

DIVIDEND ASSETS CAPITAL, LLC

INVESTMENT ADVISORS

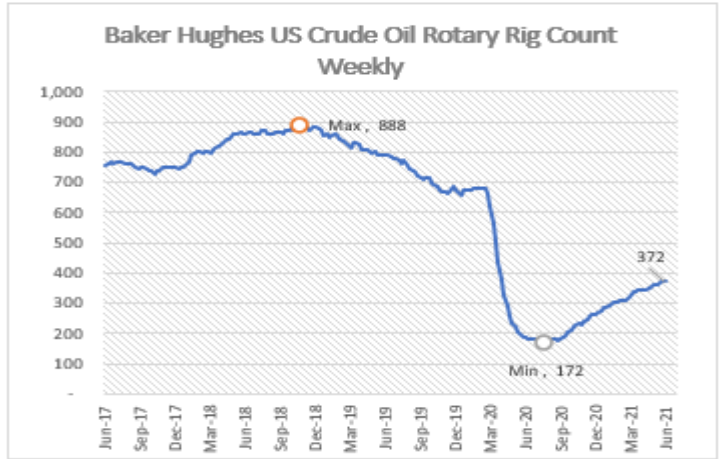
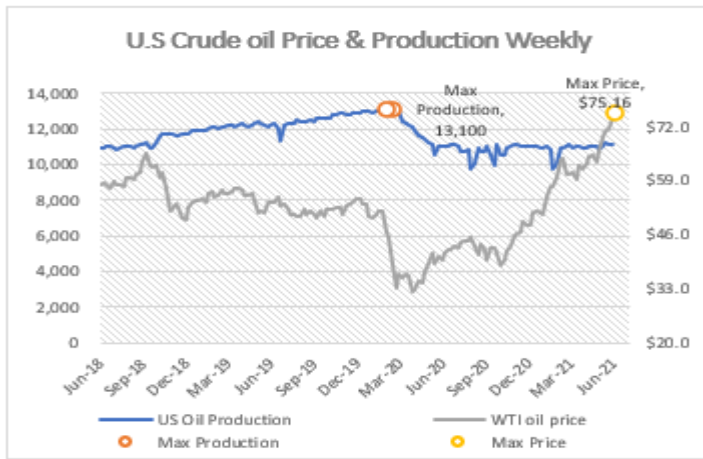
# Energy Investor Monthly: June 2021

DIVIDEND ASSETS CAPITAL – INVESTMENT STRATEGIES FOR RISING INCOME & GROWTH

DAC produces the *Energy Investor Monthly* to be a one-stop information resource on domestic supply/demand factors and global trends in the energy market for your reference.

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

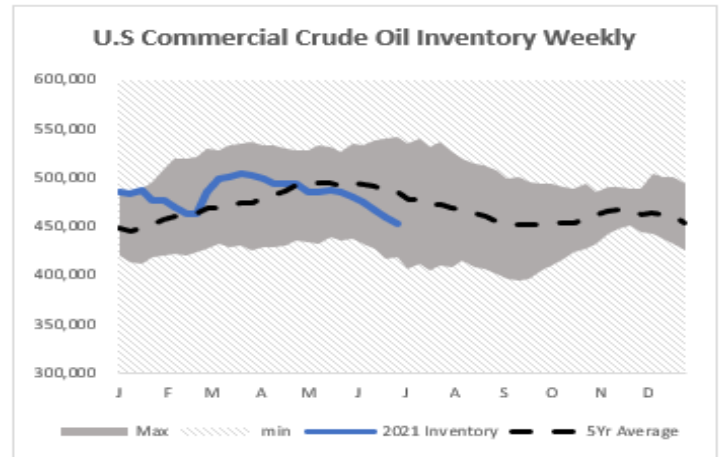
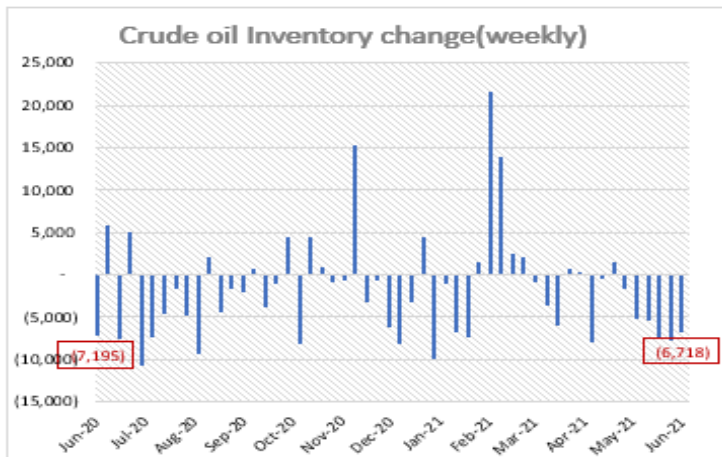
- As of 6/30/2021, the West Texas Intermediary (WTI) oil price advanced to \$68.78 per barrel, a level not seen since May 2018 or about 87% higher when compared to the same time a year ago. 1H21 was the second-best first-half performance for WTI dating back to 2000, only behind 2009.
- Despite two-year high crude oil prices, crude oil production averaged 11.1 million bbl/d during the week ending June 25, 2021. The cumulative daily average of 10.9 million bbl/d is 11.2% below 12.3 million bbl/d a year ago.
- The U.S. oil rig count increased to 372, according to Baker Hughes. An increase of 13 rigs from the previous month-end and more than doubled from the most recent low reported on 8/14/2020 (172).



Source: DAC, EIA, Bloomberg

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

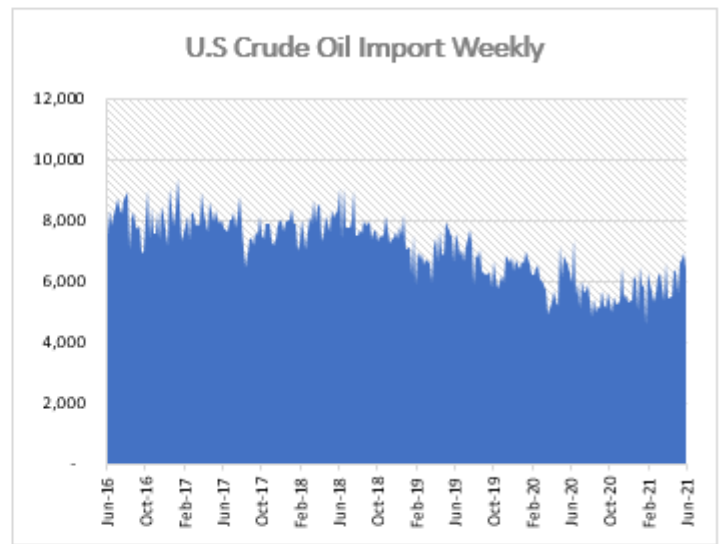
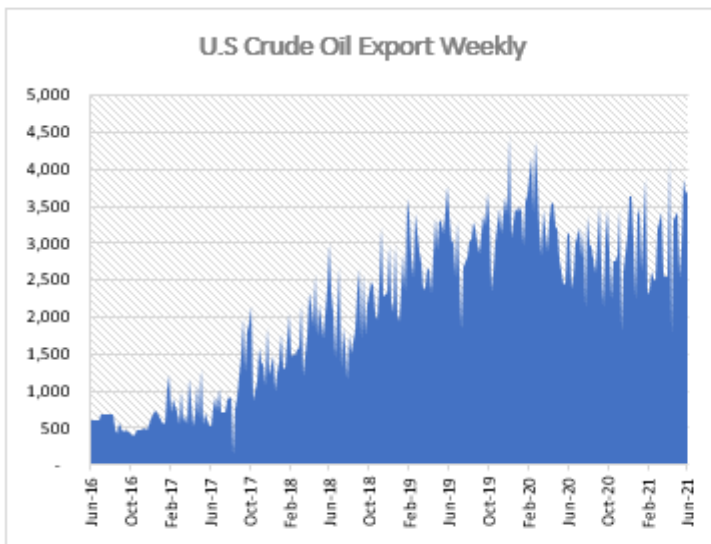
- U.S. commercial crude oil inventories were 452.3 million barrels. This inventory level is about 6% below the five-year average for this time of year.
- U.S. commercial crude oil inventories decreased by 6.7 million barrels from the previous week, the 6<sup>th</sup> consecutive weekly withdrawals, as demand picks up pace. Crude inventory fell the most in the Gulf Coast, down about 4.9 million bbl.



Source: DAC, EIA, Bloomberg

**U.S. Imports and Exports:**

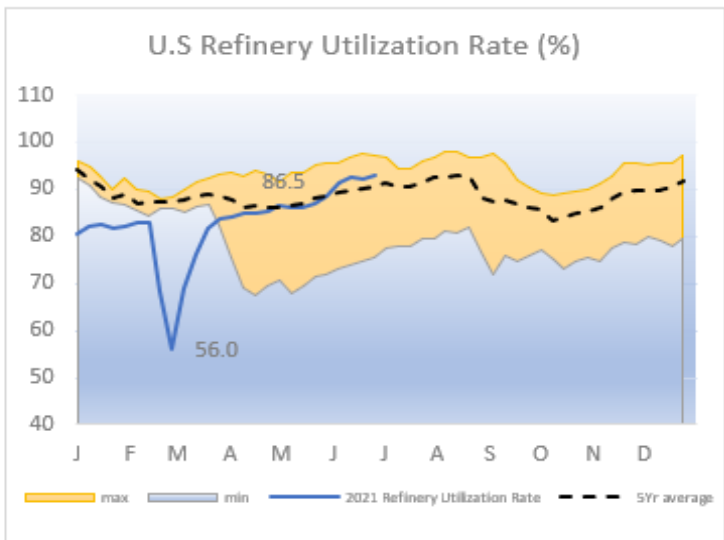
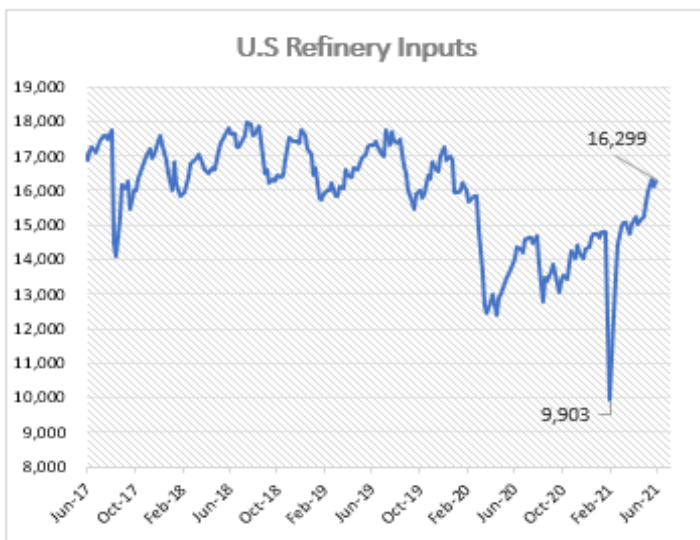
1. U.S. crude exports averaged 3.7 million bbl/d for the week ended 6/25/2021, decreasing by 66k bbl/d from the previous week and 625k bbl/d more compared to the same time a year ago.
2. The U.S. crude oil imports averaged 6.4 million bbl/d, decreasing by 536k bbl/d from the previous week. Over the past four weeks, crude oil imports averaged about 6.7 mil bbl/d, 2.8% more than the same four-week period a year ago.



Source: DAC, EIA, Bloomberg

**U.S. Refinery Inputs and Utilization Rates:**

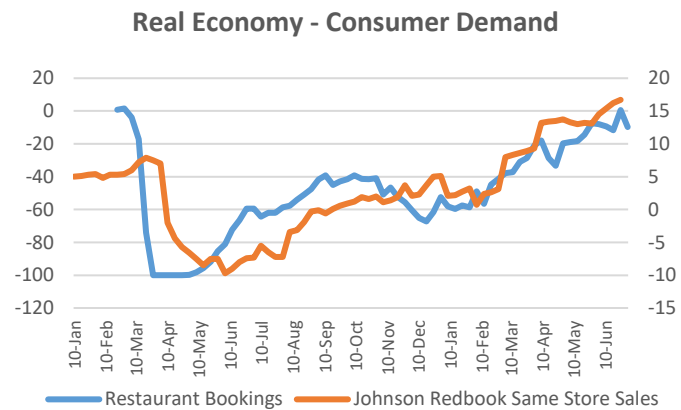
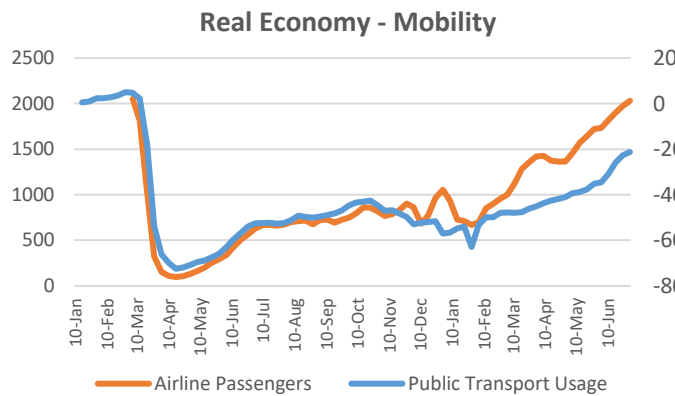
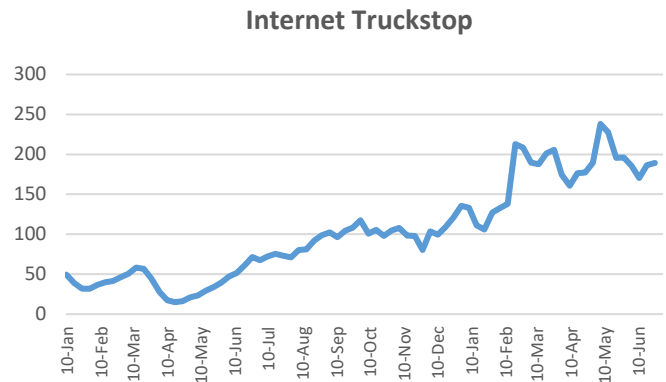
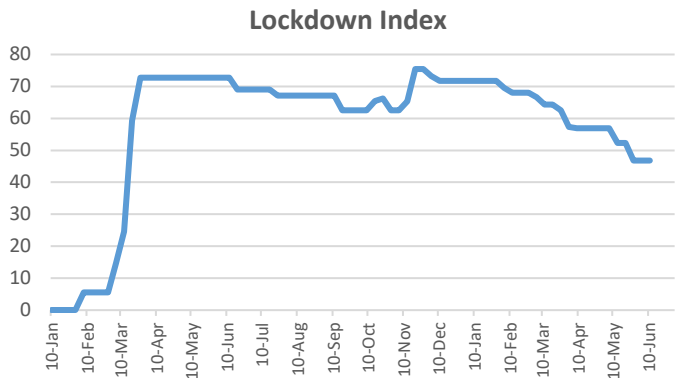
1. U.S. crude oil refinery inputs averaged 16.3 million bbl/d, 187k bbl/d more than the previous week's average. The inputs have increased by about 6.4 million bbl/d since the end of February. The massive disruption from the Texas winter storm reduced the refinery inputs to 9.9 million bbl/d.
2. U.S. refineries operated at 92.9%, slightly above the 5-year average utilization rate of 91.8 at this time of the year. We are expecting the high level of refinery runs between now to September, potentially peaking in August.
3. Total refined products supplied over the last four-week period averaged 20.0 million bbl/d, up 13.3% from the same period the previous year as demand is picking up. The national average retail regular gasoline price was \$3.091 per gallon on June 28, 2021, \$0.917 over a year ago. The national average retail diesel fuel price was \$3.300 per gallon, up \$0.870 over a year ago.



Source: DAC, EIA, Bloomberg

**Charts of the Month...**

**Tracking the recovery – high frequency data show continuing economic recovery support energy demand.**

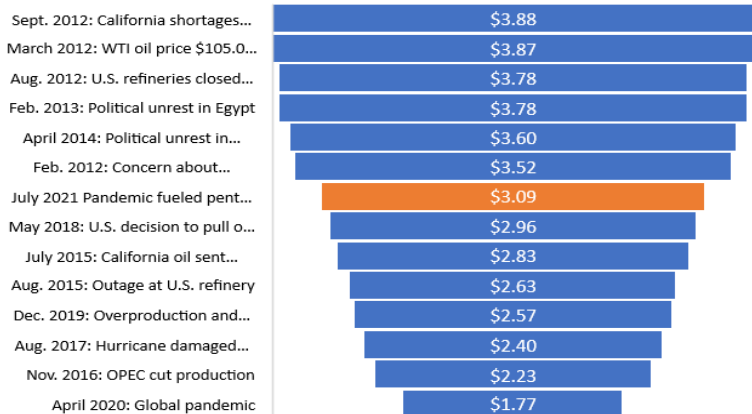


Source: DAC, Bloomberg

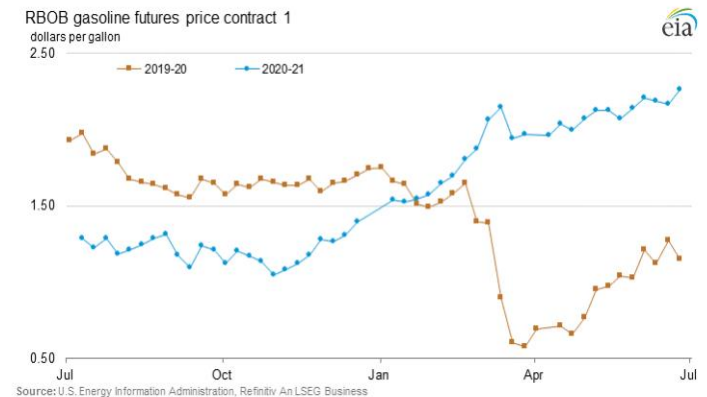
**Average retail gasoline prices hit a multi-year high, relief might not come just yet.**

At the end of 2020, 99.4% of registered motor vehicles in the U.S. consumed gasoline and diesel. Increased gasoline prices will test consumer resilience. U.S. average gasoline prices have hit a multi-year high this year at \$3.37/gallon, a level we have not seen since 2014 when WTI oil prices were around \$90/bbl. We have observed a few factors that might be contributing to the higher prices. First, according to the Federal Highway Administration, travel on all roads and streets was up by 54.6% for April 2021, about 256.5 billion vehicle miles, compared to April 2020. Second, gasoline futures prices are moving higher as we officially entered the Atlantic Hurricane season. The chart below identifies a couple of hurricanes that triggered gas price hikes in recent years. Finally, a truck driver shortage has added additional transportation cost pressures since gasoline is usually transferred by truck to blending terminals and gasoline fueling stations. The average age of a truck driver is 55 years old. It is a group that has been exiting the labor force right in the middle of the 2021 U.S. economies reopening surge.

**Recent Periods of High Gas Prices**



**RBOB regular gasoline futures prices (dollars per gallon)**



Produced By Susie Wang, Chief Investment Officer and Director of Investment Strategies (July 9, 2021)

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**Clarity:** A transparent and understandable approach to portfolio management.

**Simplicity:** We believe dividends are the best indicator of the future price performance of a stock.

**Devotion:** We build confidence through a disciplined process and strong devotion to our investment philosophy and clients.



**DIVIDEND ASSETS CAPITAL, LLC**  
INVESTMENT ADVISORS

Clarity. Simplicity. Devotion.

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