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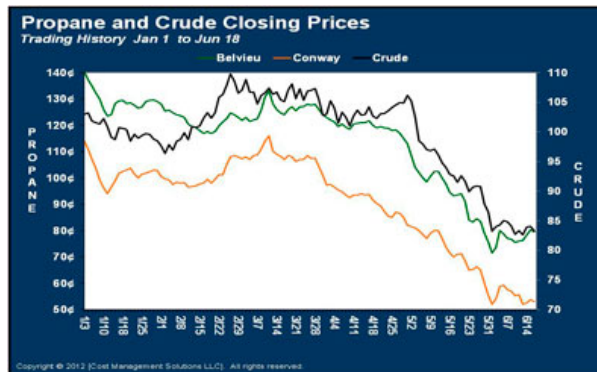


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Trader's Corner

This week's Trader's Corner looks at the revaluation of propane during 2012.

This year has been marked by a very significant revaluation of propane prices following an extremely mild winter. In general, the value of all energy sources has been declining as the global economic recovery stalls.

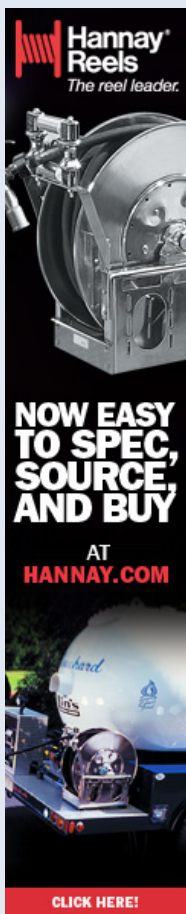


From Jan. 3 to June 18, WTI crude dropped from \$102.96 to \$83.27. That is a \$19.69 per-barrel drop or 19.12 percent. Crude reached a high close of \$109.77 on Feb. 27 and has fallen by \$26.50 per barrel or 24.14 percent since then. Those are significant declines, and if propane had gone down the same percentage as crude it would



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have been a remarkable drop.

However, propane prices have experienced a far greater decline since the beginning of the year. On Jan. 3, Belvieu closed at 140.375 cents and Conway at 114 cents. In the last two weeks, they closed at 79.5 cents and 53 cents, respectively.

That means Belvieu had dropped 60.875 cents or 43.37 percent of its value and Conway 61 cents or 53.51 percent of its value. And who can forget that Belvieu closed at 250 cents and Conway at 160.5 cents on Feb. 28, 2011. Obviously we are in a totally different pricing environment today.

In 2011, Belvieu propane's average closing price was 147.1275 cents and Conway 135.5548 cents. In 2012, the averages have been 113.8845 cents and 90.7966 cents, respectively.

By any measure, we have experienced a significant revaluation of propane prices and one of the fastest changes in pricing environment anyone can remember.

But, there are signs that traders think propane has been devalued enough. After having a bit of an exhaustive day on June 1, Belvieu propane has actually outpaced crude to the upside. Conway is still struggling to find its floor, but solid gains on some days point to the possibility that day is not far away.

As we pointed out recently, propane inventory, though high now, is slowly moving closer to the five-year average. Last week's inventory build was slightly below the average for week 24 of the year.

Observing the June price action for Belvieu propane and considering the inventory trend, a propane buyer would feel more confident on entering the market now than say a month ago. The biggest threat to being long Belvieu supply now is likely to come from falling crude, not the revaluation of Belvieu propane against crude, unless the inventory trend changes.

Conway, on the other hand, remains at risk to more devaluation if we have similar inventory builds in coming weeks as occurred last week. But even in Conway one has to feel we are close to the end of the devaluation process.

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WEEK IN REVIEW

Crude took a beating on Thursday as investors dumped riskier investments after central banks and world leaders failed to present a plan for containing the euro zone

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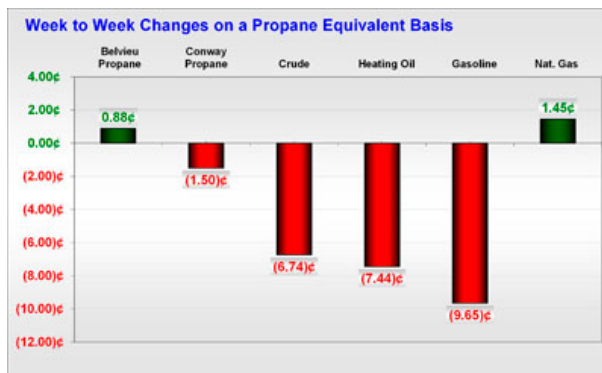
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sovereign debt crisis.

Belvieu propane held up well against a general market decline as Gulf Coast inventory had a below-average build. Conway resisted the fall in crude, but didn't have the same fundamental support as Belvieu.

We go into the week neutral. The European Union summit may provide some fireworks if leaders can present a plan that restores investor confidence in the euro zone. If not, another leg may be added to the price downtrend. Propane looks like it is ready to stabilize if crude finds its legs.



LAST WEEK'S DAILY HIGHLIGHTS

Monday: Crude bounced higher early on a positive outcome from Greek elections over the weekend. But deeper concerns about the overall condition of the euro zone pulled in sellers on the rally, sending crude to a negative close. Propane was mixed, with Belvieu up and Conway lower.

Tuesday: Propane prices jumped sharply. Conway posted a 6.6 percent gain on sudden buying pressure. The gap between Brent and WTI crude fell to \$11.80 as WTI gained and Brent struggled. Brent was under pressure as a result of worsening economic conditions in the euro zone. The G20 meeting in Mexico ended with no news coming from it to restore investor confidence in global economic conditions.

Wednesday: Propane at both hubs gave back roughly half of the big gains posted on Tuesday. The EIA reported a slightly below-average build for total U.S. propane inventory, but Midwest inventory built well above average, which applied much of the pressure on Conway prices. The U.S. Federal Reserve extended its program of issuing longer-term bonds to replace maturing shorter-term bonds, but it was not enough to appease investors looking for bolder steps to stimulate the U.S. economy. Crude fell as a result.

Thursday: Propane gave up the rest of its early-week gains. Overall commodities and equities were taking a beating as investors sold risky investments after no

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breakthrough on the euro zone crisis this week.

Friday: Crude posted a rebound on technical buying with support from a weaker dollar. Propane was mixed, with Belvieu gaining and Conway dropping.

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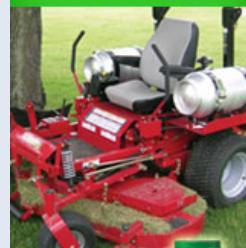
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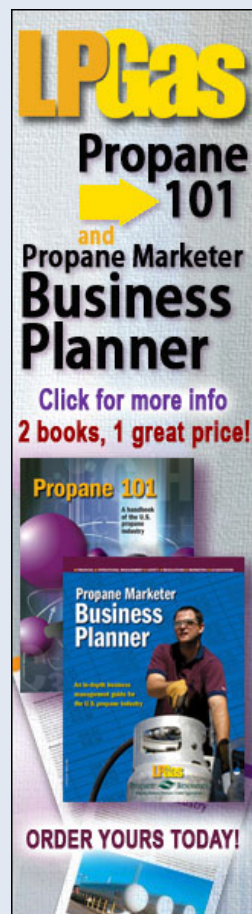
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