and near record high production.

U.S. storage injections over the first 15 weeks of the 2015 injection season have totaled 1,291 Bcf (billion cubic feet), 246 Bcf or 24% above the 5-year average. With 2,767 Bcf (billion cubic feet) of gas currently in storage and 16 weeks left in the current injection season, the market is on pace to reach a record storage high in 2015. The current peak storage high was 3,929 Bcf from 2012 but could be surpassed in 2015 in injections remain 20-25% above the 5-year average. Over the past 15 weeks, 13 of 15 weekly injections have exceeded the 5-year average turning a 10.5% deficit relative to the 5-year average that existed the first week of April into a 2.7% surplus for week ended 07/10/15.

U.S. production has also remained near a record high with the EIA recently revising January-April 2015 production upward for each month. April production was estimated at 74.63 Bcf per day, just under the previous high of 74.69 Bcf per day reached in December 2014. The natural gas rig count has plummeted to 218 rigs for week ended 07/17 according to Baker-Hughes but has not yet affected total production due to a backlog of already drilled wells and greater operating efficiency by the producers.

There continues to be much debate regarding the drop in the rig count and when it might finally affect production. At some point, possibly toward the end of 2015, production may begin to decline, not only from a lower rig count but also from lower spot market prices which could make marginal producers unprofitable.

The natural gas market could weaken further as summer cooling demand eases. Longer range forecasts for August and September remain neutral-bearish. If storage injections remains high, new price lows should follow typically forming post-summer during the months of August or September.

One positive for the market has been power generator demand for natural gas which has been running 10-25% above last year's level due in part to lower prices but also to coal-fired plant retirements. For the first time ever, natural gas usage for power generation in June exceeded all other sources in the United States, a trend which is expected to continue.

With the drop in the natural gas rig count and increased end-user demand, the natural gas market could be forming a multi-year price low over the next few months of trade.

CRUDE OIL

Prices have pulled back from highs reached last month by about 15% as the market has come under consistent selling pressure related to oversupply conditions. Global markets are flooded with supply given huge production growth in the US where output is averaging more than 9 mbd. OPEC has also held its output steady to defend market share. Production is also averaging multi year highs in Saudi Arabia and Iraq. In addition, Iran and 6 world power have reached a deal to limit Iran's nuclear program and eventually lift sanctions that would substantially increase their exports. While demand has been strong, uncertainty remains over the market's ability to continue absorbing the oversupply.

After consistently falling for 29 weeks to multiyear lows, oil drilling rigs posted their first increase of 12 rigs during the week ended June 26. The drop in oil drilling this year has so far not led to a sharp decline in production with US oil output still running near record highs.

The latest weekly DOE inventory data showed that US crude production averaged more than 9.5 mbd in the week ended July 10. For the week, crude stocks fell by 4.3 mb however the country's total commercial inventories of crude and petroleum products rose to a record high of of 1.27 mb. The numbers indicate supply is exceeding demand by about 500,000 b/d. While refinery runs remain high, crude stocks risk further building once refineries begin maintenance this fall.

Oil markets have also been affected by the Greek debt crisis and the recent 30% plunge in the Chinese stock market. Greek Prime Minister Tsipras announced that his country would not be able to pay the IMF its $1.8 billion debt. Greece requested a third bailout from its creditors prior to the June 30 deadline but the proposal did not include reforms demanded by creditors. As it now stands, the Greek Parliament has approved a $95 billion bailout program that would enable Greece to pay its debts and remain in the euro zone.

China's stock market has recovered after regulators took measures to calm investors and halt the turmoil. The recovery boosted other Asian markets on hope Beijing would continue making efforts to ensure the market turmoil doesn't spill over into the real economy and hurt oil demand.

Trade this past week has been dominated by the announcement of a nuclear agreement between Iran and 6 world powers. The news has pushed Greece and other factors to the backburner. The deal initially proved bearish for crude prices as it could boost Iranian crude exports and add to the global supply glut, the oil complex did recover as the extra oil may not flow to the market until late this year or early next year. Supply is estimated to increase anywhere from 300,000 to 600,000 b/d within the next 6 to 12 months. The deal is still subject to approval from the US Congress.

HEATING OIL

Consolidation patterns in commodities are interesting in that as the range narrows tighter and tighter within the pattern, a breakout is inevitable. The key question – which way? Last month we pointed out that heating oil was confining into a narrower range. A breakout was inevitable. From the June 22nd report…"Since the beginning of the year, the 2016 Heating Oil Strip has traded in a narrow 40 cent range. In the past two months, the range has been even narrower – 15 cents." The past four weeks have cleared the air on which way heating oil prices were headed. The 2016 Heating Oil Strip was a $2.0100 less than a month ago and now sits at $1.7825, a whopping 11.5% drop on an ANNUAL STRIP!

Two fundamental causes for the break were the sudden drop in the Chinese stock market and the nuclear agreement between Iran and the rest of the world powers. Both of these factors have been circling the oil markets that past few months. Both coming to the surface within a two week period was too much for an already fragile technical picture. With a 12% drop in 2016 heating oil prices the past month, what do things look like moving forward?

There is not a lot of bullish news when looking at supply for distillate and heating oil stocks. Distillate stocks have been on the rise since mid-May. Distillate stocks currently stand at their highest level since February 2012 and are 17 mb higher than a year ago. For the week ended July 10, distillate stocks rose 3.8 mb to 141.3 mb as demand fell 329,000 b/d and imports declined by 18,000 b/d. Distillate fuel production stands at 5.093 mbd while 4 week production is averaging 5.042 mbd. Heating oil stocks stand at 14.3 mb after rising 1.2 mb during the week ended July 10. Stocks are running about 400,000 b/d higher than last year. Weekly distillate demand is running about 268,000 b/d lower than a year ago as is 4 week average demand at 3.693 mbd vs 3.781 mbd in 2014. Distillate consumption is forecast by the EIA to rise to by 90,000 b/d to 4.10 mbd this year and rise another 70,000 b/d next year to 4.17 mbd as new petrochemical plant capacity increases the use of HGL as a feedstock.

The Climate Prediction Center within the NWS says El Nino conditions now have a more than 90% chance of lasting through the winter in the Northern Hemisphere with an 80% chance of continuing through Spring 2016. Last month, the CPC said El Nino was likely to last through the winter. The effects of El Nino are likely to remain minimal through the summer and increase into the late fall and winter. Winter weather tends to be more moderate in the northern part of the US during strong El Nino events.

Even with all the negative market sentiment, heating oil prices could be approaching a price level near $1.7500 (for the 2016 Strip) that could mark a major low for the heating oil market. The heating oil and diesel markets are currently trading below the 10th decile ($1.9000 down to $1.6300) on the RMI 4-year price matrix. With prices currently in the lowest decile, it is a rare opportunity to add to long term market coverage using fixed price contracts. If the crude oil market holds above 16-year trend line support between 44.00-45.00, it could be a multi-year low for both crude oil as well as heating oil/diesel.

PROPANE

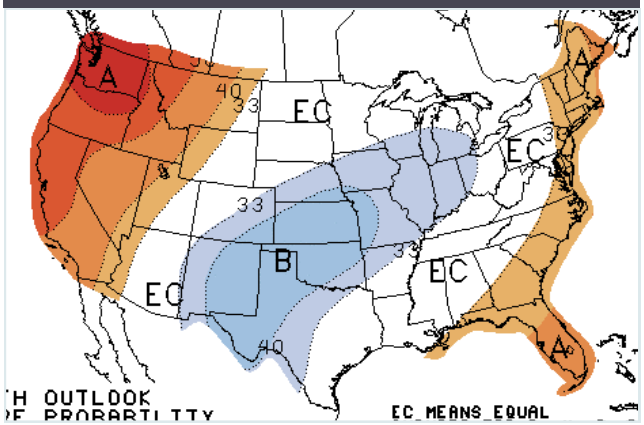
Oversupplied propane markets are getting some relief from rising exports. Exports have been rising rapidly over the past 4 years with most barrels being exported out of the Gulf Coast . The latest monthly EIA data shows exports in April averaged 636,000 b/d while production averaged just over 1.4 mbd. US propane output and exports during the first 4 months of the year were 190,000 b/d and 201,000 b/d higher, respectively, than the same time last year.

WEATHER

Short Term Weather

The back half of July is trending warmer than first part of the month. Warmer trends are expected in the South, particularly Texas, as well as the Midwest. The forecast for the next 6-10 days shows steady above normal temperatures across the South with variability expected across the rest of the country. This will limit the threat of sustained heat in the Midwest however readings will definitely spike at times. The West also has limited heat threats. The forecast through the end of July features above normal temperatures in the South with heat also likely in the Pacific NW. Near normal readings are focused on the NE, Interior West and Plains while the Midwest will average slightly lower than normal due to strong El Nino influences.

AUG15-OCT15 TEMPERATURE

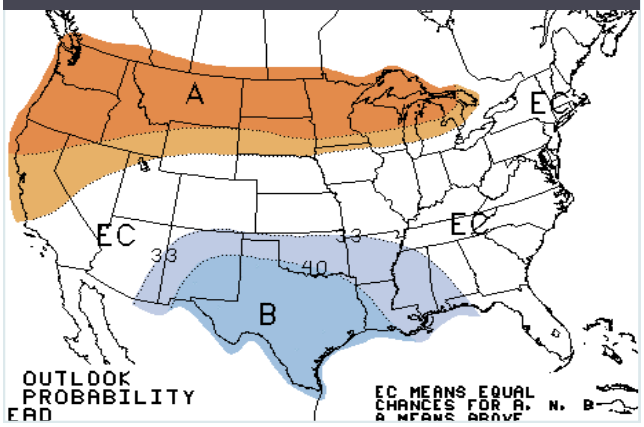


Long Term Weather

The newly released 90 forecast from the NWS covering August through October indicates above normal conditions from the West Coast to the Northern Plains as well as along the central Gulf Coast to the Mid-Atlantic and NE. Chances for below normal conditions are strong from the southern Plains and eastern portions of the SE to the lower Great Lakes and part of the Mississippi Valley. All other regions have equal chances for above, below or near normal conditions.

An early look at the 4th quarter of the year shows above normal conditions from Southern California into the Northwest and along the entire US/Canadian border into the NE. Below normal conditions are expected in the South Central US with equal chances for above, below or near normal conditions elsewhere.

NOV15-JAN16 TEMPERATURE



The Climate Prediction Center within the NWS says El Nino conditions now have a more than 90% chance of lasting through the winter in the Northern Hemisphere with an 80% chance of continuing through Spring 2016. Last month, the CPC said El Nino was likely to last through the winter. The effects of El Nino are likely to remain minimal through the summer and increase into the late fall and winter. EL Nino will likely contribute to a below normal Atlantic hurricane season.

Hurricane Forecast

Hurricane season has been pretty quiet so far with no real threats to US energy infrastructure.

The 3rd named storm of the season, Tropical Storm Claudette, formed in the northwest Atlantic on July 13. Claudette was downgraded by Wednesday and posed no threat to North America.

CONSUMPTION & PRODUCTION

Natural Gas Consumption

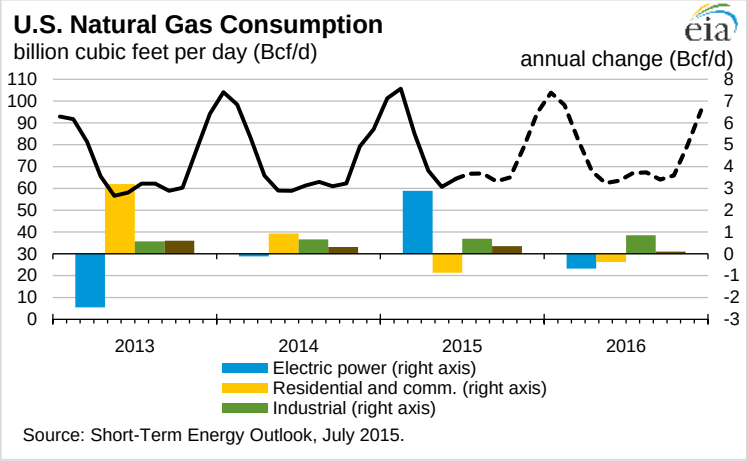
The EIA projects US natural gas demand this year will average 76.55 BCF/day, slightly lower than last month's estimate but higher than last year's 73.48 BCF/day. Both Q3 and Q4 estimates were lowered from last month.

Low natural gas prices have contributed to higher demand for electric generation. As a result, the EIA estimates a 12.9% jump in power sector gas consumption this year. Consumption is forecast to fall by 2.7% in the power sector next year.

Industrial sector consumption is expected to rise 3.3% this year and by another 3.9% in 2016 as new industrial projects come online while industrial customers take advantage of low prices.

Consumption in the residential and commercial sectors is projected to decline both this year and in 2016.

Total U.S. Natural Gas Consumption



Source: Short-Term Energy Outlook, July 2015.

Year Over Year Snapshot By Sector

	Consumption (billion cubic feet per day)				
	2012	2013	2014	2015	2016
Electric power	24.89	22.44	22.33	25.22	24.54
Industrial	19.74	20.31	20.97	21.67	22.52
Residential and commercial	19.25	22.45	23.37	22.51	22.13
Other	5.89	6.49	6.80	7.15	7.26
Total consumption	69.78	71.69	73.48	76.55	76.44

Source: Short-Term Energy Outlook, July 2015.

CONSUMPTION & PRODUCTION

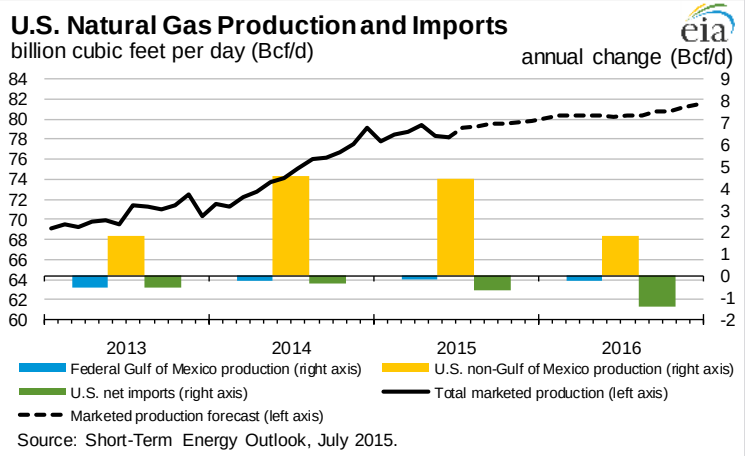
Natural Gas Production

US gas production continues to push higher despite the massive rig count cuts in all major US plays. Production is pushing higher as producers become more efficient at drilling wells due to continued advancements is drilling methods and technology. Bentek Energy estimates total US gas production to be at 72.7 BCF/day, 2.7 BCF/day higher than October 2014's average.

Preliminary data from the EIA indicate that production in the Northeast declined during May and June but is expected to pick back up this month. In the EIA's latest STEO, production fell 1.2 BCF/day between April and June to 78.2 BCF/day. The decline reportedly stemmed from maintenance and construction in the Marcellus region. Despite the drop, production still remains strong with the EIA predicting continued growth through 2016. For 2015, the agency expects production to rise by 4.3 BCF/day, or 5.7%, to 78.97 BCF/day. Production growth is forecast to slow in 2016 but output is still expected to exceed 80 BCF/day for the first time. Next year's output is estimated at 80.56 BCF/day with much of the growth coming from the Marcellus Shale as a backlog of uncompleted wells is reduced and new pipelines come online to deliver gas to markets in the Northeast.

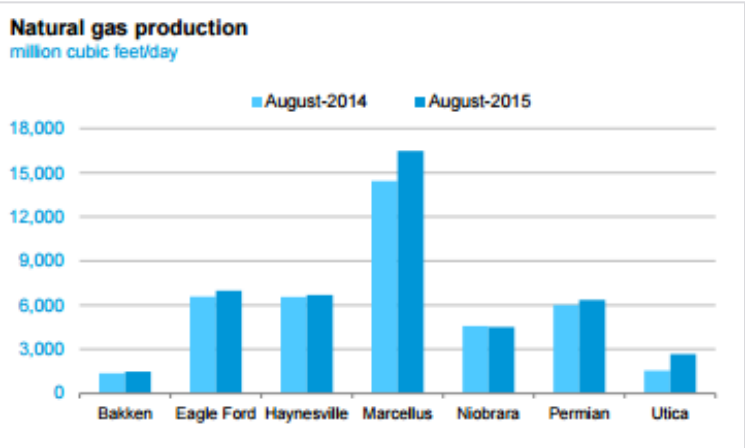
Production remains especially strong in the NE with output there recently reaching an all time high of 20 BCF/day. Year to date average NE production stands at 19.3 BCF/day, a 25% increase over last year's 15.4 BCF/day. Continued growth is expected despite lower rig counts and prices in that region. Bentek estimates production this summer will average 19.8 BCF/day.

Total U.S. Natural Gas Production & Imports



Source: Short-Term Energy Outlook, July 2015.

Projected NG Production By Shale Region



CONSUMPTION & PRODUCTION

Crude Oil Consumption & Production

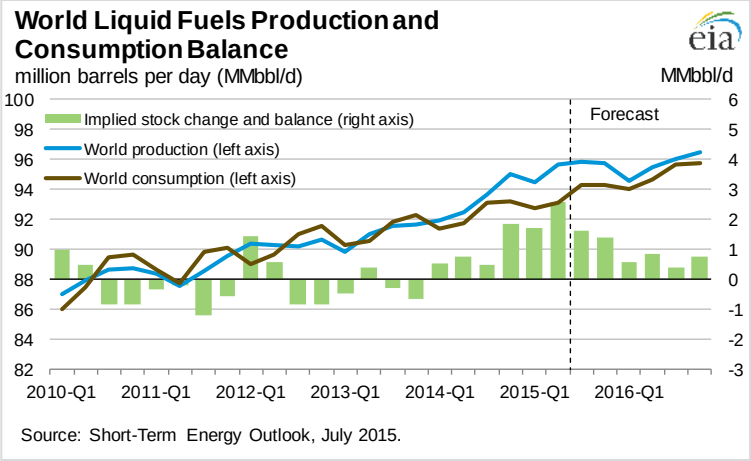
The EIA raised its global oil demand forecast for 2015 by 326,000 b/d while raising its 2016 demand outlook by 381,000 b/d versus last month's estimates. The agency now expects global oil demand to grow by 1.3 mbd in 2015 to 93.626 mbd and by 1.4 mbd next year to 95.027 mbd. Demand outside the OECD is projected to grow by 800,000 b/d this year and by 1.1 mbd in 2016. China's economic growth has slowed the beginning of this year. Nonetheless, China remains the main source of non-OECD oil consumption growth, with a projected annual average of 300,000 b/d in both 2015 and 2016. This is down from last year's growth of 400,000 b/d. OECD consumption is expected to grow by 400,000 b/d this year and by 300,000 b/d in 2016. The US is leading contributor to the projected consumption growth in the OECD with US demand rising 400,000 b/d this year and by 100,000 b/d in 2016.

Oil production growth in non-OPEC countries is expected to slow down. Projected growth is estimated at 1.4 mbd this year with next year's growth at 200,000 b/d. This is down from last year's growth of 2.3 mbd that was driven by the oil shale boom in the US. Demand revisions were based on global gross domestic product expectations that suggests an increase of 2.5% this year and 3.1% in 2016.

On the supply side, the EIA estimates that non OPEC production grew by 2.3 mbd last year however the output growth rate is expected to slow down to 1.4 mbd this year and then to 200,000 b/d next year. EIA forecasts OPEC production to rise by 600,000 b/d in 2015 and decline by 200,000 b/d in 2016.

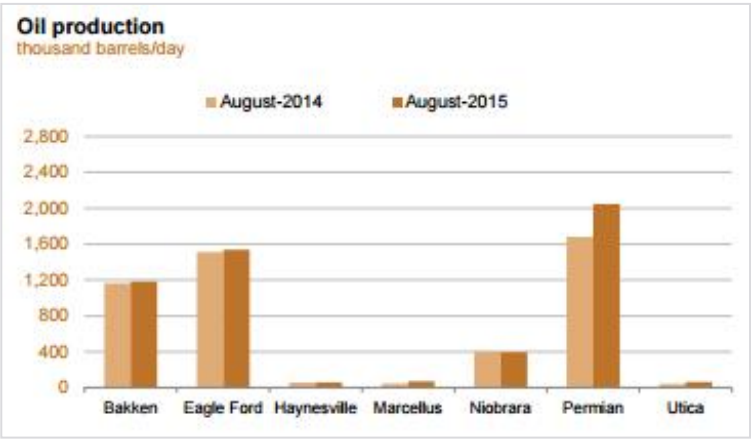
According to the IEA, global demand will continue to grow albeit at a slower pace this year and next while they believe the bottom of the market may still be ahead. The agency predicts demand will decelerate this year, averaging 1.2 mbd in both the 3rd and 4th quarter of this year compared to 1.8 mbd in the first quarter and 1.4 mbd in Q2. US oil production is expected to continue growing next year by 290,000 b/d versus gains this year of 850,000 b/d. The IEA estimates OPEC crude oil output climbed by 340,000 b/d in June to 31.7 mbd, the highest since April 2012 and 1.7 mb higher than the production target agreed upon last month. Non OPEC production is still expected to stall next year .

World Oil Supply & Demand



Source: Short-Term Energy Outlook, July 2015.

Projected Oil Production By Shale Region



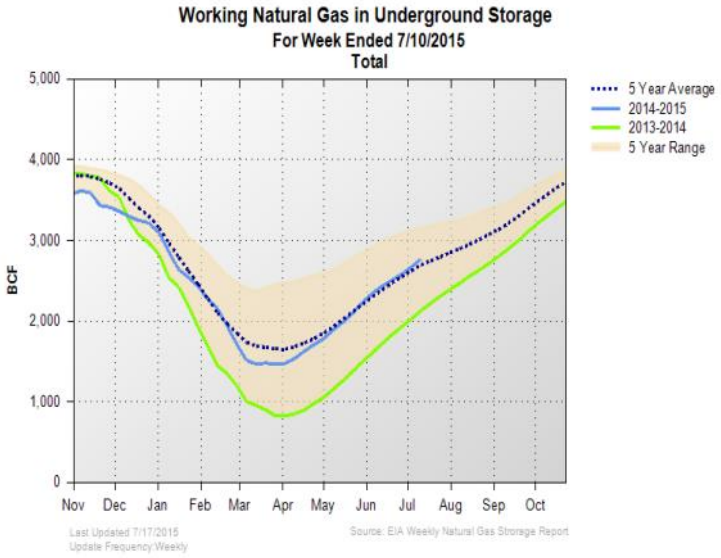
INVENTORY

EIA Natural Gas Inventory

Injections so far this season have widely surpassed their 5 yr average comparisons. While injections have been strong overall, hotter temperatures and high demand from the electric power sector contributed to lower than average injections during late June. Injections have since rebounded, building by a total of 259 BCF since the week ended June 26.

The latest weekly storage data showed stocks rising a larger than expected 99 BCF. Total gas in storage now stands at 2.767 TCF, 653 BCF above last year and 73 BCF above the 5 yr avg. Moderate weather and robust production during the first half of summer have kept the market well supplied. Above normal temps expected in the coming 2 weeks are likely to boost demand for gas powered electricity and could once again the lower the injection pace.

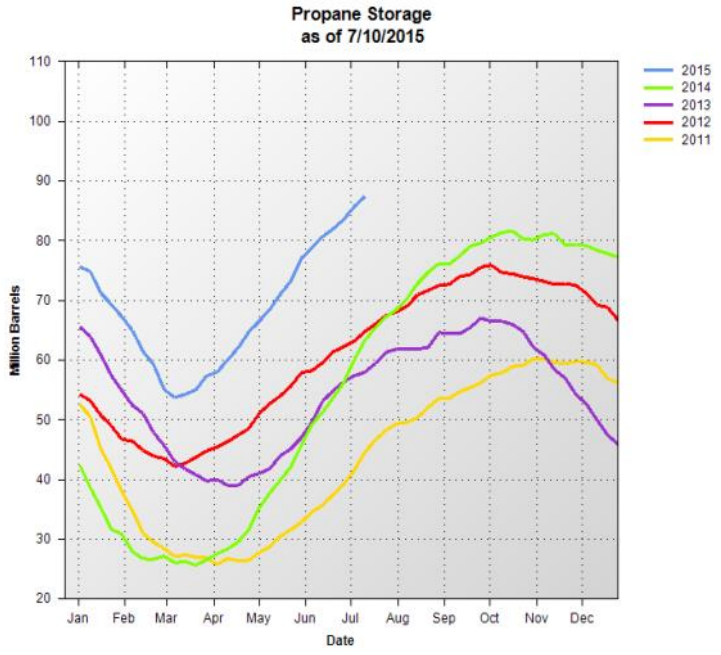
The current pace of storage building has the market anticipating a healthy end of season supply with the EIA projecting stocks to reach 3.919 TCF, 121 BCF above the 5 yr avg. Other analysts predict storage will top out just over 4 TCF.



Propane Inventory

As of July 10, propane stocks stood at 87.4 mb after rising 1.7 mb on the week. The year over year supply surplus narrowed 4.2 mb to 24.1 mb. Regionally, Midwest stocks rose 400,000 barrels while Gulf Coast inventory climbed 2.1 mb. Propane continues to be purchased in the Midwest for shipment to the Gulf Coast to meet export demand. Exports were unchanged on the week at 600,000 b/d with most barrels continuing to move out of the Houston Ship Channel. Demand for the week rose 98,000 b/d to 891,000 b/d.

Exports are helping alleviate the propane supply glut. The latest monthly data available shows exports in April 2015 averaged 636,000 b/d, 222,000 b/d above April 2014. During the first 4 months of 2015, US propane production and exports were 190,000 b/d and 201,000 b/d higher than the same time a year ago. Several projects building new export facilities and expanding existing export terminals have helped increase export capacity with more projects expected to be completed by year's end. Further growth in global export demand will depend on the competitiveness of propane compared to other fuels for consumer demand, its continuing growth as a vehicle fuel and its price relative to competing petrochemical feedstock.



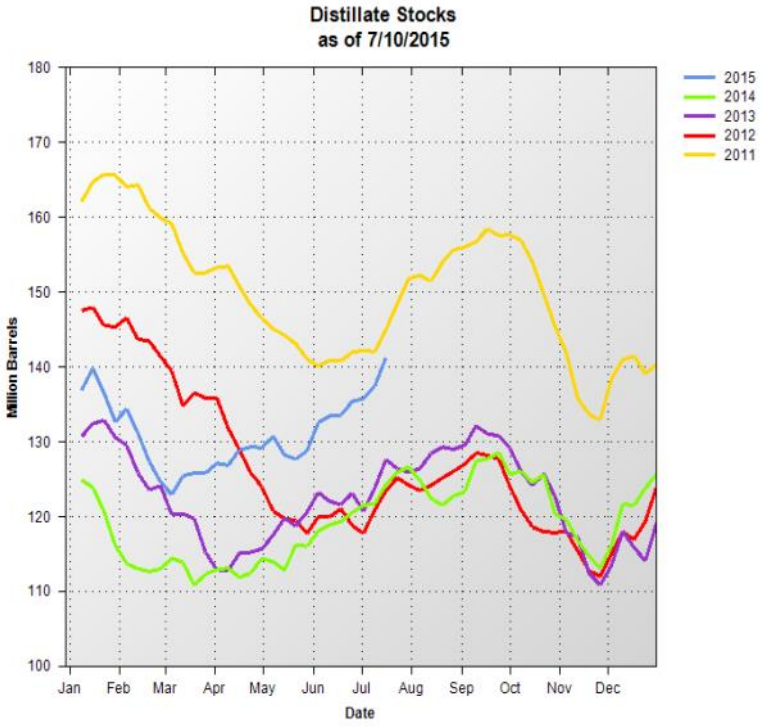
INVENTORY

Distillate Stocks

Distillate stocks have been on the rise since mid-May. Distillate stocks currently stand at their highest level since February 2012 and are 17 mb higher than a year ago. For the week ended July 10, distillate stocks rose 3.8 mb to 141.3 mb as demand fell 329,000 b/d and imports declined by 18,000 b/d. Distillate fuel production stands at 5.093 mbd while 4 week production is averaging 5.042 mbd. Weekly demand is running about 268,000 b/d lower than a year ago as is 4 week average demand at 3.693 mbd vs 3.781 mbd in 2014.

Heating oil stocks stand at 14.3 mb after rising 1.2 mb during the week ended July 10. Stocks are running about 400,000 b/d higher than last year.

Distillate consumption is forecast by the EIA to rise to by 90,000 b/d to 4.10 mbd this year and rise another 70,000 b/d next year to 4.17 mbd as new petrochemical plant capacity increases the use of HGL as a feedstock.



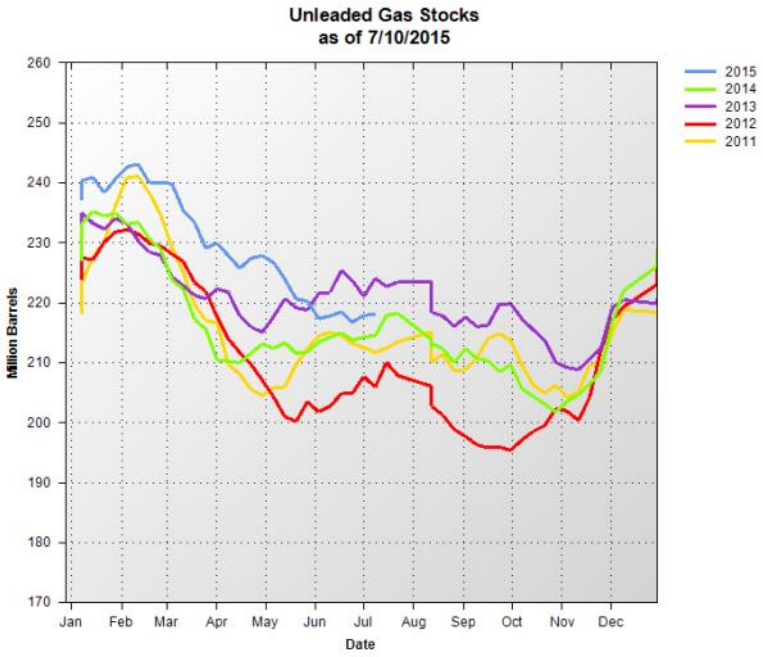
Unleaded Gas Inventory

Strong gasoline consumption in both the US and abroad has driven prices higher over the past 2 months despite relatively stable crude prices. Data shows Americans drove a record 988 billion miles during the first 4 months of 2015. The compares to the previous record of 966 billion miles driven during the first 4 months of 2007.

Gasoline stocks began the season 10.7 mb above the 5 yr avg and are forecast to end the season 3.7 mb above the previous 5 yr avg.

Atypical for the high demand summer driving season, gasoline stocks have posted 3 back to back increases. The latest weekly data shows stocks rose 58,000 barrels as of July 10 to 218 mb. Demand for the week fell slightly to 9.404 mbd while four week average demand came in at 9.6 mbd, up 6.5% from a year ago. Gasoline demand is up 3.7% from a year ago. At the current demand rate, the US has about 23 days of gasoline supply in storage versus 24 days last year. Gasoline production fell 210,000 b/d on the week to 9.658 mbd while imports fell 170,000 b/d to 682,000 b/d.

The EIA predicts withdrawals this summer will total 14.3 mb which is higher than last summer's draw of 8.4 mb. For the year, gasoline consumption is estimated to average 9.09 mbd, up nearly 2% from last year. Consumption next year is expected to fall by 20,000 b/d due to high er prices and a trend towards more fuel efficient vehicles.



NATURAL GAS IMPORTS & EXPORTS

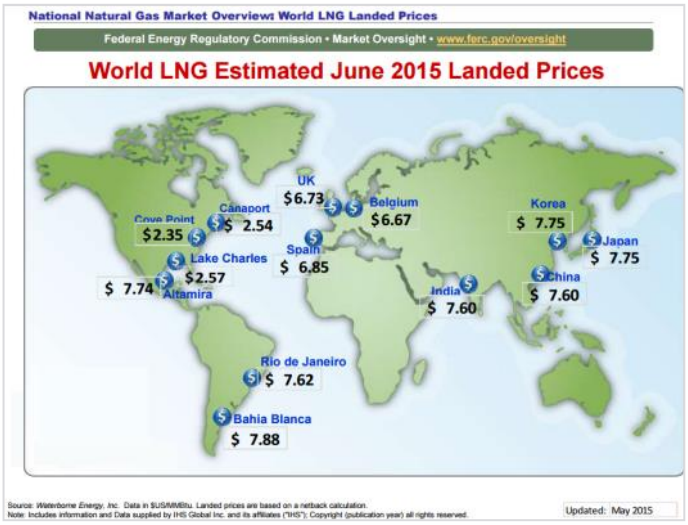
LNG

The EIA projects LNG exports will increase to an average of 0.79 BCF/day in 2016 with the startup of a major LNG liquefaction plant.

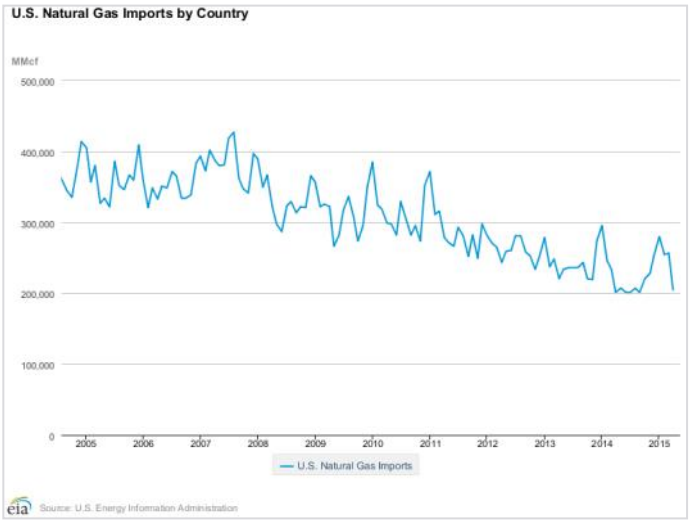
Pipeline

The EIA predicts increased domestic natural gas output will reduce the need for Canadian imports while supporting growth in exports to Mexico. The agency expects exports to Mexico, particularly from Eagle Ford shale, to increase because of growing demand from Mexico's electric power sector, combined with flat Mexican natural gas production.

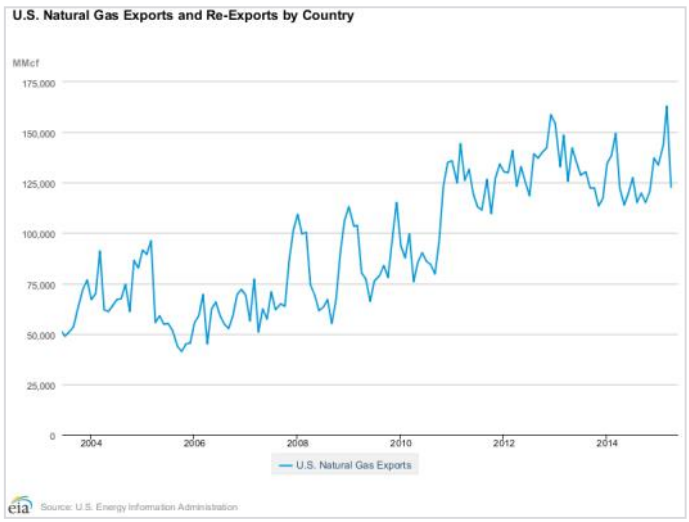
LNG Prices Around the World



U.S. Natural Gas Imports



U.S. Natural Gas Exports & Re-Exports



TECHNICAL FEATURES

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NATURAL GAS

August Natural Gas

The August 15 natural gas contract has been locked in a sideways trading range since setting a new 2015 low at 2.569 in late-April.

Key support levels are the 2.644 July low followed by weekly low support between 2.569-2.588. If weekly low support is broken, 2.443 and 2.230 will become the next longer term support levels.

The 2.930-2.970 level is the first area of resistance followed by the 200 day moving average currently at 3.105. A breakout above the 200 day average would turn the longer term trend back up.

Weekly Natural Gas

The weekly natural gas chart shows the narrow, sideways range the natural gas market has been in for nearly three months.

These types of sideways ranges can be reversal patterns (in this case back higher), but are typically consolidation patterns indicating further weakness expected in the market.

A drop under 2.443 and 2.556 weekly lows would be a very bearish technical signal for the market.

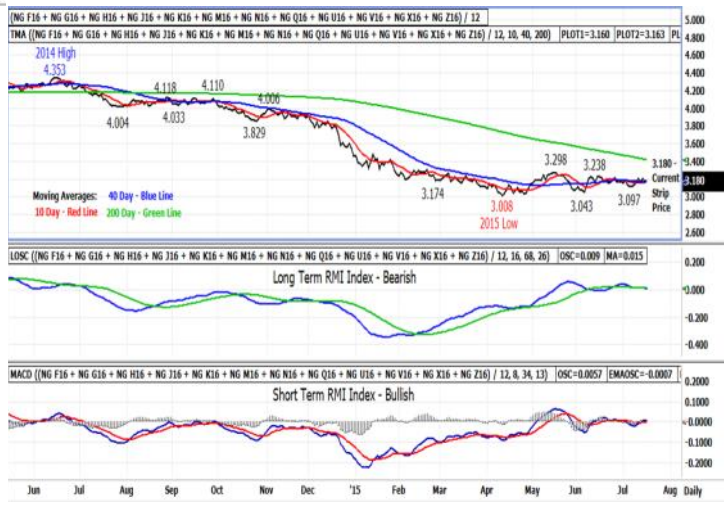
Key resistance level to watch are shown in blue at the 3.039 and 3.105 levels. A breakout above these weekly highs would likely indicate a market low has been set.

2016 Natural Gas Strip

The 2016 natural gas calendar strip has been trading in an increasingly narrow sideways range after setting a new all-time price low at 3.008 in April.

The market is coiling for a breakout from this trading range. Given the trend for the market since the May 2014 high, the breakout will likely be to the downside under 3.008-3.043 weekly low support. If this occurs, 2.700-2.750 will become the next longer term support level for a possible post-summer seasonal low.

A breakout above the 3.238-2.298 weekly highs followed by the 200 day moving average currently at 3.400 is needed to turn the longer term trend back up.



NATURAL GAS & CRUDE OIL

2015-2016 Winter Natural Gas Strip

The winter 15-16 natural gas strip (November 15-March 16 contracts) remains trapped in a sideways range which has a 75% chance of being a bearish consolidation pattern versus a 25% chance of being a bullish reversal pattern.

A breakout under recent lows between 2.945-2.981 will keep the primary down trend intact with 2.600-2.700 then becoming the next longer term support.

A breakout above summer highs between 3.230-3.370 followed by the 200 day moving average at 3.410 is needed to turn the longer term trend back up.

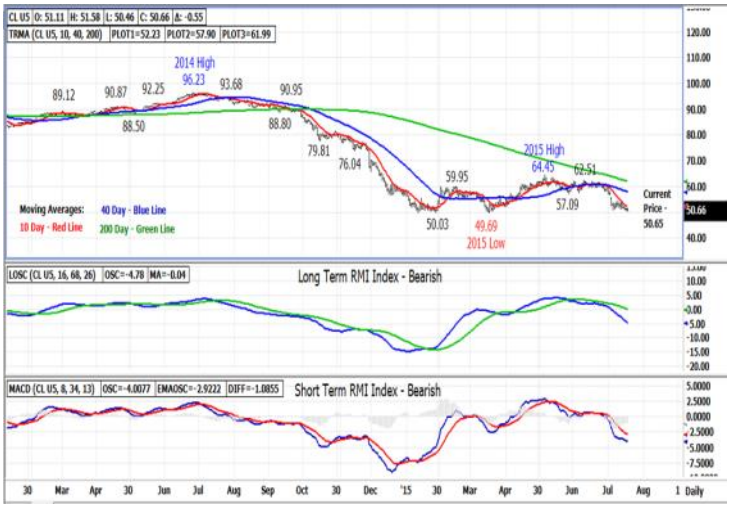
2016 Summer Natural Gas Strip

The summer 2016 natural gas strip (April 16-October 16 contracts) appears ready to trade down to new all-time lows after trading in a sideways range for nearly three months.

The 2.955-2.982 weekly lows remain primary support. If support is broken, 2.800-2.850 will become the next downside support level.

The 3.155-3.211 summer highs remain primary resistance. A breakout above these two highs would turn the trend back up likely indicating a post-summer seasonal low has been posted.

September Crude Oil



The September 15 crude oil contract has been in a sideways to lower downtrend since setting a 2015 high at 64.45 in early-May.

Recent selling has dropped the September contract back toward the 49.69 contract low set in in March. If this support is broken, a 16-year trend line support on the weekly chart between 44.00-45.00 will become the next longer term support.

If weekly chart trend line support is reached and holds, a multi-year low for the crude oil market could be in place.

If 44.00-45.00 support is broken, the 32.08 weekly low from December 2008 will become the next longer term support level.

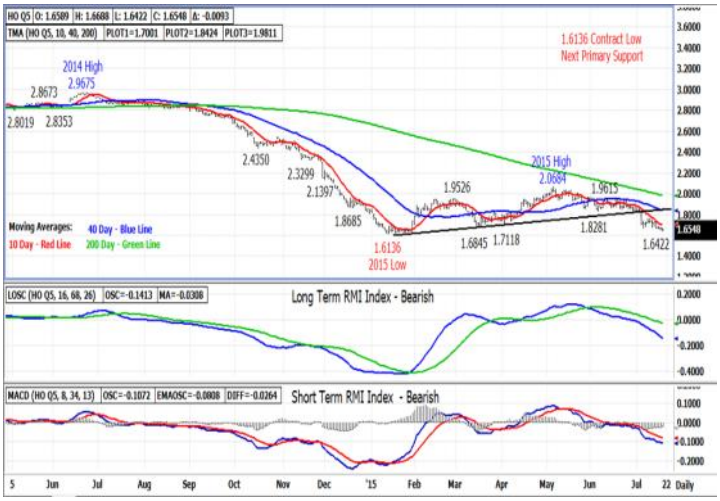
FUELS

August Unleaded Gas

The August 15 reformulated gasoline contract has sold off from the 2.1371 high set in June but remains well above the 1.5300 contract low posted in January.

The trend for the market is currently down with the most recent low at 1.8527 being the first area of support followed by 1.7800-1.7900. Longer term support levels are at 1.6500-1.6600 and the 1.5300 contract low.

10, 40 and 200 day moving average alignment is turning bearish and are resistance levels between 1.9500-1.9800. Longer term resistance is at 2.0500 and the 2.1371 June high. A close above the June high is needed to turn the longer term trend back up.



August NY Harbor ULSD

The August 15 heating oil contract has been heavily sold over the past three weeks after falling under long term trend line support at the lower-1.8000 level.

The ensuing sell off has dropped the contract back toward the 1.6136 contract low set last January. If this support is broken, the current 2015 spot contract low at 1.5890 will become the next downside support.

The 10 day moving average has been primary resistance for nearly a month. A close back above this average currently at 1.7000 could be an early indication the market is bottoming.

Current weakness could be setting a long term low in the heating oil market if spot crude oil holds above 44.00-45.00 16-year trend line support.

August Propane

The August 15 propane contract has been in a seven week sideways trading range after setting a new contract low at .41000 in early-June.

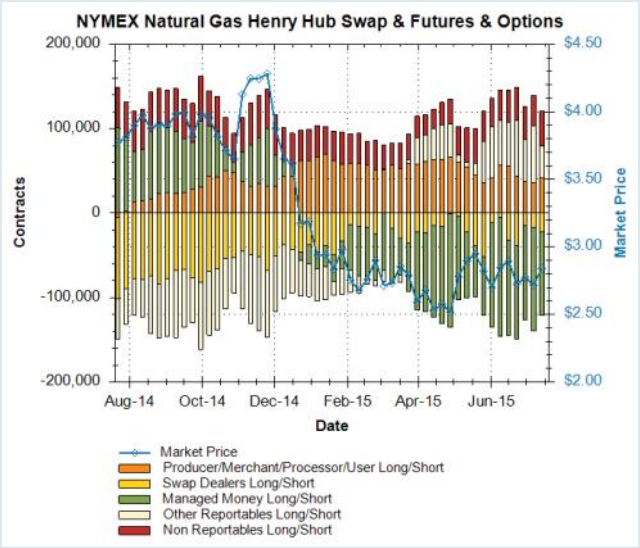
The primary trend at this point remains down although it could turn back higher near term with a breakout above 10 and 40 day moving average resistance between .43000-.44500. A rally above these two averages would turn the near term trend back up with following resistance at .47000-.48000 and .51000-.52000.

A drop under .41000 will keep the downtrend intact with .39000-.40000 being the next support followed by .35000.

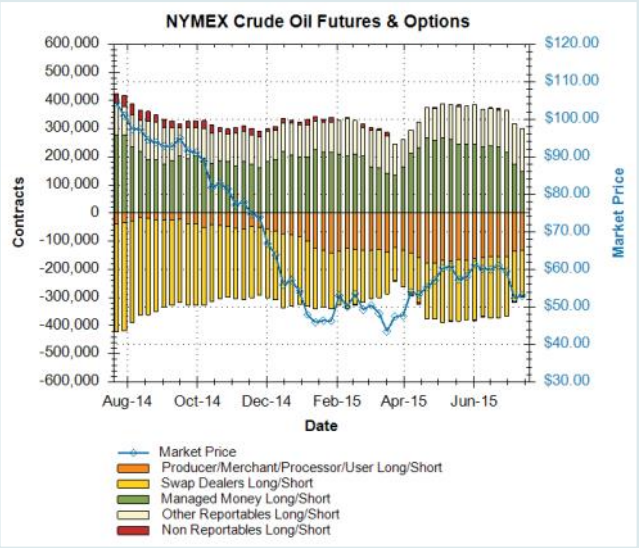
TECHNICAL FEATURES

COMMITMENT OF TRADERS (FUTURES &OPTIONS)

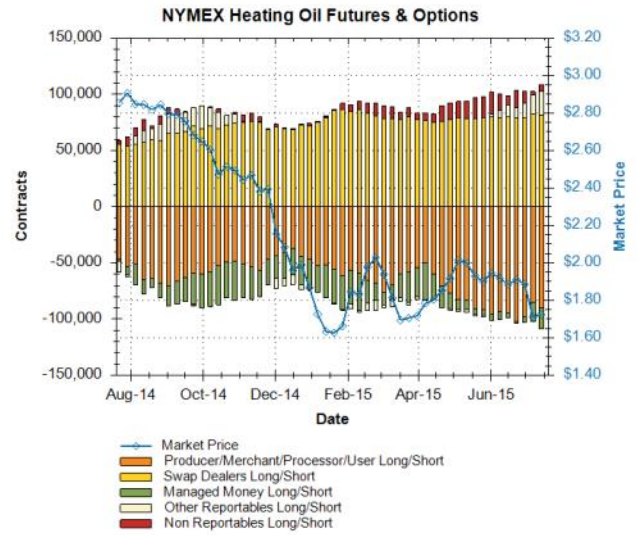
NYMEX Natural Gas (Futures & Options)



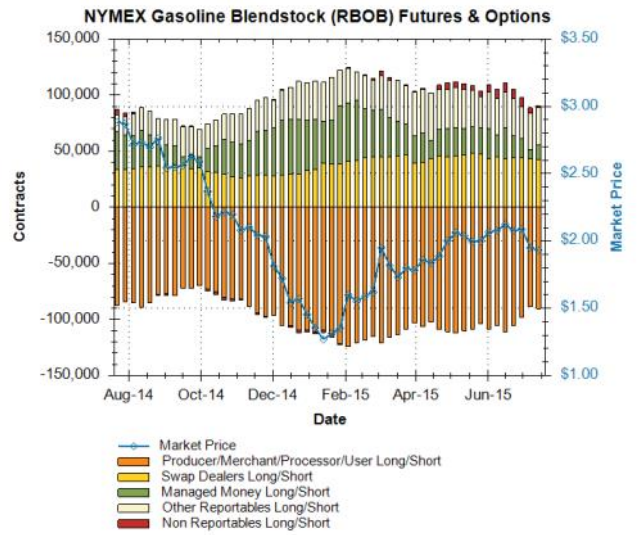
Crude Oil (Futures & Options)



NY Harbor ULSD (Futures & Options)



Unleaded (Futures & Options)



RETAIL & WHOLESALE DIESEL ANALYSIS

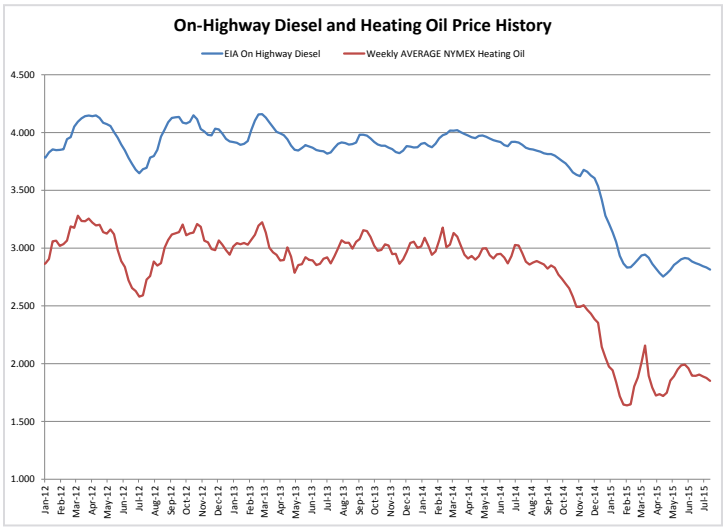
On-Highway Diesel vs. Heating Oil

The heating oil/diesel markets have moved back more into an historical price alignment with the 1-year spot price differential currently settling near $1.060 (price of diesel above price of heating oil). However, the recent volatility in the wholesale price has caused the bid/offer to widen, making it difficult to execute at these levels.

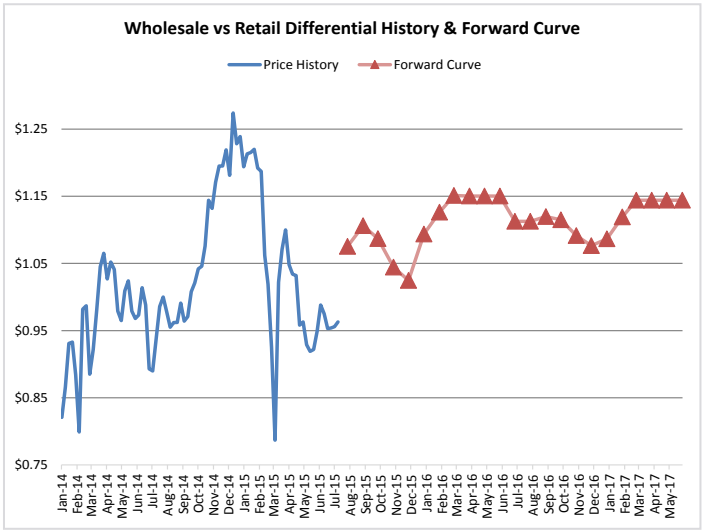
This differential last year reached an historic high as the price of heating oil fell to a 6-year price low. As the price of heating oil fell, the once a week reported price of diesel fuel fell at a slower rater causing this differential to trade in the upper-$1.2000 level for the first time ever.

As the price of heating oil has stabilized and the weekly diesel fuel price has fallen lower, the differential between the two markets has moved back into a typical alignment.

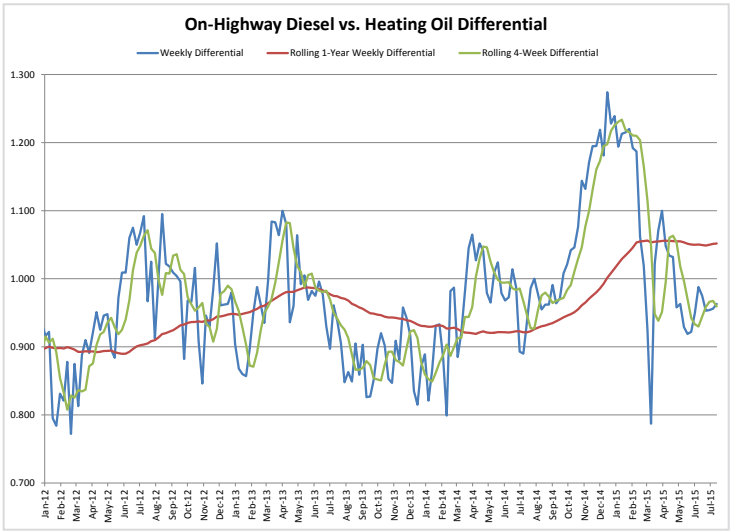
Retail/Wholesale Diesel Price History



Retail/Wholesale Diesel Differential History & Forward Curve



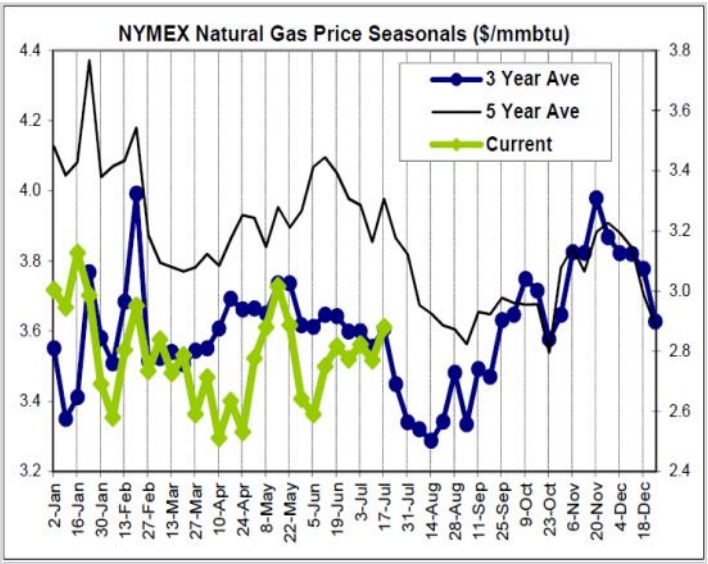
Retail/Wholesale Diesel Differential Weekly, Rolling 1-Year & Rolling 4-Week



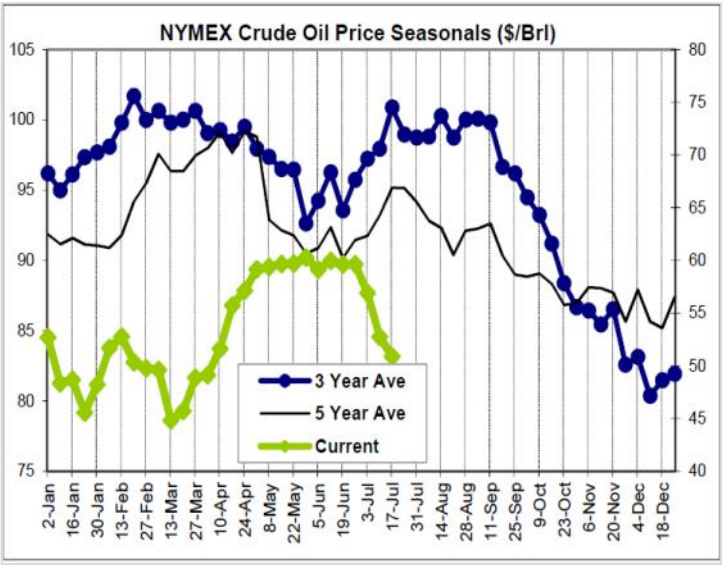
HISTORICAL FEATURES

SEASONALITY

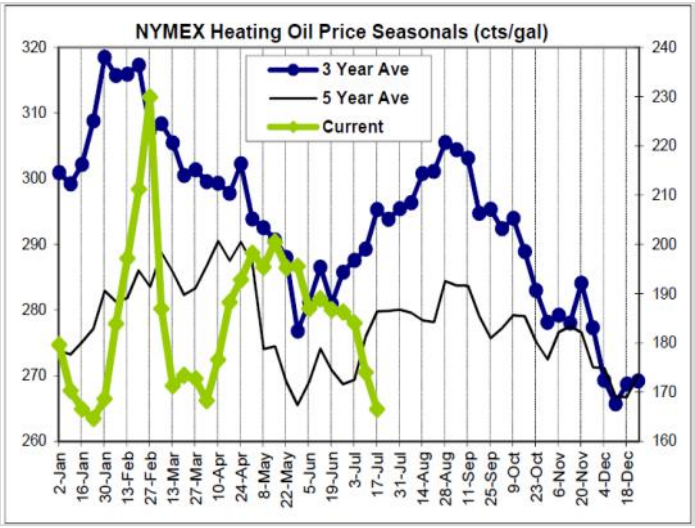
Natural Gas



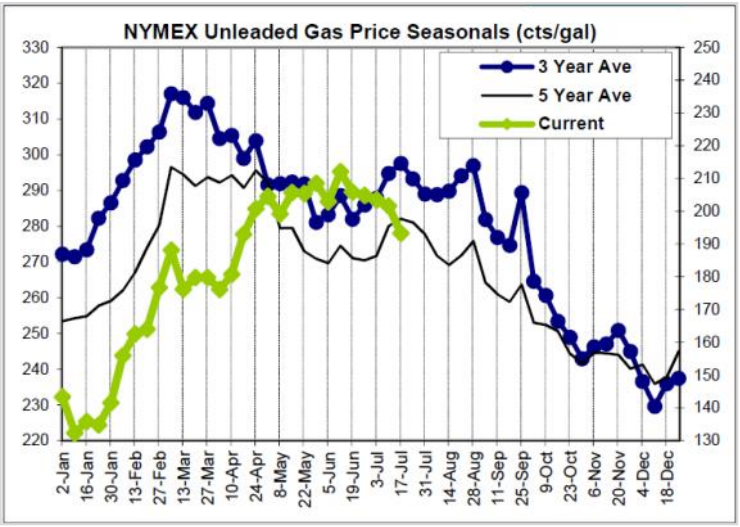
Crude Oil



Heating Oil



RBOB

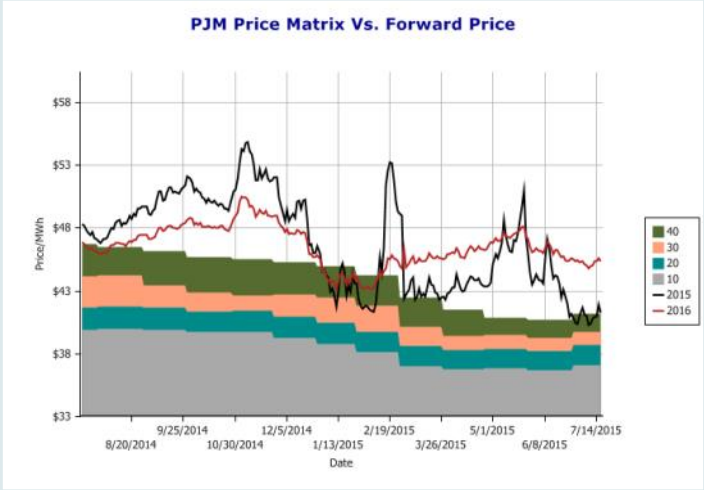


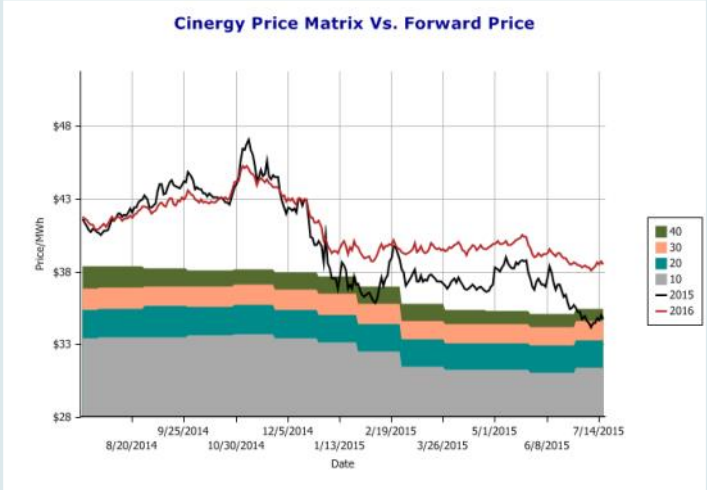
POWER

Power 4-Year Rolling Price Matrices as of June 30, 2015

Power Rolling Mean Deciles								
	Indiana Hub	AEP Dayton	SP15	ERCOT HZ	PJM	NP15	NYISO ZONE J	NEPOOL
4th Quadrant	40.78 - 65.12	43.92 - 51.25	46.01 - 59.04	42.59 - 138.02	50.50 - 139.61	44.80 - 57.45	67.46 - 223.82	66.57 - 252.98
3rd Quadrant	36.27 - 40.78	40.68 - 43.92	40.95 - 46.01	36.36 - 42.59	43.68 - 50.50	39.46 - 44.80	52.91 - 67.46	46.86 - 66.57
2nd Quadrant	33.75 - 36.27	38.99 - 40.68	34.61 - 40.95	31.47 - 36.36	39.58 - 43.68	34.04 - 39.46	44.44 - 52.91	39.52 - 46.86
1st Quadrant	27.38 - 33.75	30.37 - 38.99	23.91 - 34.61	24.33 - 31.47	32.51 - 39.58	23.30 - 34.04	32.63 - 44.44	26.47 - 39.52
Mean	37.67	41.28	40.48	40.30	46.11	39.18	58.38	59.17
Median	36.27	40.68	40.95	36.36	43.68	39.46	52.91	46.86
90% - MAX	45.52 - 65.12	46.79 - 51.25	50.21 - 59.04	55.51 - 138.02	57.25 - 139.61	47.88 - 57.45	82.09 - 223.82	102.50 - 252.98
80% - 90%	42.27 - 45.52	44.87 - 46.79	46.90 - 50.21	45.34 - 55.51	51.75 - 57.25	45.70 - 47.88	71.48 - 82.09	73.80 - 102.50
70% - 80%	39.49 - 42.27	42.88 - 44.87	45.10 - 46.90	40.90 - 45.34	49.13 - 51.75	43.48 - 45.70	62.35 - 71.48	60.21 - 73.80
60% - 70%	37.31 - 39.49	41.46 - 42.88	43.54 - 45.10	38.17 - 40.90	46.65 - 49.13	41.16 - 43.48	57.28 - 62.35	52.26 - 60.21
50% - 60%	36.27 - 37.31	40.68 - 41.46	40.95 - 43.54	36.36 - 38.17	43.68 - 46.65	39.46 - 41.16	52.91 - 57.28	46.86 - 52.26
40% - 50%	35.31 - 36.27	39.87 - 40.68	38.32 - 40.95	34.62 - 36.36	41.53 - 43.68	36.97 - 39.46	49.42 - 52.91	44.16 - 46.86
30% - 40%	34.47 - 35.31	39.29 - 39.87	36.09 - 38.32	32.17 - 34.62	40.11 - 41.53	35.31 - 36.97	45.60 - 49.42	41.31 - 44.16
20% - 30%	33.13 - 34.47	38.63 - 39.29	33.33 - 36.09	30.76 - 32.17	39.02 - 40.11	33.05 - 35.31	43.26 - 45.60	37.70 - 41.31
10% - 20%	31.29 - 33.13	37.02 - 38.63	30.62 - 33.33	29.34 - 30.76	37.47 - 39.02	30.48 - 33.05	40.17 - 43.26	35.23 - 37.70
MIN - 10%	27.38 - 31.29	30.37 - 37.02	23.91 - 30.62	24.33 - 29.34	32.51 - 37.47	23.30 - 30.48	32.63 - 40.17	26.47 - 35.23

2015 & 2016 Strips vs. Matrix Values





HISTORICAL FEATURES

NATURAL GAS, FUELS & COAL

RMI 4-Year and 8-Year Pricing Matrices as of July Futures Expiration

NATURAL GAS - NYMEX 4-Year			
	ANNUAL	SUMMER STRIP	WINTER STRIP
4th Quadrant	3.76 - 5.48	3.80 - 4.41	3.66 - 5.48
3rd Quadrant	3.37 - 3.76	3.36 - 3.80	3.42 - 3.66
2nd Quadrant	2.84 - 3.37	2.72 - 3.36	3.07 - 3.42
1st Quadrant	1.95 - 2.84	1.95 - 2.72	2.31 - 3.07
Mean	3.34	3.28	3.43
Median	3.37	3.36	3.42
90% - MAX	4.12 - 5.48	4.09 - 4.41	4.13 - 5.48
80% - 90%	3.88 - 4.12	3.91 - 4.09	3.80 - 4.13
70% - 80%	3.69 - 3.88	3.72 - 3.91	3.61 - 3.80
60% - 70%	3.56 - 3.69	3.60 - 3.72	3.51 - 3.61
50% - 60%	3.37 - 3.56	3.36 - 3.60	3.42 - 3.51
40% - 50%	3.20 - 3.37	3.07 - 3.36	3.27 - 3.42
30% - 40%	2.96 - 3.20	2.77 - 3.07	3.14 - 3.27
20% - 30%	2.75 - 2.96	2.65 - 2.77	2.99 - 3.14
10% - 20%	2.54 - 2.75	2.41 - 2.65	2.78 - 2.99
MIN - 10%	1.95 - 2.54	1.95 - 2.41	2.31 - 2.78

NATURAL GAS - NYMEX 8-Year			
	ANNUAL	SUMMER STRIP	WINTER STRIP
4th Quadrant	5.08 - 12.85	4.57 - 12.85	5.82 - 9.72
3rd Quadrant	4.07 - 5.08	4.04 - 4.57	4.12 - 5.82
2nd Quadrant	3.41 - 4.07	3.43 - 4.04	3.40 - 4.12
1st Quadrant	1.81 - 3.41	1.81 - 3.43	2.23 - 3.40
Mean	4.69	4.64	4.76
Median	4.07	4.04	4.12
90% - MAX	7.84 - 12.85	8.00 - 12.85	7.77 - 9.72
80% - 90%	6.04 - 7.84	4.96 - 8.00	6.37 - 7.77
70% - 80%	4.67 - 6.04	4.39 - 4.96	5.38 - 6.37
60% - 70%	4.27 - 4.67	4.19 - 4.39	4.59 - 5.38
50% - 60%	4.07 - 4.27	4.04 - 4.19	4.12 - 4.59
40% - 50%	3.78 - 4.07	3.81 - 4.04	3.72 - 4.12
30% - 40%	3.53 - 3.78	3.58 - 3.81	3.47 - 3.72
20% - 30%	3.25 - 3.53	3.10 - 3.58	3.30 - 3.47
10% - 20%	2.75 - 3.25	2.64 - 3.10	3.01 - 3.30
MIN - 10%	1.81 - 2.75	1.81 - 2.64	2.23 - 3.01

NYMEX FUELS					ICE Fuels	EIA
	CRUDE OIL	HEATING OIL	RBOB	PROPANE	BRENT CRUDE OIL	ON HIGHWAY DIESEL
4th Quadrant	92.76 - 103.56	2.83 - 3.09	2.70 - 3.16	1.11 - 1.46	102.88 - 116.87	3.71 - 3.87
3rd Quadrant	83.71 - 92.76	2.63 - 2.83	2.51 - 2.70	0.87 - 1.11	95.00 - 102.88	3.57 - 3.71
2nd Quadrant	76.21 - 83.71	2.49 - 2.63	2.34 - 2.51	0.76 - 0.87	89.28 - 95.00	3.44 - 3.57
1st Quadrant	43.75 - 76.21	1.63 - 2.49	1.27 - 2.34	0.35 - 0.76	46.81 - 89.28	2.79 - 3.44
Mean	81.59	2.57	2.44	0.91	91.71	3.52
Median	83.71	2.63	2.51	0.87	95.00	3.57
90% - MAX	96.81 - 103.56	2.91 - 3.09	2.85 - 3.16	1.31 - 1.46	107.55 - 116.87	3.81 - 3.87
80% - 90%	94.02 - 96.81	2.85 - 2.91	2.75 - 2.85	1.16 - 1.31	103.84 - 107.55	3.74 - 3.81
70% - 80%	90.34 - 94.02	2.79 - 2.85	2.63 - 2.75	1.04 - 1.16	100.75 - 103.84	3.69 - 3.74
60% - 70%	87.45 - 90.34	2.73 - 2.79	2.56 - 2.63	0.95 - 1.04	98.15 - 100.75	3.65 - 3.69
50% - 60%	83.71 - 87.45	2.63 - 2.73	2.51 - 2.56	0.87 - 0.95	95.00 - 98.15	3.57 - 3.65
40% - 50%	81.68 - 83.71	2.58 - 2.63	2.45 - 2.51	0.82 - 0.87	93.42 - 95.00	3.51 - 3.57
30% - 40%	78.26 - 81.68	2.52 - 2.58	2.38 - 2.45	0.79 - 0.82	90.84 - 93.42	3.47 - 3.51
20% - 30%	73.91 - 78.26	2.39 - 2.52	2.25 - 2.38	0.73 - 0.79	84.31 - 90.84	3.42 - 3.47
10% - 20%	56.79 - 73.91	1.90 - 2.39	1.86 - 2.25	0.53 - 0.73	61.72 - 84.31	2.93 - 3.42
MIN - 10%	43.75 - 56.79	1.63 - 1.90	1.27 - 1.86	0.35 - 0.53	46.81 - 61.72	2.79 - 2.93

COAL		
	Appalachian	PRB
4th Quadrant	57.14 - 70.72	11.40 - 13.31
3rd Quadrant	54.72 - 57.14	10.24 - 11.40
2nd Quadrant	52.29 - 54.72	9.41 - 10.24
1st Quadrant	48.06 - 52.29	7.18 - 9.41
Mean	55.93	10.31
Median	54.72	10.24
90% - MAX	67.32 - 70.72	12.65 - 13.31
80% - 90%	58.03 - 67.32	11.75 - 12.65
70% - 80%	56.64 - 58.03	11.07 - 11.75
60% - 70%	55.46 - 56.64	10.54 - 11.07
50% - 60%	54.72 - 55.46	10.24 - 10.54
40% - 50%	53.74 - 54.72	9.81 - 10.24
30% - 40%	52.74 - 53.74	9.59 - 9.81
20% - 30%	51.63 - 52.74	9.16 - 9.59
10% - 20%	50.09 - 51.63	8.16 - 9.16
MIN - 10%	48.06 - 50.09	7.18 - 8.16

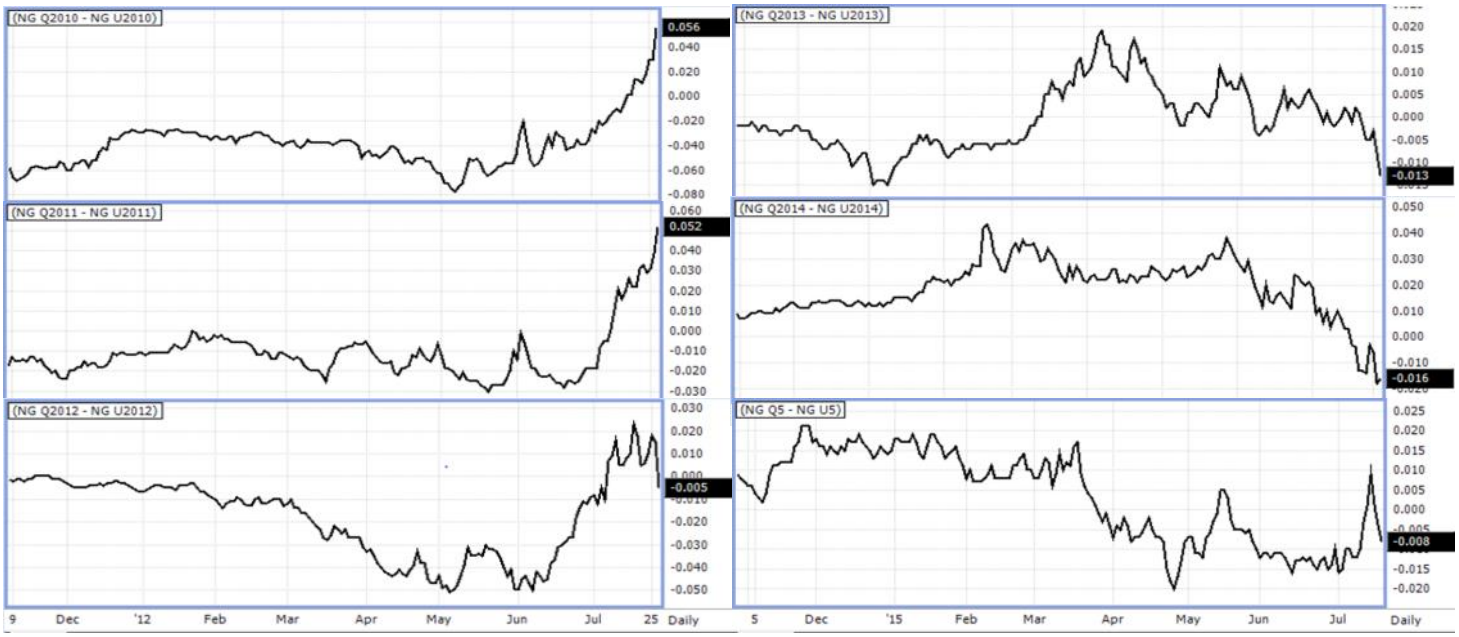
INJECTION & WITHDRAWAL SPREADS (NATURAL GAS)

Injection-Withdrawal Spread

Summer 15 versus Winter 15/16 has narrowed slightly from around 50 cents under to 42 cents under. January 2016 versus 2017 is trading at a discount of around 20 cents. Both of those spreads present opportunity to narrow over the coming months, contrary to market expectations for natural gas prices to decline by the end of the 3rd quarter.

YEAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	SUMMER	WINTER	SPREAD
2008/2009	9.578	11.280	11.916	13.105	9.217	8.394	7.472	6.469	6.888	6.136	4.476	4.056	10.137	5.605	4.532
2009/2010	3.631	3.321	3.538	3.949	3.379	2.843	3.730	4.289	4.486	5.814	5.274	4.816	3.484	4.936	-1.451
2010/2011	3.842	4.271	4.155	4.717	4.774	3.651	3.837	3.292	4.267	4.216	4.316	3.793	4.178	3.977	0.201
2011/2012	4.240	4.377	4.326	4.357	4.370	3.857	3.759	3.524	3.364	3.084	2.678	2.446	4.184	3.019	1.165
2012/2013	2.191	2.036	2.429	2.774	3.010	2.634	3.023	3.471	3.696	3.354	3.226	3.427	2.585	3.435	-0.850
2013/2014	3.976	4.152	4.148	3.707	3.459	3.567	3.498	3.497	3.818	4.407	5.557	4.855	3.787	4.427	-0.640
2014/2015	4.584	4.795	4.619	4.400	3.808	3.957	3.984	3.728	4.282	3.189	2.866	2.894	4.307	3.392	0.915
1991/1992-2014/2015													3.921	4.194	-0.273
2010/2011-2014/2015													3.808	3.650	0.158
2015/2016	2.590	2.517	2.815	2.773	2.870	2.874	2.899	2.998	3.166	3.272	3.267	3.222	2.763	3.185	-0.422
2016/2017	3.067	3.063	3.088	3.118	3.132	3.128	3.161	3.239	3.402	3.510	3.502	3.435	3.108	3.418	-0.309
2017/2018	3.187	3.184	3.219	3.257	3.268	3.257	3.278	3.352	3.516	3.646	3.626	3.566	3.236	3.541	-0.305
2018/2019	3.252	3.252	3.287	3.324	3.336	3.328	3.350	3.425	3.591	3.716	3.696	3.634	3.304	3.612	-0.308
2019/2020	3.334	3.337	3.371	3.407	3.424	3.416	3.440	3.520	3.705	3.839	3.819	3.757	3.390	3.728	-0.338

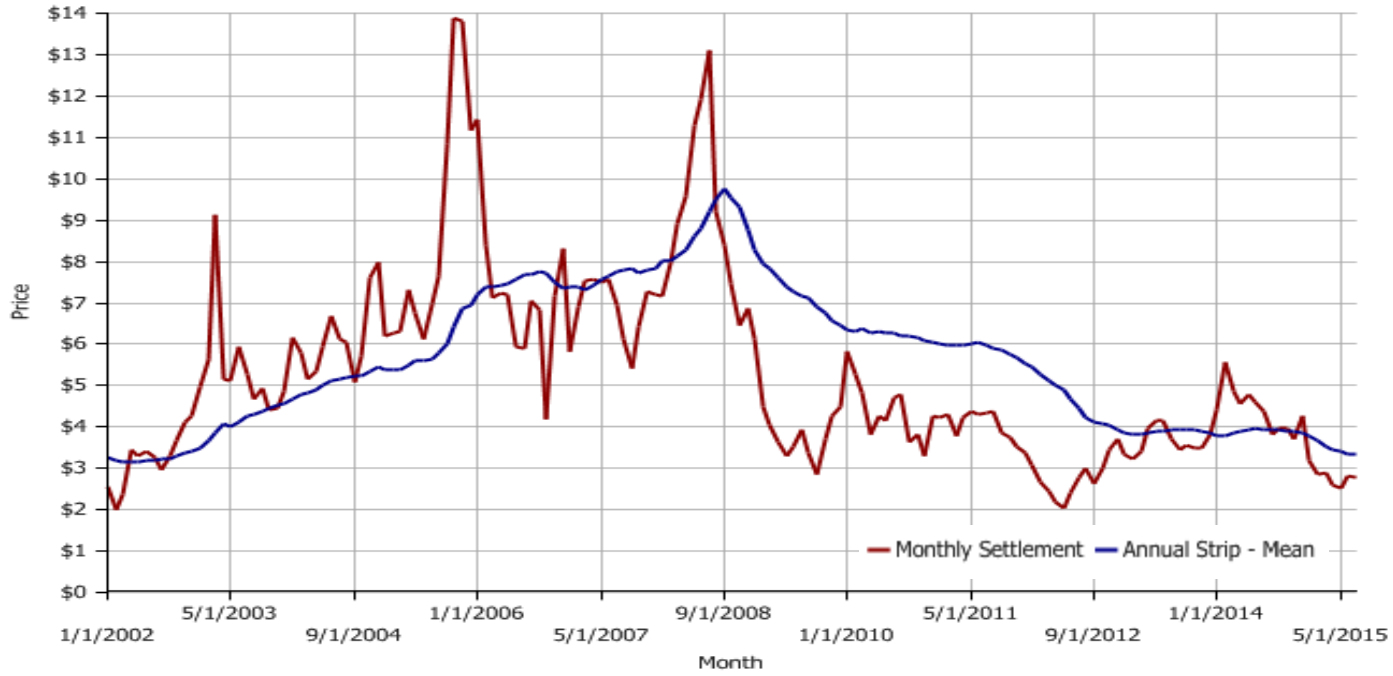
August-September Spread (2010 THRU 2015)



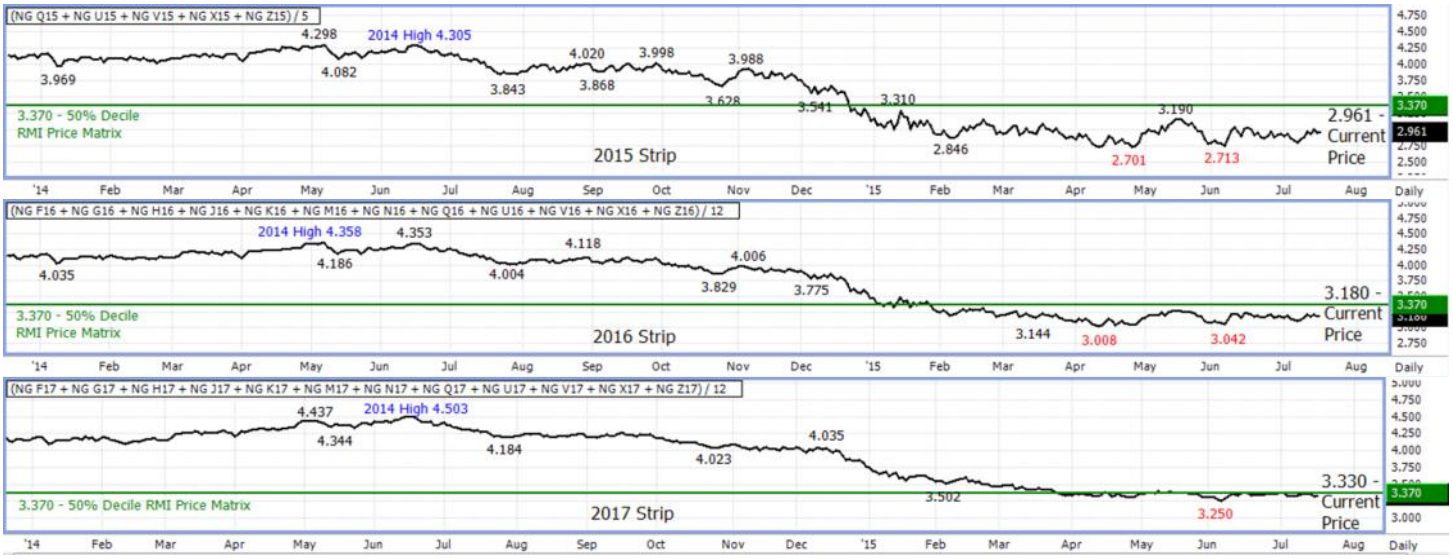
MEAN REVERSION ANALYSIS

Monthly Natural Gas Settlement Prices vs. Annual Strip Mean Values

The 4-Year Mean for Nymex natural gas is back down to $3.350. That level is right in the middle of the Nymex settlement 3-year range between $2.000 to $5.500. July settled at $2.754, below the June settle at $2.815 but above the May settle at $2.517. The August settlement is could prove to be one of the most crucial expirations in recent years. A close above $2.815 should lead the way to a test of the Mean. A settle below $2.754 could usher in a strong round of late summer selling.



2015-2017 Natural Gas Strips

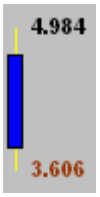


HISTORICAL FEATURES

12-MONTH STRIP ANALYSIS

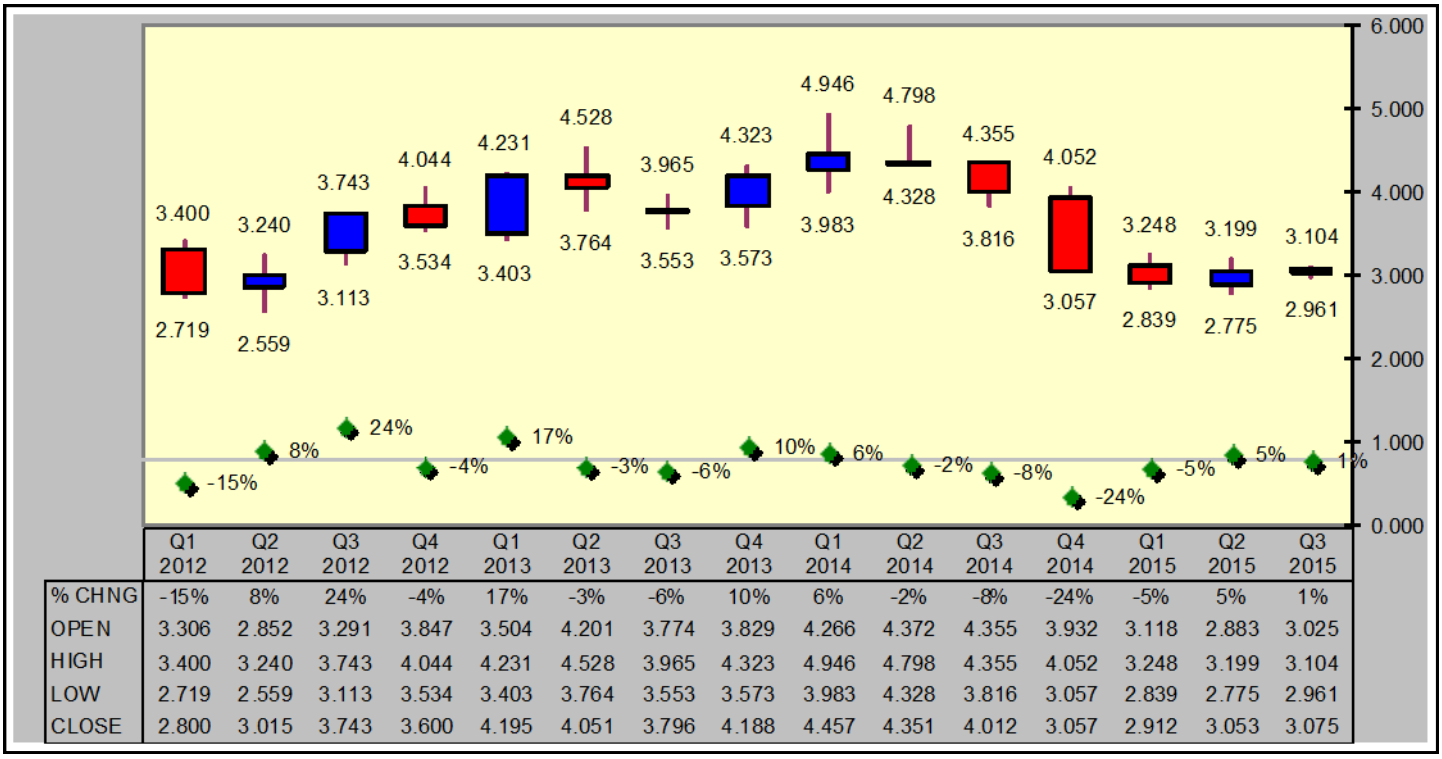
The data below represents the12-month strip on a quarterly basis, looking at the following points:

- Highest Price during the quarter
- Daily close at the end of the quarter
- Daily close at the start of the quarter
- Lowest Price during the quarter
- % change from the Open to the Close of the Quarter (◆)



A **blue** bar represents a quarter when the starting price was lower than the ending price. (an overall **increase** in prices over that quarter).

A **red** bar represents a quarter when the starting price was higher than the ending price (an overall **decrease** in prices over that quarter).



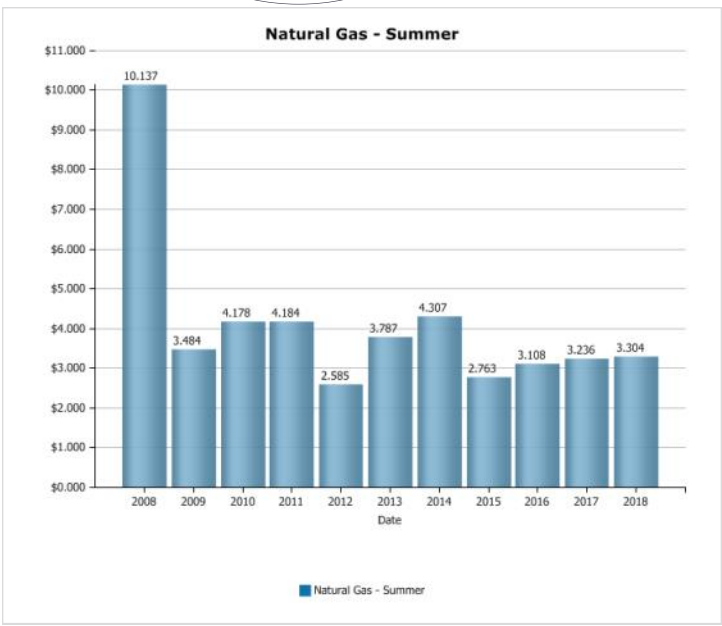
	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
% CHNG	-15%	8%	24%	-4%	17%	-3%	-6%	10%	6%	-2%	-8%	-24%	-5%	5%	1%
OPEN	3.306	2.852	3.291	3.847	3.504	4.201	3.774	3.829	4.266	4.372	4.355	3.932	3.118	2.883	3.025
HIGH	3.400	3.240	3.743	4.044	4.231	4.528	3.965	4.323	4.946	4.798	4.355	4.052	3.248	3.199	3.104
LOW	2.719	2.559	3.113	3.534	3.403	3.764	3.553	3.573	3.983	4.328	3.816	3.057	2.839	2.775	2.961
CLOSE	2.800	3.015	3.743	3.600	4.195	4.051	3.796	4.188	4.457	4.351	4.012	3.057	2.912	3.053	3.075

Q2 ended up 5% higher than Q1 close. The trading range in 2015 continues to be around 50 cents, which is significantly tighter and only 50% of what we saw in Q4 2014. With Q2 in the books, the 12-month strip made a new low of $2.775 from the Q1 low at $2.839 and closed at $3.053. This was higher than Q1 close of $2.912. As long as the Q2 low at $2.775 is not broken, this sets up a run back toward the $3.500 level by the end of the injection season.

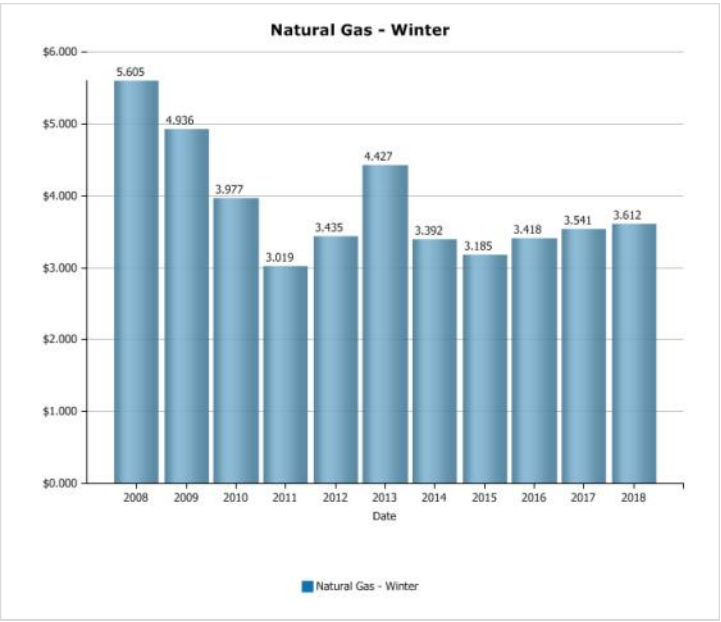
HISTORICAL FEATURES

NATURAL GAS STRIP PRICING

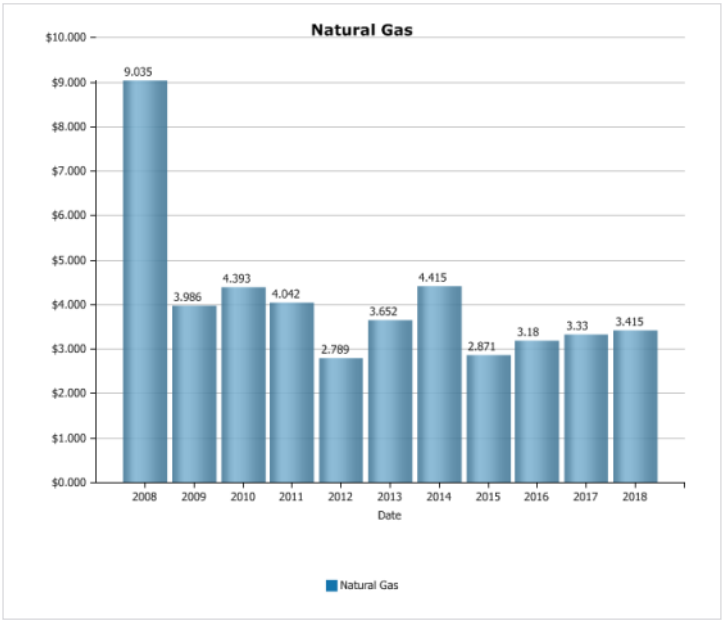
Natural Gas Summer Strip



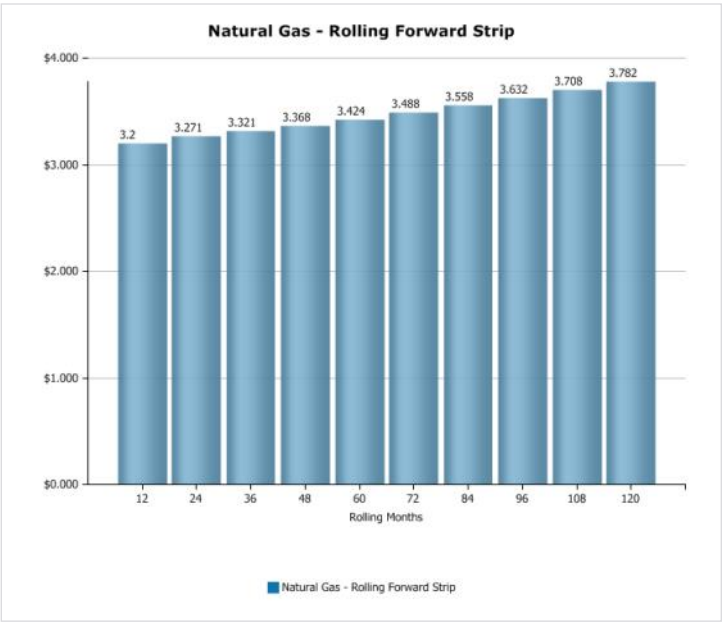
Natural Gas Winter Strip



Natural Gas Calendar Strip



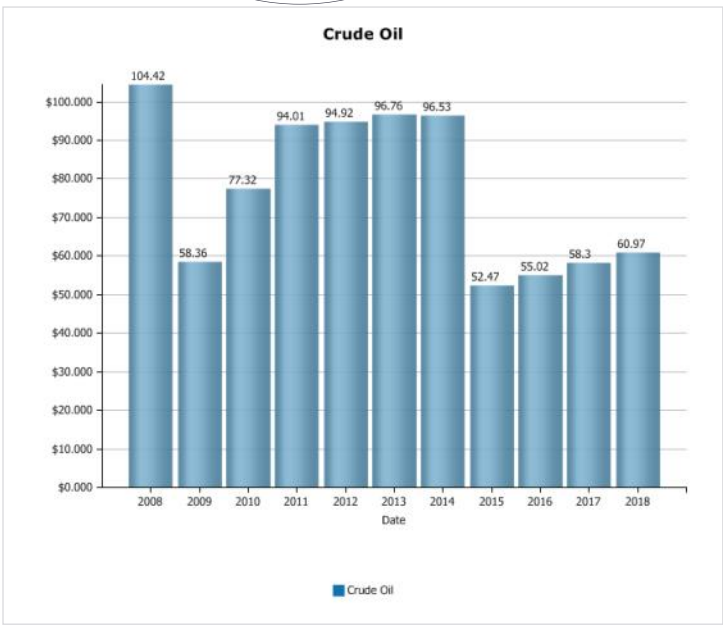
Natural Gas Rolling Forward Strip



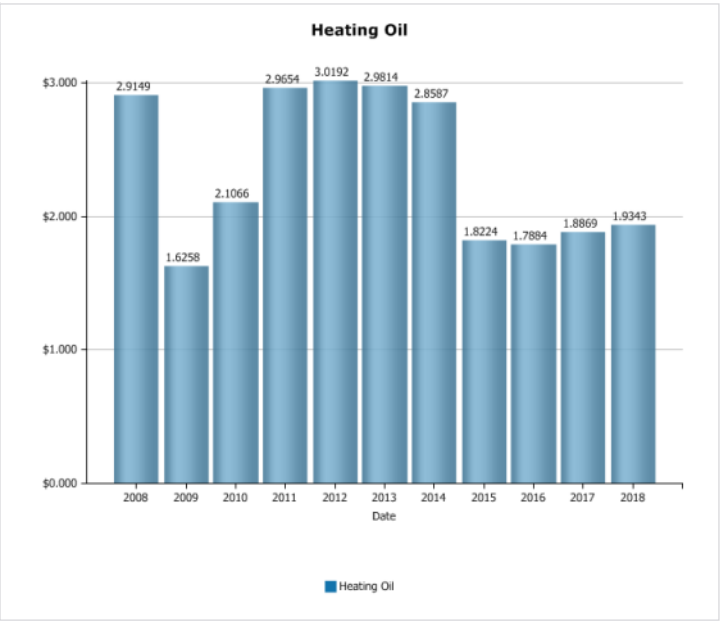
HISTORICAL FEATURES

FUELS STRIP PRICING

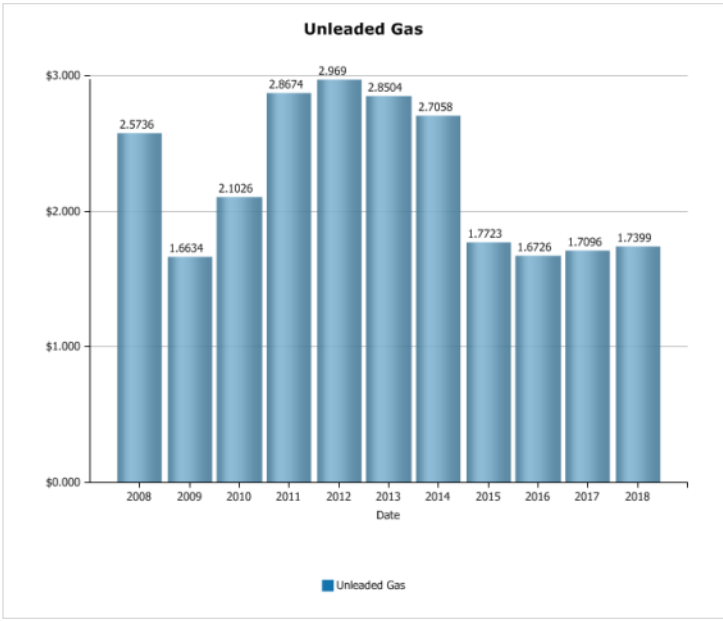
Crude Oil Strip



New York Harbor ULSD Strip



Unleaded Gas Strip



Propane Strip