

Energy Market Update, June 18, 2025

NYMEX Prices

| Product | Month | Close | Wk. Change |
|-----------|--------|--------|------------|
| Crude Oil | Jul 25 | 75.14 | +12.29 |
| RBOB Gas | Jul 25 | 2.3086 | +0.2746 |
| NYH ULSD | Jul 25 | 2.5334 | +0.4633 |
| Nat. Gas | Jul 25 | 3.989 | +0.273 |

Market News: Energy markets close higher

Gasoline losses led the way, falling more than 2% after the weekly DOE reported demand down by 1.2 million barrels to a four-month low. Gasoline inventories added 5.2 million barrels on the week, a 5-month high, to weekly inventory gains.

Morning markets seemed to flush out profit takers looking to capture income after the market's sharp rise over the last week.

Geopolitical concerns are firmly in control of energy markets at this point. The biggest at the moment is how involved the US will be in the fighting between Israel and Iran going forward.

Very little reaction occurred to energies after the DOEs reported a draw of 10 million barrels to crude stocks from the prior week. Affirming the lack of attention being paid to the fundamental picture.

Additionally, little attention from markets was paid to low retail sales figures reported yesterday.

The Fed's June policy decision had rates unchanged as the Fed pointed to economic uncertainty being lower but is still at the high end.

Forecasts are still targeting two rate cuts before the end of the year, at a quarter of a point at a time, totaling fifty basis point cuts by the end of year.

| | Crude | | | | Gasoline | | | | Distillate Fuel | | | |
|---------|---------------|-------|---------------|---------------|---------------|-------|-----------------|---------------|-----------------|-------|---------------|---------------|
| | Change | Total | 3-Yr. Avg. | 5-Yr. Avg. | Change | Total | 3-Yr. Avg. | 5-Yr. Avg. | Change | Total | 3-Yr. Avg. | 5-Yr. Avg. |
| EIA | -11.5 | 420.9 | 448 | 472 | 0.2 | 230.0 | 222 | 231 | 0.5 | 109.4 | 109 | 125 |
| Est. | +2.000/-3.900 | | | | +2.000/-1.400 | | | | +2.000/-0.700 | | | |
| Propane | Total | | 67.5 | 1.5 | Midwest | | 15.6 | 1.0 | Gulf Coast | | 43.5 | 0.6 |
| API | Crude -10.1 | | Cushing -0.8 | | Gasoline -0.2 | | Distillates 0.3 | | | | | |

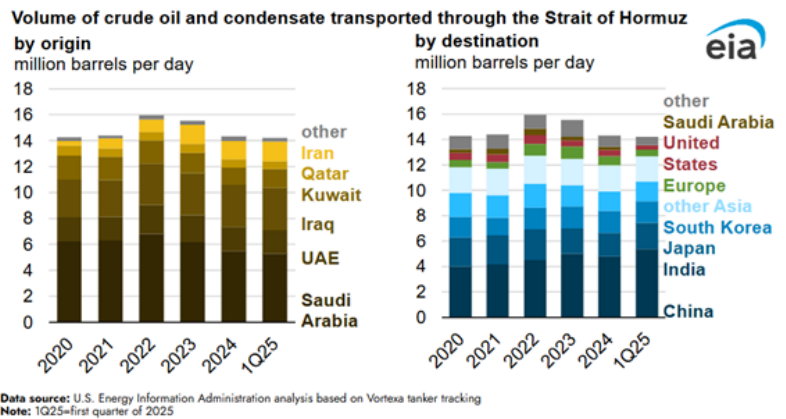
The Breakdown of barrels through the Strait of Hormuz

- The Strait of Hormuz is 1 of 8 major waterborne shipping chokepoints around the world
- Approximately 20% of world petroleum demand transits the Strait of Hormuz
- More than 20 million b/d has moved through the strait in each of the last 3 years
- Saudi Arabia accounts for over 1/3 of the origin barrels through the region

- Fighting in Iran is once again threatening to reduce or lockdown the Strait of Hormuz
- India & China account for the largest portion of destinations, when including Japan and South Korea as well the share of supply goes up to nearly 70%

Why it matters:

2 of the 3 largest consumers of energy products around the world, India and China, may have a sizable portion of their shipments significantly disrupted or cutoff if Iran closes shipping traffic through the strait. Initially, markets would likely react strongly to the upside as these nations sort out alternative supply points and trade routes.



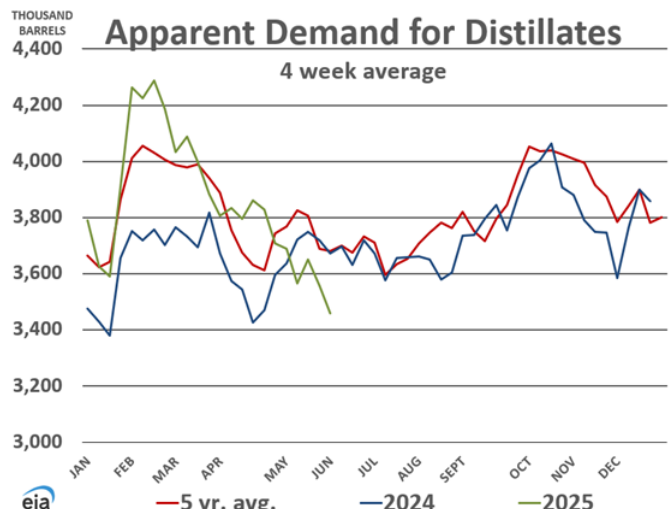
Diesel showing the strongest gains in the petroleum complex with the conflict in the Middle East

The ULSD futures contract has jumped about 25 cents since the end of last week, and closer to 50 cents since the end of last month, from trading around \$2.00 to today's +\$2.50 level.



Declining #2 diesel consumption levels in the months ahead could bolster supplies, increase inventories, and potentially depress ULSD prices.

- Four-week average diesel demands, according to the latest data from the DOE, last week decreased by 100,000 bbls/d or 2.8% to **3.46M bbls/d, a 13-month low.**
- 4-week avg. demand is 6% or **nearly 225,000 bbls/d below the five-year average.**
- In addition, 4-wk. avg. demand is down 215,000 bbls/d or 5.9% from a year ago levels.
- Further, four-week average distillate demand has dropped by slightly more than 830,000 bbls/d or 19% from its 2025 peak just below 4.3M bbls/d from back in February.
- On a weekly basis, distillate demand last week was **3.4M bbls/d**, according to the DOE, down 1.2M bbls/d or more than 25% from its 2025 high at 4.6M bbls/d from the end of January.
- Distillate demands could continue decrease in the months ahead of the start of planting season due to deteriorating economic conditions and weakening transportation sector demands.



Why it matters: Decreasing distillate demand could add to supply, boost inventory levels, and possibly help soften ULSD prices ahead of the coming winter heating season. If weakening #2 diesel demands dovetail with **rising global crude oil production levels**, strong refinery production levels this summer as refiners boost gasoline output for the summer driving season, selling pressure could be even greater than expected.