Tortoise QuickTake Podcast with Brian Kessens

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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.

Hello. I am Tortoise Managing Director and Portfolio Manager Brian Kessens with this week's Tortoise QuickTake pod cast highlighting the top energy events of the week.

Well, energy stocks had a better week last week than deflategate quarterback Tom Brady's cell phone. As measured by the Energy Select Sector Index they were roughly flat, off by less than a quarter of one percent. Other energy sub sectors, such as midstream and upstream, fared better, with the Tortoise MLP Index up higher by 3% and the Tortoise North American Oil & Gas Producers Index increasing by about 1.5%.

And we're feeling better as crude oil prices remained flat over the prior week at around $47 per barrel for West Texas Intermediate as US crude oil inventory declined more than expected at 4.2 million barrels, and the US Baker Hughes rig count leveled off, with a slight decline of just two rigs. Maybe most impactful, according to the EIA, onshore US oil production fell 51,000 bpd in May. Our sense is crude oil production may now fade through year end absent a price recovery.

On the natural gas front, according to Platts, US power generation from natural gas hit an all-time record of over 38 Bcf/d last Wednesday, driven by the nationwide heat wave and low natural gas prices relative to coal. This bodes better for gas demand.

As we continue through earnings season…

It is apparent we're less likely to see new drilling rigs put to work in the current commodity price environment, as some companies were rewarded for slowing acceleration and reducing capital expenditure in the lower commodity price environment.

For MLPs, distribution growth continues to come in-line with expectations. With over three-quarters of MLPs reporting distributions, the mean growth is over 2%, excluding distribution cuts from MLPs that provide frac sand. That's probably not high enough to make next week's Republican prime time debate, yet not bad for quarterly growth. Disappointingly, Enbridge Energy Partners stated that market conditions don't support their contemplated large scale drop-down from their parent. On a positive note, new project announcements continue. Phillips 66 and Sunoco Logistics are building the newest crude oil pipeline from terminals in Nederland, Texas, to the Louisiana refinery market and Oneok Partners is expanding their natural gas pipeline system to provide markets in Mexico with greater supply from the Permian basin.

In downstream, refiners keep benefitting from low crude oil and natural gas prices along with strong product demand. Gasoline is at its highest level of consumption in eight years.

This week starts 30 days of vacation for many Europeans. For those in the energy sector, earnings remain the primary focus. We're especially keen to hear from the largest producers Pioneer Natural Resources and EOG, along with the pipeline large-cap Spectra Energy. Also notable: the renewable energy sector continues to grow evidenced by rooftop solar company, Sunrun's, expected pricing of its IPO, the only/largest such IPO pricing this week.

Thanks for listening. We'll 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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