

A landscape photograph showing a long pipeline stretching across a valley. The pipeline is supported by wooden posts and runs parallel to a gravel road. In the background, there are large, rugged mountains with some snow on their peaks under a clear blue sky.

DAC Insights: Monthly Energy Investor Recap



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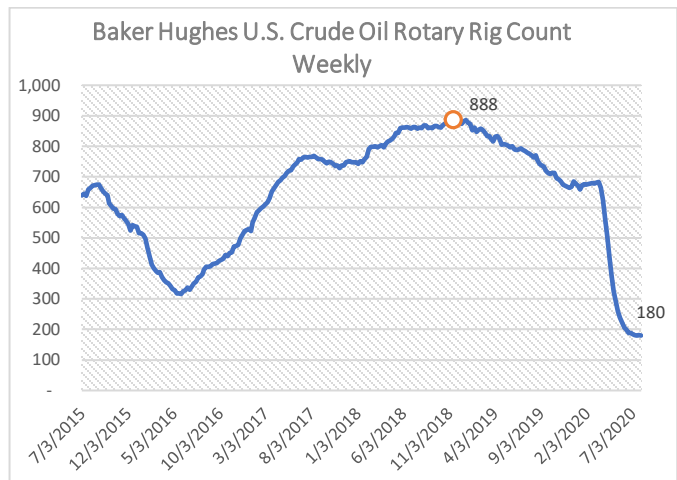
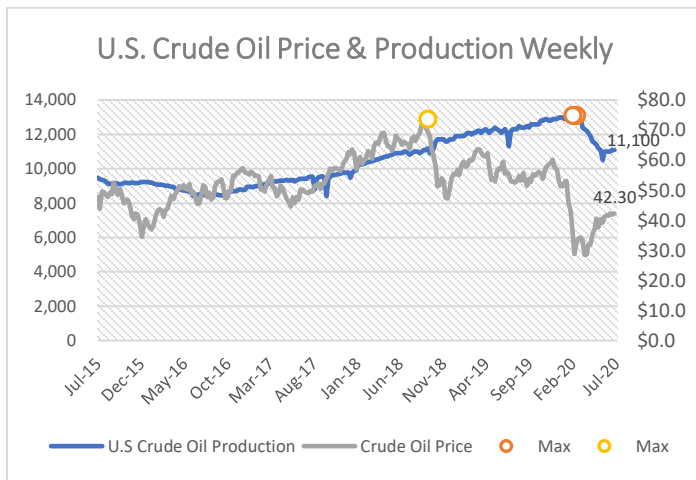
DAC Insights: Energy Investor Recap (Data for Week Ended: July 24, 2020)

By Susie Wang, Co-Chief Investment Officer and Director of Investment Strategies

July 31, 2020

U.S. Total Crude Oil Production and U.S. Crude Rotary Rig Count

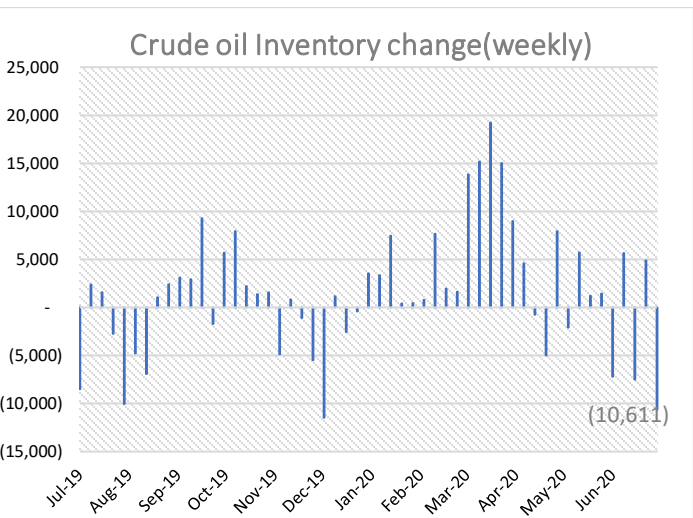
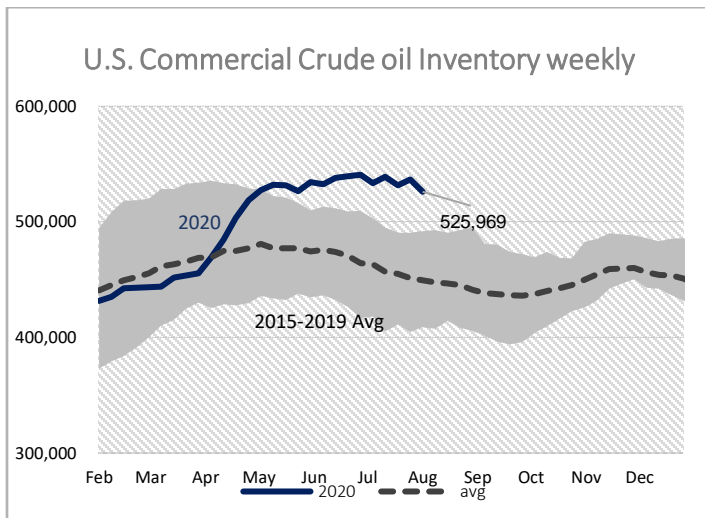
1. As of 7/31/2020, West Texas Intermediate (WTI) oil price was \$41.92 per barrel, 1.0% lower than the previous week at \$42.35 per barrel.
2. Crude oil production was 11.1 million barrels per day (bbl/d), unchanged compared to the previous week. We posed a question last month: Could the production of 10.5mil bbl/d data for week ended 6/12/2020 mark the low of this pullback? Well, the U.S. oil production seems to have “temporarily recovered” from the latest round of asset rationalizations and cost-cutting from the operators.
3. The U.S. crude rig count dropped back to 180 from 181 the previous week; The historical low is 179 back on 06/05/2009.



Source: DAC, EIA, Bloomberg

U.S. Commercial Crude Oil Inventories (excluding those in the Strategic Petroleum Reserve) and Inventory Changes

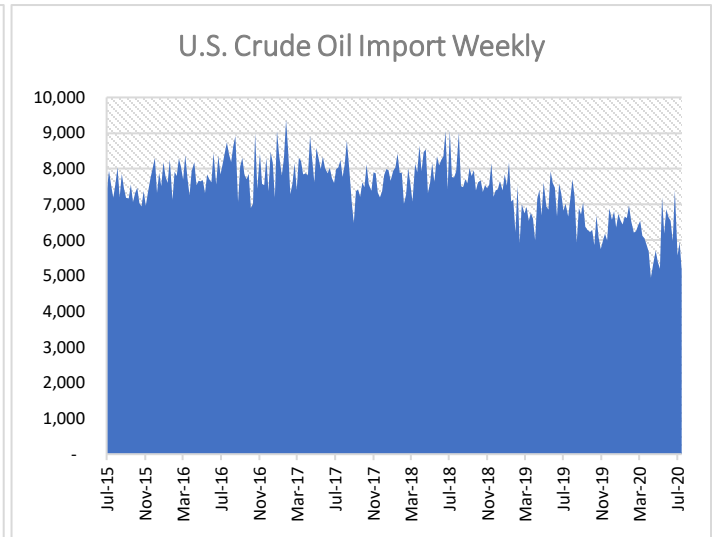
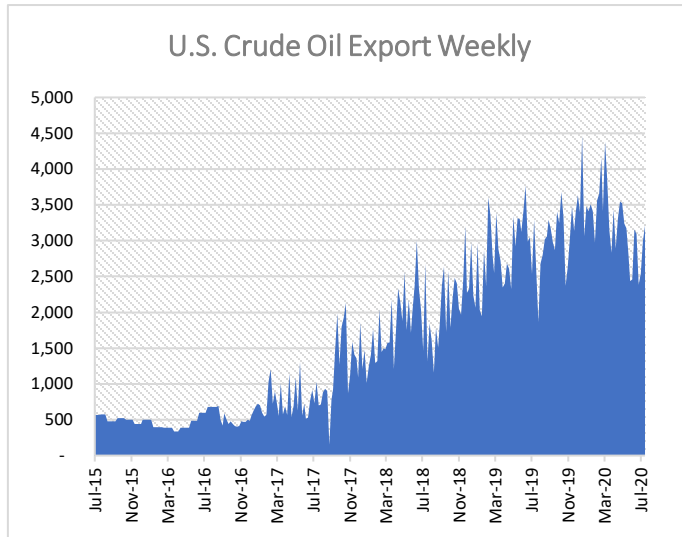
1. U.S. commercial crude oil inventories were 526.0 million barrels. This inventory level is about 17% above the five-year average for this time of year.
2. U.S. commercial crude oil inventories decreased by 10.6 million barrels from the previous week, the biggest retreat since December 2019.



Source: DAC, EIA, Bloomberg

U.S. Imports and Exports

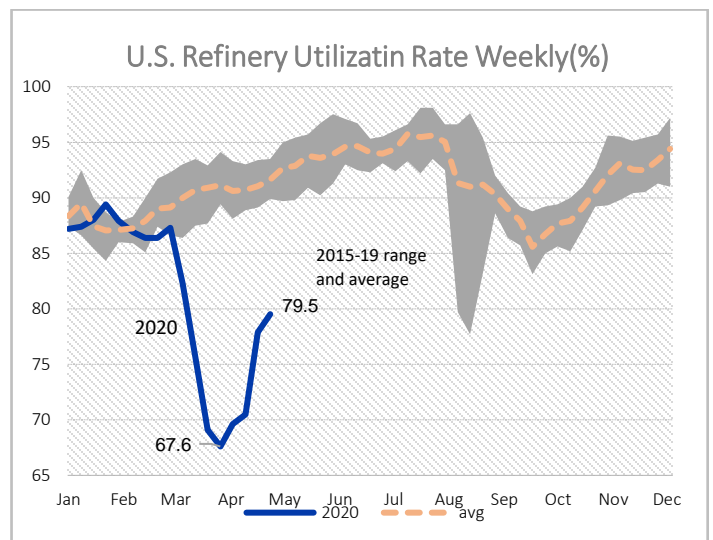
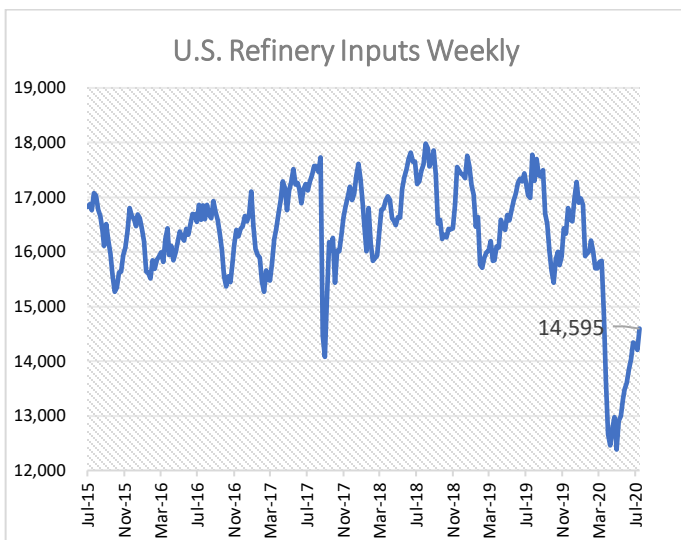
1. The U.S. crude oil exports averaged 3.2 million bbl/d for the week. Over the past four weeks, crude oil exports averaged about 2.8 million bbl/d, 2.7% below the same four-week period last year. U.S. crude exports require about \$1.41 Brent-WTI differential price premium to break even, down from the historical average of \$4.41. Brent-WTI premium moved to \$2.44.
2. The U.S. crude oil imports averaged 5.1 million bbl/d last week, decreasing by 0.8 million from the previous week. Over the past four weeks, crude oil imports averaged about 6.0 million barrels per day, 13.6% less than the same four-week period last year.



Source: DAC, EIA, Bloomberg

U.S. Refinery Inputs and Utilization Rates

1. U.S. refinery inputs averaged 14.6 million bbl/d, 389 thousand more than the previous week's average. This is the tenth weekly improvement in a row since the week ended 5/15/2020.
2. U.S. refineries operated at 79.5% of their operable capacity last week as compared to April low at 67.6%.



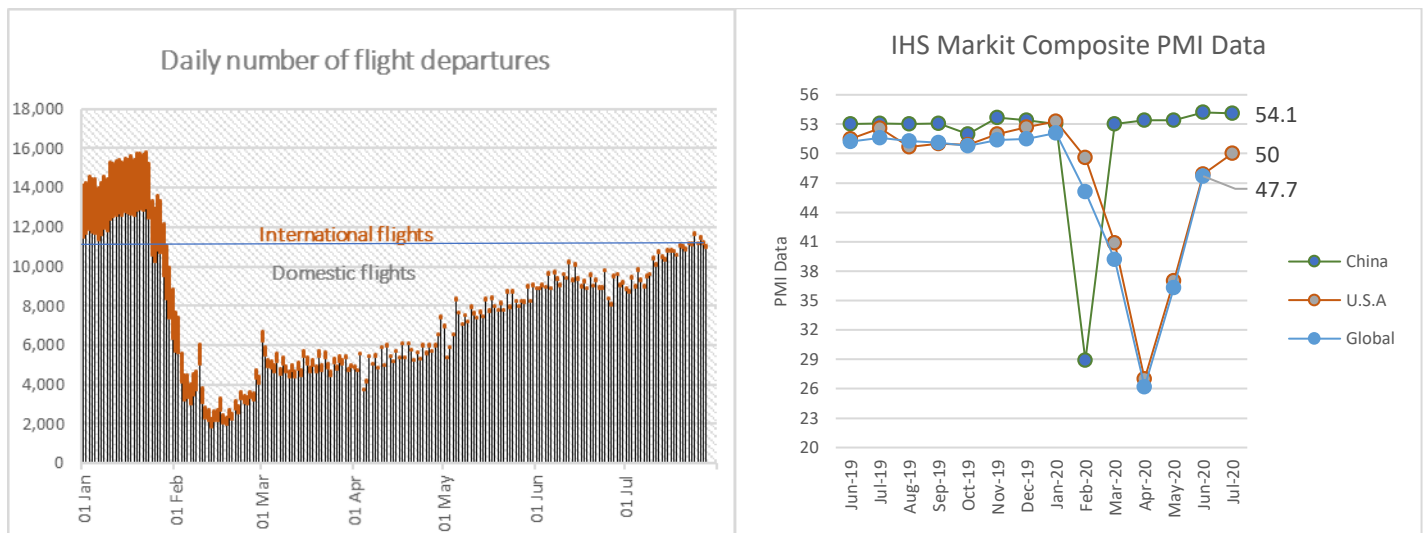
Source: DAC, EIA, Bloomberg

Charts of the Month

We are charting energy demand recovery through mobility trends and global economic activities.

Major Country - Mobility Trends Reports – China (a leading indicator of energy demand) and Global Economic Leading Indicator - PMI

1. Below is a chart of the daily flight departures from major Chinese airports, which we consider a leading indicator of what might follow for other major countries as economies reopen. Domestic flights recovered noticeably, yet international flights might take much longer to come back to “normal.” Despite the new outbreak in Beijing last month, it has not hindered the recovery of domestic flights. The most recent five-day average domestic flight traffic is only 2% less than average traffic as compared to January. (Data updated as of 7/28/2020)
2. Business conditions across countries continue to improve as China leads the way. China’s economy roared back in growth as the recovering from the coronavirus lockdown continues. PMI number above 50 implies economic expansion, while below 50 indicates economic contraction. U.S. July IHS Markit PMI Index rises to 50 from 47.9 in June after it hit bottom in April, the highest reading since Feb. Data also shows Global economic conditions had tracked the U.S. closely in recent months. The next release date for Global Composite PMI is 08/05/2020.



Source: Bloomberg, FlightStats, Flightradar24

Source: Bloomberg, DAC

Disclosures:

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