

FWA DJ Global Energy Roundup: Market Talk

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The latest Market Talks covering Energy markets. Published exclusively on Dow Jones Newswires throughout the day.

1451 ET - Natural gas prices drop back toward 19-month-lows, finishing the session down 5.5% at \$3.258/mmBtu. The market turned temporarily bullish yesterday on hopes for a restart to the Freeport LNG plant that's been shut since June. But skepticism seems to have returned. "The Freeport LNG terminal has submitted a fresh application to restore operations, which would return more than 2 Bcf/d of LNG export capacity," says Robbie Fraser at Schneider Electric. "If granted full approval, that could mean the return of exports sometime in early February, but efforts so far have all been countered by extended delays." (dan.molinski@wsj.com)

1447 ET - US crude prices end 1.8% lower at \$80.13 a barrel, marking the largest one-day decline since Jan. 4 as investors await another potentially bearish weekly report on US oil inventories. A WSJ survey is forecasting the EIA data due tomorrow morning will see a small, 100,000-barrel increase in US crude stockpiles, which would add to exceedingly large and unexpected increases in the previous two weekly reports that may signal a drop in demand from economic slowdown. Ahead of the EIA data, investors will also keep their eye on a parallel report on US oil inventories from trade group API, which is due today at 4:30pm ET. (dan.molinski@wsj.com)

1318 ET - The drop seen in natural gas prices since Fall 2022 -- with the Henry Hub continuous contract down nearly 40% in the past month alone -- is expected to allow US farmers to plant more as fertilizer prices follow natural gas down. Natural gas is a key ingredient used in fertilizer, and with the drop in natural gas prices has come easing fertilizer prices -- with the Green Markets Fertilizer Price Index down nearly 30% in the past three months. As a result, farmers may plant more corn than initially expected, Ken Zuckerberg of CoBank tells the WSJ. "The issue of high fertilizer prices isn't as punitive as we once thought," says Zuckerberg. "Yields were down last year, there's a lot of pressure to grow a crop." (kirk.maltais@wsj.com; @kirkmaltais)

1130 ET - US crude-oil prices have erased earlier gains and recently traded 1.7% lower at a session-low \$80.26 a barrel, which is precisely where WTI prices began the new year. The declines come ahead of two weekly reports on US oil inventories, first from trade group API at 4:30 pm ET, and then the official EIA report tomorrow morning. A WSJ survey sees inventories rising by a small 100,000 barrels for the week ended Friday as US refiners have been running slower than normal in recent weeks, which has allowed crude inventories to surprisingly, and bearishly, surge higher. Traders say reduced oil demand due to slowdowns in US manufacturing and other areas is also causing

inventories to rise. (dan.molinski@wsj.com)

1011 ET - Union Pacific shares decline after the company's 4Q results came lower than expected on the back of extreme weather, hiring challenges and inflation. Net income fell to \$1.64B, or \$2.67 a share, from \$1.71B last year, which was short of FactSet consensus of \$2.77. Revenue grew 7.8% to \$6.18B, but was below FactSet's \$6.28B. "There is a lot of uncertainty as we enter 2023. You can see it and hear it across the board in many markets," Chairman Lance Fritz says on an earnings call. Shares drop 4.2% to \$201.36.

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0919 ET - Credit Suisse turns bullish on West Fraser Timber, arguing the rate debate, housing market trends for 2H and industry actions collectively offer an "interesting risk-reward" for the shares. It acknowledges some housing market headwinds, but reckons continued deceleration in housing trends, weaker lumber prices and, in some cases, high underlying costs are pushing a collection of industry curtailments that will help rebalance parts of the lumber market. Credit Suisse moves to outperform from neutral, with a target trimmed by \$5 to \$95. Shares last closed at \$74.56. (robb.stewart@wsj.com; @RobbMStewart)

0909 ET - Shares of oilfield services firm Halliburton announces better-than-expected 4Q earnings and higher free cash flow that boosted shareholder returns. "Tale of the tape features adjusted EPS of \$0.72/shr vs. Tudor Pickering Holt and the Street's \$0.67/shr, with better-than-expected margins driving results on in-line revenues," says Tudor Pickering in a research note. "Better-than-expected operating income supported higher cash flow - \$1.16B vs. our \$1.1B (Street \$950MM) - with in-line capex (\$360MM vs. our \$350MM) supporting slightly higher FCF (\$813MM vs. our \$780MM) - about 42% of which was utilized for shareholder returns ... To that end, the company announced the Board has adopted a capital returns framework alongside a 33% increase to the quarterly dividend to \$0.16/shr." (dan.molinski@wsj.com)

0903 ET - Raytheon COO Christopher Calio says it expects more than \$2B in material and labor inflation this year, highlighting how the renegotiation of long-term contracts starts to bite even as headline consumer price increases ease. That's off of forecast sales of more than \$70B in 2023, but Calio says it aims to more than offset the inflation through price increases and efficiency measures of its own. (doug.cameron@wsj.com)

0859 ET - Union Pacific 4Q profit came in at \$1.6B down from \$1.7B a year earlier with its trains facing a congested network and harsh winter travel conditions while it struggled to hire staff. "As a result, revenue growth was more than offset by elevated operating expenses from operational inefficiencies and a higher inflationary environment," Lance Fritz said in a statement. Revenue was up 8% to \$2.6B, driven by fuel surcharges and higher pricing.

Freight volumes grew 2% on year. Fritz said he expects volumes to exceed industrial production this year on the back of a better operating network Shares fall 1.8% premarket. (costas.paris@wsj.com)

0844 ET - Demand for new trucks is strong in North America and Europe even as consumers contend with rampant inflation and other financial pressures, truck-maker Paccar says. "Good freight markets and an increased fleet age are driving strong demand," executive vice president Darrin Siver says, especially for the company's fuel-efficient trucks. Semiconductor shortages and other supply-chain challenges constricted the availability of new vehicles for much of the past three years. Harald Seidel, president of the company's DAF trucks division, says demand is strong in Europe, too, owing to "good European economic growth." Shares rise 4.3% in the pre-market session. (will.feuer@wsj.com; @WillFOIA)

0840 ET - Natural gas prices are little changed, up a tiny 0.1% at \$3.450/mmBtu in a market that appears to be oversold but lacks a strong catalyst to attract buyers. Prices closed Friday at their lowest since mid-2021 at \$3.174 after a storage report showed inventories push into surplus territory amid weak demand and strong production. A pending restart to the Freeport LNG plant that shut seven months ago due to a fire could spark a bullish turnaround as US LNG export capacity would rise sharply. But even with more capacity, some investors worry global LNG demand may be lacking as some buyers returned to coal after LNG prices skyrocketed last year. (dan.molinski@wsj.com)

0838 ET - General Electric reported strong demand for its Aerospace services and equipment, but its renewables business continues to struggle as it awaits clarity on benefits from the Inflation Reduction Act. For its offshore wind business, inflation will pressure margins in the initial projects for its giant Haliade X turbine "resulting in rising losses," CEO Larry Culp said. Cash at the offshore operation will be under pressure in 2023, he added. (thomas.gryta@wsj.com)

(END) Dow Jones Newswires

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