December | 2015

Radchem Products, Inc.

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Market Report *by Bill Radostits*

Crude Oil prices continue to move lower. Inventory of Crude Oil remains at all time high levels. Congress is attempting to lift the 40 year ban on Crude Oil exports from the United States. If the ban is lifted, OPEC's influence on Crude Oil prices would be much weaker. The last time Crude Oil traded at these levels was in 2009. Gasoline prices continue to follow Crude Oil values and have also moved lower in December. NYMEX Gasoline prices are now below $1.20/G FOB the rack. Surprisingly, Toluene and Xylene prices have retained their value. Refiners and traders are holding and storing aromatics preparing for higher values ahead of the spring Gasoline demand. Gasoline demand has been very strong this year because the cost of Gasoline has promoted more usage. The barge market for Toluene and Xylene, FOB terminals or refineries, is ranging between $2.00 per gallon and $2.15 per gallon depending producer location.

The Aliphatic Hydrocarbon market has also come down in value, but not because of a lack of demand. Seasonal Coatings business has stayed strong because of very mild temperatures in November and December across the Midwest and Northeast United States. Demand into the automotive industry has remained strong resulting in strong sales of resins, paints, active chemicals, and adhesives. Pricing of Aliphatic Solvents have dropped because the alternative values of Jet Fuel, Diesel Fuel, K-1 Kerosene and other fuels have softened. Several refiners have announced new production capacity coming on stream for 2016. Calumet Refining has additional production coming from their San Antonio location. Total Specialties will have new production capacity at their Houston Refinery, and Sasol will be adding more capacity from their expansion in the Gulf Coast. The new production will strengthen inventories on light end solvents like Heptane, Hexane, and VM&P, and do the same for many mid range solvents including several grades of Hydrotreated Mineral Spirits up through higher boiling solvents that will offer low VOC and VOC exempt characteristics. Radchem is excited about the diversity of products we will have available to offer going into the new year.

Methanol prices in December have moved sharply lower. Spot barge Methanol prices have dropped to the mid $.60's per gallon FOB the Gulf Coast from the mid $.80's. This represents the lowest that Methanol has traded since 2009. Expect distribution prices to come down in January by at least $.12 per gallon especially if the mild winter continues.

Natural Gas inventory and storage recently hit a seasonal U.S. record high. Futures are expected to go lower in 2016. Demand for Natural Gas for heating is down because of mild temperatures in the Northwest, Midwest, and Northeast. Export of Natural Gas will be extremely important this spring because there will be a containment problem by summer if ratable volume is not sold or exported. Chemical plants running on Natural Gas should see lower energy costs for the New Year.

Thank you for your trust in Radchem Products in 2015. I wish you a very safe, prosperous, and Happy New Year!

The End of the U.S. Export Oil Ban *by Alan May*

The four-decade-long ban on most U.S exports of crude oil is about to be lifted. This article discusses the short and long term impact of this decision.

The domestic oil export ban was put in place in 1975 after Arab oil producers (OPEC) launched an embargo in 1973 to try to punish the United States for its military support of Israel, which had been attacked by Syria and Egypt. The global oil shock from the embargo made it politically unpalatable to ship petroleum to other countries instead of selling it to U.S. customers, which would lower sky-high energy prices and secure national energy security.

U.S. oil producers began pressuring to end the ban after the Arab Spring protests of 2011 caused a spike in Middle Eastern Oil prices, while increased shale oil production caused U.S. prices to fall. During this time, a barrel of crude sold for $90.00 in the U.S. and $110.00 in Europe. Because of the ban, U.S. producers missed out on those higher prices. Oil prices are low at this time because Saudi Arabia, which depends almost entirely on foreign oil revenue, has maintained production despite falling prices, to establish dominance in the Far East with market importers such as China and Japan. This was done to pre-empt Iran's entry into the market, depress prices and reduce U.S. production of more expensive shale oil. Presently, U.S. oil sells for approximately $0.50/barrel less than Middle East oil, a cost that does not justify exporting at this time. Analysts are predicting lifting the oil embargo probably will not have major impact until sometime in the next decade.

How can this change? The U.S produces approximately 10% of the world oil supply. Iran is likely to enter the global market as the nuclear sanctions are removed, adding 2,000,000 b/d to the world supply. This prospect is most likely several years away though. Some of the world's major producing countries such as Syria, and Libya have oil fields that are under control of terrorists such as ISIS. International airstrikes to counter those terrorists, who have sold oil to raise funds, have destroyed oil facilities. That takes oil off the market and affects prices. What could cause a change? How about an escalation of geo-political unrest in the Mideast causing a severe disruption of oil supply, or a global economic turnaround.

Lifting the export oil ban will help U.S. oil producers provide strategic supply the next time a country like Russia uses oil as a weapon against one if it's trading partners, or there is a major disruption in foreign oil production.

Three years ago, who would have believed that the world would have a global oversupply of oil? The morale of this story is the pendulum swings in the opposite direction when you least expect it. Believe me, it will swing.

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	Sept. 2015	Oct. 2015	Nov. 2015	Dec. 2015
Crude Oil	$44.07	$46.73	$43.92	$36.69
Diesel	$1.53	$1.53	$1.45	$1.20
Gas	$1.44	$1.36	$1.31	$1.22