# IHS Markit™

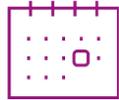## Record strong propane builds following the shift in the summer curve. Will it continue?

Insight to help navigate the short-term NGL markets

## June 5th

Date the **propane curve flipped to contango**, sending merchants the signal needed to incentivize storage builds.

**Will propane inventories build fast enough to reach safe levels by year end?**

### WEEK IN REVIEW – Week ending in June 15

Propane and propylene stocks increased by

# 3,234 thousand bbl

IHS Markit expected a 2,843 thousand bbl build, market expected a 2,600 thousand bbl build (Source: OPIS survey of analysts and traders).

**54.5 MMbbl**
Current propane inventory levels.

**2014**
Last time inventories were this low.

**~160 thousand b/d**
Stronger demand YoY for 2017-2018 winter drove end of March 2018 inventories to lowest levels since 2014.

**55 days**
From **4/10 – 6/4**, the summer propane curve was in backwardation, **sending markets a signal not to build.**

Same period last year, the summer curve was in **contango**.

Current balances and prices indicate propane inventories to end the summer between

**70-80 MMbbl**

**15-20 MMbbl below "safe levels".**

**1.86 MMb/d**
Record propane production YTD.

Will these production levels be enough to bring inventories to comfortable levels, or will demand also need to shift?

### Table 1
#### Propane and propylene weekly inventory

| Week ending 22 June | IHS Markit expectation | Prior week | Prior year |
|---|---|---|---|
| **Supply (thousand b/d)** | 2,032 | 2,023 | 1,947 |
| US refiner, blender, and gas plant net production | 1,938 | 1,927 | 1,846 |
| US imports | 95 | 96 | 101 |
| **Demand (thousand b/d)** | 1,615 | 1,561 | 1,387 |
| US product supplied | 607 | 548 | 916 |
| US exports | 1,008 | 1,013 | 471 |
| **Stock change (thousand bbl)** | 2,923 | 3,234 | 3,918 |

Source: IHS Markit, Energy Information Administration (EIA)    © 2018 IHS Markit

### Expectations for week ahead
IHS Markit: 2,932 thousand bbl build; OPIS: +3,100 thousand bbl survey average, 2,600-4,000 thousand bbl survey range. **Want more?**

### IHS Markit US NGL Markets Weekly Service

**Fill gaps in historical lagging EIA data with credible current projections.**

- Assess US NGL markets short-term outlook to inform trading decisions
- Understand US NGL markets medium to long-term outlooks and trends for big picture
- Evaluate market factors such as supply sources, end uses & waterborne freight
- Use current U.S. weather trends to anticipate and plan for potential risks

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