Tortoise QuickTake Podcast with Rob Thummel

August 17, 2015

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 Rob Thummel with this week's Tortoise QuickTake pod cast highlighting the top energy events of last week.

Do you remember what you were doing in February 2009? President Obama had just been inaugurated as the forty- fourth president of the United States. Kansas City Royal's first basemen Eric Hosmer was beginning his first year as a professional baseball player. Even more significant, U.S. WTI crude oil prices were near $42 a barrel in February 2009. Fast forward to 2015. Last week, the U.S. oil price fell to around $42 per barrel again.

Speaking of politics, Donald Trump indicated that he may run as an independent presidential candidate if he is not the Republican choice. Do you remember the last politician that made a serious run at the presidency as an independent? It was Texas billionaire Ross Perot who was known for his famous giant sucking sound reference made during a 1992 presidential debate. He was referring to the negative effects of NAFTA. This same phrase can be applied to what is occurring in OPEC nations as the negative effects of low oil prices are resulting in growing cash flow deficits. For example, Saudi Arabia announced plans to raise up to $27 billion of bonds by the end of the year to help fund a budget deficit that analysts estimate could be as high as $150 billion this year. The last time Saudi Arabia issued bonds was in 2007.

August typically is a quiet month on Wall Street as it's the one time of year when Wall Street professionals turn off CNBC and enjoy a little peace and tranquility at their favorite vacation spot. However, tranquil is not the word to describe the energy markets again last week. Oil prices started the week higher up 2.5% on Monday before descending downward. Oil prices ended up falling 3% for the week.   Last week for the first time in a while, the stock prices of oil and gas producers as well as MLPs moved in the opposite direction of oil prices with producer stocks as measured by the Tortoise North American Oil and Gas Producers Index up 2% for the week and MLPs, as measured by the Tortoise MLP Index up over 5% for the week.

Last week was a big week for data releases with new information coming from the IEA, EIA, and OPEC. Here is a quick summary.

- IEA raised its 2015 petroleum demand forecast again. 2015 demand is forecasted to rise by 1.6 million barrels per day which is 80% higher than IEA's original forecast
- EIA estimates 2016 global petroleum demand growth to be 1.5 million barrels per day with 20% or 300,000 barrels per day of that demand growth coming from China
- Switching to the supply side of the equation, the EIA forecasts 2016 U.S. crude oil production to fall by 400,000 barrels per day
- However, the monthly OPEC report indicated current OPEC production of 31.5 million barrels per day well above its 30 million per day production quota
- One piece of interesting data from the EIA on the renewable and clean energy front. The EIA reported that 4,250 megawatts of new utility-scale electricity generating capacity has come online in the US this year. While the size of this new capacity is small relative to total electricity generating capacity, I find the mix of the new capacity interesting as 55% of the new capacity came from renewable energy sources while 44% was from natural gas fired units.

Those are the highlights from last week. Thanks for listening. We will 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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