Tortoise QuickTake Podcast with Rob Thummel

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Welcome to the Tortoise QuickTake podcast. Thank you for joining us. Today, a senior member of Tortoise provides a timely update on trending topics in the market.

Hi I am Rob Thummel, Managing Director and Portfolio Manager at Tortoise Capital Advisors. Welcome to the first Tortoise QuickTake podcast highlighting our views on the top energy events of the week.

The biggest news of the week comes from the geopolitical front as deals announced by Greece and Iran as well as news from China removed some uncertainty from the energy markets. Greece appears to be the worst poker player in the world as it moves towards accepting a third bailout package. John Carey's 21 day European vacation ended with the announcement of a nuclear deal with Iran that potentially sets the stage for increased Iranian oil exports. We don't expect Iran to significantly increase its oil exports anytime soon as capital is needed to boost production. Lastly, questions surrounding growth in the Chinese economy were answered as China announced second quarter GDP growth of 7% higher than expectations. Specific to oil consumption, China crude oil imports in June rose 27% over the prior year to 7.2 million barrels per day catapulting China ahead of the U.S. as the largest importer of crude oil. Although this week provided some answers, enough uncertainty remains around Greece, Iran and China and the perception of an oversupplied oil market to keep the current negative sentiment associated with the energy sector alive.

How about some good news? Demand is responding to low oil prices. This week OPEC joined two other reporting agencies, the EIA and IEA, in raising 2015 demand forecasts. Recently, the IEA raised its 2015 oil demand forecast to 1.4 million barrels per day which is 50% higher than its original 2015 demand forecast announced in December of 2014.

In company specific news, the biggest M&A transaction of the week was Marathon Petroleum sponsored MLP - MPLX and Markwest announced a potential strategic combination creating the fourth largest MLP. Markwest unitholders would receive some cash but mainly MPLX units. While a headline popping 32% premium paid to Markwest shareholders was announced on Monday, the current premium is 10% based on the MPLX share price as of last night. The premium is less because of the stock for stock exchange ratio and the 17% decline in the MPLX unit price this week. This transaction is added to the potential Williams and Energy Transfer Equity transaction which was announced in the second quarter and was the largest transaction announced year-to-date as consolidation in the midstream sector continues to gain momentum. If you like drama follow these two transactions, it doesn't get any better than this in the exciting world of portfolio management.

Another thing I found interesting in the electric utility sector came out this week. For the first time ever natural gas topped coal as the leading source for electric power generation in the US according to the EIA

Lastly, the second quarter earnings season kicked off on Wednesday with Kinder Morgan increasing its project backlog by 20% or $3.7 billion to $22 billion. A majority of the increase is tied to building natural gas pipelines to transport natural gas from the Marcellus Shale gas to New England.

That is it for this week. Looking forward to next week – as the second quarter earnings seasons continues with the integrated oilfield services companies Schlumberger and Halliburton providing insight on how operating margins are holding up in this environment. Also, key Marcellus producers EQT and Cabot will provide an update on Marcellus drilling activity and production forecasts as well as an update on infrastructure development.

Thanks for listening. Talk to you next week.

Thank you for joining us. And stay tuned for our next cast. Have topics you want covered or other feedback to share? Write us at info@tortoiseadvisors.com

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