Penn State Asset Management Group

EoW Product Report

Week of January 27 – January 30 CY2020

Energy Sector

EoW Product Report

Rainy Zhang
Lead Associate | Energy
rainyzhang15@gmail.com

Jordan Gerlach
Lead Analyst | Energy
jgerl12@live.com

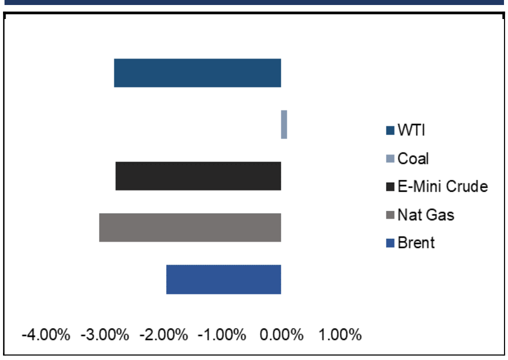
Noah Webbere
Lead Analyst | Energy
noahwebbere@gmail.com

	EoW Close	EoW Percentage Change
Brent	$58.16	-1.96%
Natural Gas	$1.84	-3.10%
E-Mini Crude	$51.65	-2.82%
Coal	$50.40	0.10%
WTI	$51.63	-2.84%

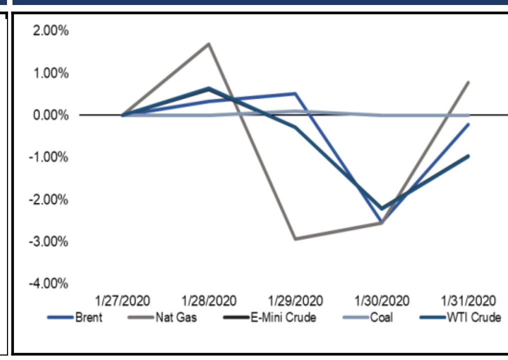
Market Data as of Friday January 31, 4:00 pm EST

Energy Price Movement

Sector Product Price Movement WoW



Percent Change WoW



Jake Spagnola
President
jakespagnola@gmail.com

Nate Pontician
Vice President
nathanpontician@gmail.com

Justin Shea-Katz
Chief Investment Officer
jsheakatz@gmail.com

Liam Callahan
Director of Economic Analysis
liam.callahan00@gmail.com

Chris Vaughan
Director of Education
vauganc7298@gmail.com

EIA's Annual Energy Outlook

On Wednesday 29, EIA released their CY2020 Annual Energy Outlook in which they predicted that U.S. energy consumption will grow at a slower rate than their GDP through CY2050 due to an increase in energy efficiency across the industrial, transportation, and residential living sectors of the economy. This supports the nationwide focus on shifting energy consumption from non-renewable fossil fuels to more environmentally safe alternatives. The industrial sector is predicted to consume less energy because of newer and more energy efficient machinery. EIA also cited a higher growth rate in non-energy-intensive relative to energy-intensive manufacturing. Within the transportation sector, EIA claimed that the growth of non-fuel reliable vehicles and smarter fuel efficient technology in aircrafts will contribute to the slowing growth in energy consumption. As for the residential living aspect, EIA believes that greater productivity in energy distribution technology for apartment complexes and homes will also bring down domestic energy consumption.

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In their outlook EIA also predicted that the U.S. will continue to produce high levels of crude oil and natural gas while at the same time believing domestic consumption growth will slow down. As a result, the U.S. would increase their net exports of these products. EIA projected that renewable energy will account for 38.00% of electricity in CY2050 which will overtake natural gas – projected to be 36.00% in CY2050 - as the primary source for electricity generation. The outlook also estimated natural gas dry production to only grow at a rate of 1.90% per year through CY2020-CY2025.

Coronavirus's Effect on Travel

Twelve global airlines temporarily suspended flights to and from China, to combat the spread of the coronavirus. On Friday, Alex Azar, the Secretary of Health and Human Services for the U.S., declared a public health emergency due to the imposing threat of the coronavirus. This led to the first U.S. airlines to take similar actions. On February 6 CY2020, Delta and United Airline's flights to and from China will be temporarily suspended. American Airlines suspended their flights effective immediately. American and United's suspensions will last until March 28, CY2020, while Delta's flights will be suspended until April 30 CY2020. The uncertainty around the R0 and mortality rate of the virus has led countries to take preemptive precautions. Lack of demand for jet fuel has been a main driver for the large decline in oil prices over the past two weeks.

Crude Oil

Crude oil prices were relatively sturdier this week compared to the prior week with WTI ending down 2.64% and Brent finishing down 1.96% because of China's coronavirus. Last week's price drop was due to the substantial decrease in airline travel in and out of China causing a decrease in demand for jet fuel. OPEC's consideration of moving their scheduled March meeting forward to February, to discuss further supply cuts to combat the negative price impact of the virus, is one reason for the renewed price stability.

Libya is still attempting to mediate problems with their oil production and transportation after a militia group set up a blockade of a crucial port and pipeline in mid-January. Before the blockade, Libya's daily oil output was 1.30 MM Bbl/d and this week the chairman of Libya's National Oil Corporation, Mustafa Sanalla, claims it may fall as low as 72,000.00 Bbl/d. According to the OEC, in CY2017 Libya relied on oil for 87.60% of it's exports, illustrating the significance for them to resolve this issue as soon as possible.

Natural Gas

Natural gas has been trading under $1.95/MMBtu and finished the week at $1.84/MMBtu. This has been attributed to the warmer-than-usual weather this winter. Consumption fell 10.00% compared to the previously reported week as a result of this warmer weather. However, forecasters believe that in coming weeks there will be a drop in temperature in the Alaskan region causing large ridge developments. This spike should cause an increase in production as well as demand.

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jsheakatz@gmail.com

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liam.callahan00@gmail.com

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