SSDA SERVICE STATION DEALERS OF AMERICA AND ALLIED TRADES

SSDA News

Service Station Dealers of America and Allied Trades

VOLUME 32, ISSUE 6 JUNE, 2018

INSIDE THIS ISSUE:

SSDA-AT FEDERAL LOBBY DAY

June 20, 2018 • Capitol Hill • Washington, D.C.

TENTATIVE SCHEDULE OF EVENTS

9:00 a.m. *Buses leave office in Bowie – Free transportation*

10:00 a.m.-11:00 a.m. DOT briefing – *United States Department of Transportation, 1200 New Jersey Ave, SE, Washington, DC – Affordable parking nearby*
Infrastructure, De-regulation, Industry Topics, and Department

Updates from:

- Anthony Bedell, Deputy Assistant Secretary for Intergovernmental Affairs
- Chris Mitton, Senior Officer for Intergovernmental Affairs
- Brian Barnard, Director of Governmental Affairs for NHTSA

11:00 a.m. Buses Head to Capitol Hill

11:00 a.m.-12:30 p.m. Congressional Meetings – *Capitol Hill*

12:30 p.m.-2:00 p.m. Luncheon – *SVC 212-10 U.S. Capitol Visitor Center*

- Magnuson Moss Warranty Act Update: Tom Tucker, State Relations Director, ACA
- Estate Tax Repeal Update: Alex Ayers, Executive Director, Family Business Coalition
- Looking at the 2018 Elections: Nathan Klein, Lead Pollster & Founder, Olive Tree Strategies (Former Polling and Analytics Director for the National Republican Senatorial Committee)

Keynotes:

- Congressman Lou Barletta (R-Pa-11th) – Candidate for Senate
- Congressman Steny Hoyer (D-Md-5th) – Democratic Whip of the U.S. House of Representatives

2:30 p.m.-4:30 p.m. Industry Issues Seminar – *Rayburn House Office Building – Room 2075*

- Members of Congress Invited to Participate in Panel Discussions

4:30 p.m.-6:00 p.m. Reception – *Rayburn HOB – Transportation and Infrastructure Committee Room 2167*

6:00 p.m. *Buses return to Bowie office*

For more information and to register, please contact:

Roy Littlefield IV, Government Affairs Manager • 301.430.7280 ext. 137 • rlittlefield2@tireindustry.org

Your Website is an Investment: Trust the Professionals

NET DRIVEN

Building your own website has become increasingly simple and inexpensive in recent years. Though easy and accessible, DIY websites do not guarantee a website that works well or leaves a lasting impression for your business and your audience.

Your website is a reflection of you and your business, so you're obviously going to want to build a strong, professional, and positive presence to attract customers. Taking the risk of building a website on your own is taking the risk of losing potential leads and damaging your business's reputation – we never get a second chance to make a first impression!

When you invest in a professional web design team, such as our team here at Net Driven, you're not only investing in the visual appearance and accessibility of your website, you also invest in expert advice, techniques, and best practices to create the best possible user experience. Spending less money and trying to do it on your own may seem like the easy way out, but let's dive into why it's important to give your business the professional auto service website design it deserves.

COMMON MISTAKES MADE BY INEXPERIENCED DESIGNERS

Poor Structure & Navigation

A website should be attractive, accessible, and easy to navigate; all in all, user-friendliness is vital. A site's content should be understandable and full of useful information without being cluttered.

In today's day and age, people like quick and simple. If they can't find what they need without gaining a headache, they're going to leave your site and find a frustration-free one instead. At Net Driven, we know how to organize automotive websites in a way that makes sense for both the business owner and their potential customers.

Lack of SEO

If no one can find your website, what's the point in making the ef-

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Your Website is an Investment: Trust the Professionals

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fort of creating one? Many rookie designers forget the importance of SEO, or Search Engine Optimization.

As a certified Google Partner, our team highly knowledgeable of automotive SEO and works hard to make sure your site gets found.

Missing CTA

Your website is one of the most powerful marketing tools for your business. Not only does your website have the power to bring in new customers, it also helps current customers remain loyal if they find what they're looking for with minimal frustrations.

One of the main components of a great website is a clear CTA, or call-to-action. A CTA is what converts website visitors into customers by driving them to purchase your goods or services.

If your website is missing a clear CTA, you'll lose sales and customers.

At Net Driven, our team ensures that every website offers conversion-focused responsive web design.

Using Free or Low-Cost Templates

Rookie designers are likely to use a free or low-cost template for their website. While this may seem like an easy solution, it will make your website look generic and unconnected to your brand.

Your business is unique, your website should be, too. Our designers take the time to ensure each one of our automotive websites are exclusive to the client and capture the individuality of their business.

As with any service or good, you get what you pay for. Your money buys value, which in turn, will actually build your business's bank account in the long run.

Your company's website is no exception. If you want to leave a lasting, positive impression of your brand, leave website design to the professionals.

Maryland Off-Highway Vehicle Funding Bill Becomes Law

Victory! Governor Larry Hogan signed pro-hobby legislation (S.B. 606) into law. The new law establishes the OHV Trail Fund as a special, non-lapsing fund. It also specifies that the purpose of the Fund is to maintain and construct trails for off-highway recreational vehicles on land that is owned or leased by the Department of Natural Resources. Currently, there is no specific fund related to OHV Trails.

Special thanks to those who voiced support for your role in this legislative win!

Service Station Contractor Safety Program

The premier program offered by API WorkSafe is the Service Station Contractor Safety Program that identifies contractor personnel who have passed a standardized examination covering the latest service station industry safety practices, based on API Recommended Practice 1646, Safe Work Practices for Contractors Working at Retail Petroleum/Convenience Facilities.

The program provides awareness-level training on key safety issues found at petroleum retail job sites.

Coming soon: New interactive course covering API RP 1646, 2nd Edition

A Trump Darling, Gas Exports, Set to Gain as Iran Deal Dies

Another darling of the Trump administration is poised to gain from the Iran deal breakup as oil surges: Natural gas exports.

With the move to curb Iran's oil output encouraging more shale drilling, prices for natural gas produced alongside crude in West Texas could crater, falling to zero some days, according to Tudor Pickering Holt & Co. Already, the gas sold at West Texas' Waha hub is down 51 percent for the year.

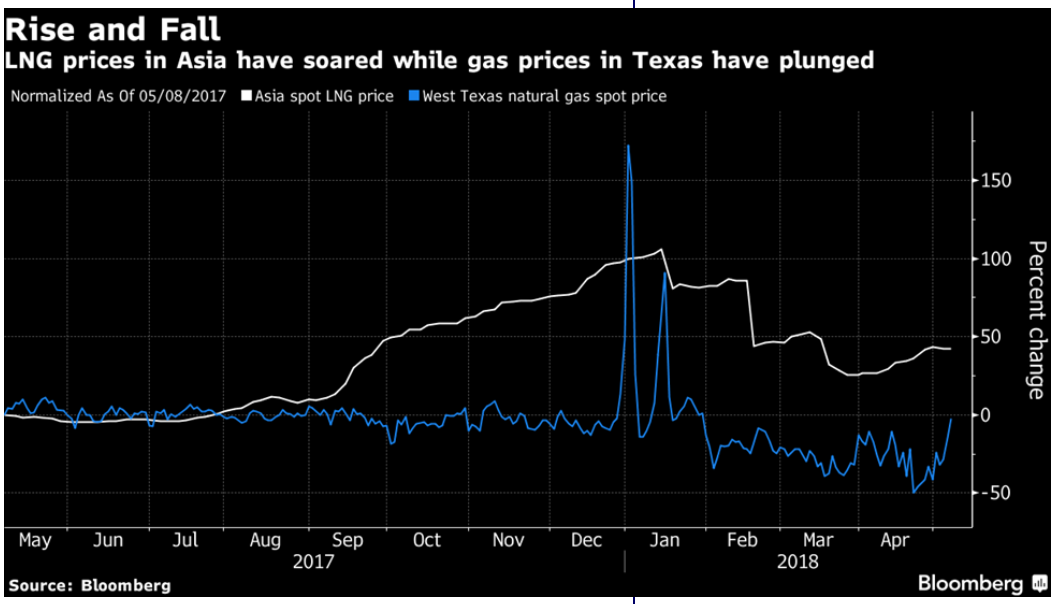
That's bad for producers selling the fuel in the U.S., but good for companies that export it in tankers. As the market for liquefied natural gas grows in Asia, being able to source gas at its cheapest should give U.S. exports a leg up.

From Secretary of Commerce Wilbur Ross to the President himself, the White House has long sung the praises of increasing American LNG exports to help trim the trade deficit with Asian countries. Meanwhile, the Permian boom has filled pipelines to capacity, trapping gas in the region and making prices there the cheapest of any major U.S. shale play.

"I doubt this was a driving factor by the administration" to impose sanctions because "we just don't have that much capacity built up for LNG exports," said Anastacia Dialynas, an analyst at Bloomberg New Energy Finance. But indirectly, she said, "if it results in a structurally higher oil price, it definitely makes U.S. cargoes more attractive."

Only Cheniere Energy Inc. and Dominion Energy Inc. are currently exporting U.S. shale gas worldwide, but as many as three more projects could be up and running in the next year. Several other companies, including Tellurian Inc. and NextDecade Corp., plan to start LNG projects within the next decade.

Once the sanctions formally kick in, they'll make long-term LNG contracts linked to oil prices in other parts of the world more expensive, potentially increasing demand for agreements tied to cheap and abundant U.S. shale gas. West Texas gas has been slashed in half this year to reach $1.96 per million Btu.



Commentary: Rising Oil Prices Boost U.S. Economy

U.S. net petroleum imports have fallen to the lowest level in more than half a century as a result of the shale revolution, which is profoundly changing the impact higher oil prices have on the economy.

Since the 1860s, the United States has been the world's largest producer and consumer of oil, which means it has a complicated relationship with oil prices.

Rising oil prices benefit some businesses and workers at the expense of others, and the same has been true about a sharp price fall. Until after World War Two, the country was a net exporter to the rest of the world, the first era of U.S. energy dominance. But from the late 1940s and especially the 1950s, the United States turned into an increasingly major oil importer.

Since then, the principal effect of a rise in oil prices has been to transfer income from consumers and businesses in the United States to oil-producing countries in Latin America, the Middle East and Africa.

Rising prices have put pressure on the U.S. balance of payments and the dollar's value, contributing to an occasionally negative relationship between the price of oil and the exchange rate. But as net imports have declined in the last decade, the picture has changed again, and the main transfers of income are now occurring within the United States rather than with the rest of the world. The impact of oil prices on the U.S. trade deficit and the exchange rate is becoming much less significant than before. Instead, rising prices are transferring income from net consuming states such as California, Florida, New York and Illinois to net producing states including Texas, Oklahoma, New Mexico and North Dakota.

Rising prices are also transferring income from households, motorists, the transportation sector, manufacturers and retailers to the oil industry and its supply chain. In the broadest sense, rising oil prices tend to depress spending by consumers while enhancing investment by the oil industry ("How rising oil prices will affect the United States", Barron's, May 11).

In the short term, rising oil prices have provided a significant boost to the economic expansion as the positive impact on investment has outweighed the negative impact on consumer spending. But that positive scenario may not last if oil prices continue to rise over the next two years.

OIL TRADE BALANCE

Domestic crude production has more than doubled from an average of 5 million barrels per day (bpd) in 2008 to 10.3 million bpd in February 2018.

Government policies have also cut import dependence by requiring increases in vehicle fuel economy and mandating the addition of ethanol and biodiesel to the fuel supply.

Domestic consumption of petroleum products peaked at 20.8 million bpd in 2005 and was averaging 19.9 million bpd in 2017.

The result has been a transformation in U.S. petroleum trade, with the country becoming an increasingly important exporter of refined products, such as diesel, and more recently crude oil.

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Commentary: Rising Oil Prices Boost U.S. Economy

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The size and suddenness of this shift is one reason why the rise of shale production in the United States qualifies as a genuine energy revolution.

Net imports of crude oil and petroleum products peaked at more than 12.5 million bpd in 2005, according to the U.S. Energy Information Administration. By 2017, net imports had fallen to 3.7 million bpd and they continued to shrink in the first three months of 2018. The United States remains an important net importer of crude (roughly 6 million bpd in recent months) but has become an important net exporter of refined products (3 million bpd). The balance of payments is now much more insulated from the impact of changing oil prices than during the 2008 oil shock. Between January and March 2018, the U.S. trade deficit with the rest of the world worsened by almost $23 billion compared with a year earlier. The non-petroleum components of the deficit worsened by $26 billion but the petroleum deficit actually improved by almost $4 billion ("International Trade in Goods and Services", Census Bureau, May 2018).

ENERGY DOMINANCE?

The rise in U.S. oil production has encouraged some policymakers to speak about achieving energy independence or even a second era of energy dominance. The reality is more complicated. Increased domestic energy production is clearly beneficial for the economy.But sharp increases or reductions in oil prices can still have profound distributional effects within the United States.

Since capital and labour do not move without friction between industries and states, sudden income redistribution can still have an adverse impact on the overall performance of the economy. The oil slump between 2014 and 2016 deepened the overall slowdown in business investment and contributed to a soft patch in overall economic growth, which initially overshadowed the gains for consumers. The rise in prices since 2016 is now contributing to an acceleration of business investment and activity in the oil and gas sector and all along the supply chain, helping boost the overall economic expansion. Mining, which includes oil and gas production, was the fastest-growing sector of the U.S. economy in 2017 ("Gross domestic product by industry: fourth quarter and annual 2017", Bureau of Economic Analysis, April 2018). Rising oil prices are one reason the economies of some major oil-producing states outperformed the rest of the country towards the end of 2017. Texas was the fastest-growing state economy in the country in the final three months of 2017 ("Gross domestic product by state: fourth quarter and annual 2017", Bureau of Economic Analysis, May 2018). But beyond a certain point, rising oil prices will start to weigh on investment and spending by the non-oil sector and households, retarding overall growth. Moreover, the United States remains embedded in a dense web of international trading relationships with petroleum producing and consuming countries. Higher oil prices tend to improve the opportunities for U.S. exports and outward investment in petroleum-exporting countries in the Middle East and other regions. But they also tend to curb export growth to petroleum-importing countries, notably China, India, Japan and in Europe, which include some of the country's most important trading partners.

Industry Worried about 'Unintended Consequences' of Trade War

Call it collateral damage from a trade war with China: Saudi Basic Industries Inc. says steep tariffs proposed on U.S. polycarbonate exports to China could cause the company to shift some production out of the United States.

That's what a Sabic executive told a May 15 hearing in Washington, that the potential trade war between the two countries "would lead to unintended consequences and result in disproportionate harm" to plastics and chemicals makers.

Sabic was not alone in saying tariffs could perversely push some production offshore.

The American Chemistry Council told the panel that China's retaliatory tariffs could cause some U.S. specialty polymer producers to "reduce or end production in the United States" to stay competitive in China's large market.

But Sabic made the strongest statements, specifically linking the potential for 25 percent tariffs on U.S. resin exports to China to harm to its U.S. factories and jobs.

"If China implements these retaliatory tariffs, we would seek to maintain our market share in China," said Greg Skelton, Sabic's director and head of government relations, Americas. "This may mean moving production out of the U.S. to our existing polycarbonate facilities in other regions."

Skelton specifically mentioned the company's PC manufacturing plants in Mount Vernon, Ind., and Burkville, Ala., and said that the "good manufacturing jobs that we provide … would suffer adverse effects from a prolonged disruption in demand due to higher Chinese tariffs."

He also said reducing domestic PC production would hurt U.S. plastics processors and their customers that rely on Sabic materials.

"This would have associated cost impacts on downstream industries in the U.S., such as automotive, electronics and medical devices, that currently source their polycarbonate from our U.S. production," Skelton said. "While that's not the intention of the administration's proposed action, to bring negative repercussions to companies manufacturing in the U.S., it's important to factor in the real-world impact."

Sabic, ACC and others testified on the opening day of three days of hearings before the panel called by the office of the U.S. Trade Representative to look at the Trump administration's proposed $50 billion tariffs and fallout from Chinese retaliation. While there are many voices in support of tariffs in the U.S. plastics industry, the Washington hearing gave skeptics of the Trump administration's tariff plans a chance to make their case in more detail than they have in the past. ACC, for example, noted that its testimony included new concerns from member companies in the plastics industry, worried that Beijing's tariffs would price them out of the growing Chinese market.

"Some ACC members are specialty polymer producers serving global markets from U.S.-based plants and competing with non-U.S. suppliers," said Ed Brzytwa, director of international trade at the Washington-based group.

"China's retaliatory tariffs will weaken the competitiveness of U.S. producers in very important export markets," he said. "Some producers will reduce or end production in the United States in order to maintain access to China's market and others will be greatly disadvantaged." ACC also

Industry Worried about 'Unintended Consequences' of Trade War

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gave an example of a company that relies on "U.S.-sourced specialty plastics products" that was worried about millions of dollars in direct impact from China's tariffs and said the Chinese tariffs "will incentivize offshoring. The company anticipates moving the production of those materials to its European or Asian operations."

Brzytwa declined to name the companies or share details but repeated ACC arguments that 40 percent of China's retaliatory tariffs are aimed at U.S. chemical and plastics makers. Manufacturing groups at the hearing were trying to walk a line, testifying that they shared the Trump administration's concerns about China but didn't think broad tariffs were the solution. The National Association of Manufacturers praised the administration's tax cuts and regulatory rollbacks and said it welcomed the sharper focus on China.

But it noted that, even as there's an overall deficit with China, U.S. manufacturing exports to China have grown five fold since 2001, to $97 billion, and the country is now the third-largest export market for manufacturers. "Our manufacturers need to be able continue to tap into that enormous growth and win more sales in China in order to support and create more good-paying manufacturing jobs here at home," said Linda Dempsey, vice president of international economic affairs at NAM. NAM, ACC and others urged a more targeted approach, with NAM advocating to negotiate a comprehensive trade deal with Beijing that would better open China's markets to U.S. goods.

The plastics industry itself is split on the tariffs, according to written testimony from the Washington-based Plastics Industry Association, which did not send a representative to testify in person at the hearing.

"Support for the tariffs is split along the lines of those who have direct competitors from China and those who do not," Scott DeFife, the group's vice president of government affairs, wrote. "In general, we believe that there are more targeted ways to address the issues that plague the U.S.-China trade relationship — actions that don't put the country at risk of a trade war." The largest U.S.-based maker of plastics machinery, Milacron Holdings Corp., said in written testimony that it supported the Trump administration's 25 percent tariff on injection molding machines from China.

However, illustrating the complex nature of global supply chains, Milacron opposed tariffs on the roughly $100 million in Chinese components it imports annually to make its equipment in the U.S. That in a nutshell might be the challenge for the tariffs. There was repeated testimony that helping one sector hurts another. For example, one association representing users of the molding machines said they opposed tariffs on Chinese-made plastics equipment.

The Motor & Equipment Manufacturers Association, which represents 1,000 vehicle parts makers, specifically asked the USTR to remove tariffs on Chinese-made injection molding machines and plastic molds, among a long list of other equipment it wanted exemptions for. It argued those tariffs would hurt its member companies' competitiveness without addressing concerns about China, a point echoed by NAM at the hearing.

"While tariffs may provide short-term relief to some, we are hearing regularly and broadly from manufacturers across the country who are deeply concerned about the harmful albeit unintended impacts of the proposed tariffs," Dempsey said. "These tariffs would cripple many manufacturers that depend on imports."

Trump breaks trade cease-fire with China ahead of Ross visit to Beijing

President Donald Trump is moving ahead with steps to protect U.S. intellectual property by punishing China with broad investment restrictions, litigation at the World Trade Organization and hefty tariffs on $50 billion worth of Chinese goods.

The move, which the White House announced reignites trade tensions between the world's two largest economies and ratchets up the pressure just days before Commerce Secretary Wilbur Ross is set to travel to Beijing for further trade talks.

A series of tit-for-tat trade actions earlier this year had depressed markets and threatened to harm consumers and industries in both countries, but relations had calmed down after the two sides launched an economic dialogue that led Treasury Secretary Steven Mnuchin to declare just over a week ago that the trade war was "on hold."

Mnuchin and others had noted, however, that Trump wanted to keep the threat of tariffs at the ready, but he was inclined to tone down the trade war rhetoric as discussions were ongoing.

The Trump administration declined to specify what had changed that led the White House to issue its latest announcement. But the sudden statement caught officials from Washington to Beijing by surprise and angered those who had welcomed a calming of the waters.

"Trump's schizophrenic China trade policy is a menace to the global economy," said Dan Ikenson, a trade policy expert at the Cato Institute who criticized the decision to reverse course "yet again." "The president seems to thrive on the uncertainty and chaos that his version of leadership churns out on a daily basis, but whether any of this actually happens is anyone's guess."

Stocks again fell in light of the news. As of 1 p.m., the Dow Jones industrial average dropped more than 400 points, or about 1.6 percent on the day. The broader, Standard & Poor's 500 index was off about 1.2 percent.

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United States Remains the World's Top Producer of Petroleum and Natural Gas Hydrocarbons

The United States remained the world's top producer of petroleum and natural gas hydrocarbons in 2017, reaching a record high. The United States has been the world's top producer of natural gas since 2009, when U.S. natural gas production surpassed that of Russia, and the world's top producer of petroleum hydrocarbons since 2013, when U.S. production exceeded Saudi Arabia's. Since 2008, U.S. petroleum and natural gas production has increased by nearly 60%.

For the United States and Russia, total petroleum and natural gas hydrocarbon production, measured in energy content, is almost evenly split between petroleum and natural gas, while Saudi Arabia's production heavily favors petroleum. Total petroleum production is made up of several different types of liquid fuels, including crude oil and lease condensate, tight oil, extra-heavy oil, and bitumen. In addition, various processes produce natural gas plant liquids (NGPL), biofuels, and other liquid fuels, some as a result of refinery processing gain.

U.S. petroleum production increased by 745,000 barrels per day (b/d) in 2017, driven by a 21% increase in oil prices to approximately $65 per barrel. In the United States, crude oil and lease condensate accounted for 60% of total petroleum hydrocarbon production in 2017, and natural gas plant liquids accounted for 24%. Saudi Arabia and Russia have much smaller volumes of natural gas plant liquids, as well as refinery gain and biofuels production, which combined account for most of the remaining share of U.S. petroleum production.

U.S. dry natural gas production grew slowly in early 2017 because of unfavorable economic conditions at that time. Production increased during the last nine months of the year, ultimately leading to a 5.7 billion cubic feet per day (Bcf/d) difference between the first quarter and fourth quarter of 2017. From 2016 to 2017, domestic dry natural gas production increased by 1%, and U.S. liquefied natural gas exports quadrupled. Consumer natural gas demand was mixed, as a result of warmer winter weather compared with 2016 and higher natural gas prices contributing to a 7% decline in natural gas consumption for power generation.

Russian and Saudi natural gas production expanded significantly in 2017, at 8% and 6% year-on-year growth, respectively. In contrast, Russian and Saudi total liquids production fell in 2017 compared with 2016. Saudi Arabia and Russia lowered oil production as part of an agreement by the Organization of the Petroleum Exporting Countries (OPEC) and some non-OPEC producers (including Russia) to reduce total crude oil production in an effort to lower global oil inventories.

Saudi Arabia's petroleum production is critical to the Saudi economy, but it is specifically important as a source of domestic energy because the country burned nearly 0.5 million b/d of crude oil for electricity generation in 2017.

The continued development of the Wasit, Hasbah, and Arabiyah natural gas fields is expected to reduce the country's long-term reliance on power generation from crude oil.

In EIA's May Short-Term Energy Outlook (STEO), U.S. petroleum and other liquid fuels production is expected to increase, reaching 17.6 million b/d in 2018 and 19.1 million b/d in 2019, up from 15.6 million b/d in 2017.

The May STEO forecasts Russian liquid fuels production to average 11.2 million b/d in 2018 and in 2019, the same as the 2017 production level. The STEO provides a production forecast for members of OPEC as a whole rather than for individual countries.

Total liquids production for OPEC, which was 39.3 million b/d in 2017, is forecast to be 39.2 million b/d in 2018 and 39.5 million b/d in 2019. This forecast takes into account recent agreements among OPEC member countries, as well as pledges by some non-OPEC producers, such as Russia, to reduce output. However, noncompliance is expected to increase toward the end of 2018.

Lobby Day Hotel Information

HOTEL INFORMATION:

Comfort Inn Conference Center
4500 Crain Hwy
Bowie, MD, 20716
301.464.0089
$109

Phoenix Park Hotel
520 N. Capitol St NW
Washington, DC 2001
202.638.6900
$339

Hyatt Regency Washington
On Capitol Hill
400 New Jersey Avenue, NW
Washington, D.C., USA, 20001
202.737.1234
$419

Oil at $100 Is a Possibility Next Year, Bank of America Says

Oil prices could rally to $100 a barrel next year, a level not seen since 2014, as supply risks in Venezuela and Iran strain global markets, according to Bank of America Corp.

Brent futures, trading near $77 on Thursday, are set to reach $90 in the second quarter of 2019 as world inventories shrink, the bank said. As that view hinges on OPEC reviving output and a limited impact on Iran from U.S. sanctions, prices could go even higher, it said, becoming the first Wall Street bank to suggest a return to $100.

Crude has climbed to a three-year high as President Donald Trump's decision to reimpose sanctions on Iran threatens to tighten a market already depleted by strong demand, OPEC production cuts and unplanned supply losses in troubled producer Venezuela.

"Looking into the next 18 months, we expect global oil supply and demand balances to tighten," Francisco Blanch, head of commodities research at Bank of America Merrill Lynch in New York, said in a report.

While other Wall Street banks have bullish outlooks on crude, theirs aren't quite as strong as that of Bank of America.

Goldman Sachs Group Inc. predicts that Brent will rise to $82.50 a barrel in the coming months, and says there's a chance prices could surpass that level, but sees oil subsiding again in 2019.

U.S. said to Withdraw from Iran Deal

The United States plans to withdraw from the Iran nuclear pact negotiated in 2015 and re-impose sanctions it had previously withdrawn, the New York Times reported, citing a conversation with French President Emmanuel Macron, a report the White House denied.

A White House official said that President Donald Trump did not say "those things" to Macron, and a spokesperson for the French President said that Trump did not indicate what his decision was in that call.

The newspaper, citing a source familiar with the matter, said the United States is preparing to impose additional economic penalties as well.

MARKET REACTION:

OIL: Oil prices initially slumped on conflicting headlines about President Trump's intentions, before rebounding somewhat after the New York Times report.

STOCKS: Equities were volatile, but had lately dipped lower on the reports.

CURRENCIES: The dollar pulled back against other major currencies on the news.

COMMENTS: MICHAEL PURVES, CHIEF GLOBAL STRATEGIST, HEAD OF EQUITY DERIVATIVES STRATEGY, WEEDEN & CO: "The big risk is a crude spike which Trump doesn't want ahead of the midterms. Does Trump really want that from a political strategy point of view? So, does he bark at 2 p.m., then walk it back if oil prices go too high? But the secondary impact is that it drives up inflation which could lift bond yields higher."

BLU PUTNAM, CHIEF ECONOMIST, CME GROUP, CHICAGO: "A pullout from the Iran deal could lead China to buy more Iranian oil over the long term in place of the excess shale oil it imports from the U.S.

"A U.S. pullout from the nuclear deal could raise gas prices at the pump, with the possibility of forecasts for $5 a gallon during the summer driving season, stoking inflation.

"Shale producers will decide on whether to increase production and hedge it based on futures prices six to 24 months out, which are now significantly lower than spot prices. Energy ETFs are influenced by this backwardation price structure."

DANIEL FLYNN, ENERGY ANALYST TRADER, PRICE FUTURES GROUP, CHICAGO:

Everybody knows were going to pull out of the nuclear deal. Investors are going to be looking to see if our European allies are on board with us. I see us going higher. Definitely going higher. Unless we have a black swan event, $80 is not out of the question.

U.S. said to Withdraw from Iran Deal

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CHAD MORGANLANDER, PORTFOLIO MANAGER, WASHINGTON CROSSING ADVISORS, FLORHAM PARK, NEW JERSEY:

"We've already seen a run-up within oil prices that has been quite violent, so this sell-off on oil prices is basically 'buy the rumor, sell on the news' overall. That intraday move to positive territory (in stocks), investors should not take any special note of that. I really think the current administration rehearsed its signals in an effective manner, the decision to pull out of the Iran deal. So any type of intraday shift within the market is playing off of oil prices continuing to hit lower lows. It applies additional pressure to the overall sentiment of the market as the dollar continues to grind higher and (Treasury) yields continue to move higher as well. That's the overall real driver of the market. The news out of Iran hasn't surprised the system at all."

MICHAEL ANTONELLI, MANAGING DIRECTOR, INSTITUTIONAL SALES TRADING, ROBERT W. BAIRD, MILWAUKEE:

"We're getting conflicting reports about the Iran deal. CNN reported that (Trump) would not withdraw but the New York Times is reporting that he will withdraw. The market will struggle until we get clarity on this.

"The original report was that he would stay in the agreement and the market liked that because its less global tensions. Then the NY Times said he will withdraw, so that brings back to the table the thought of global tensions with Iran.

"We're just looking at Iran today, nothing else. We're all over the place. Nobody knows what the right answer is right now."

BRIAN LAROSE, TECHNICAL ANALYST, UNITED-ICAP, NEW YORK:

"Ive certainly seen reports early this morning suggesting that Trump was going to walk away from the Iran deal, which pushed prices higher. "Then there was an article on CNN where they, the thought then - about an hour ago - was that we were going to remain in the Iran deal and there was the possibility of new sanctions. And all that information has kind of been jarring the market. But the reality is, at this point we have not broken any key support levels in crude oil. So theres still an opportunity here that we could visit fresh highs on the day or on the week if something changes by 2 oclock, where the market interprets Trumps decision as bullish.

"But if the dollar continues to rally from here, regardless of what Trump does with this Iran deal, any gains are going to be short-lived as the greatest risk here is the risk of the dollar."

STAN SHIPLEY, STRATEGIST, EVERCORE ISI, NEW YORK:

Trump is going to leave the deal, but this is pretty well anticipated here. The market has priced this in pretty well here. There are still deals between Iran with the Europeans, Russia and China. Does it cause Iran more problem to move money around the world? Yes. It is lose/lose deal for the U.S. It raises the risk that Iran might forgo negotiations and go ahead with its nuclear program.

Letter to the Editor

Dear SSDA-AT,

Economic impacts related to steel and aluminum tariffs are coming into clearer view even before the costly policy is fully implemented. An Indiana-based manufacturing company reports "rising steel and aluminum prices" have already increased costs for the company's key products by $300,000, "jeopardizing plans to add 14 jobs to [its] 74-employee staff." The Motor Equipment & Manufacturers Association says the policy "creates uncertainty for our members, which puts businesses – and jobs—at risk" and "could mean tying up millions of dollars that a business would rather invest in facilities and people." And Whirlpool signaled it is "raising its raw material inflation guidance for the year by about $50 million to as much as $300 million."

America's natural gas and oil industry is facing similar issues. Steel and aluminum are central to nearly every part of our operations. From on and offshore development, to pipelines, refineries, and the local manufacturing facilities that support them, steel and aluminum are essential in our work producing, refining and delivering affordable, reliable energy to U.S. homes and businesses. In many cases, the specialty steel we rely on simply isn't available from U.S. producers. Writing in Forbes, Brigham McCown explains: "Even if our domestic steel industry were to shift production back to meeting the demands of our own energy sector, it would take years for domestic plants to provide the quantity and quality of steel needed…Many are concerned that everyday consumers will not only see higher prices for many products we use, but America's steel-reliant energy sector will almost immediately feel the negative impacts of higher steel prices..."

To put that in perspective, a steel price increase of 25 percent would raise the cost of a 280-mile pipeline by $76 million, according to a recent study. That's daunting enough, but we could be heading for a situation in which the resources we need aren't available at any price. As The Wall Street Journal reports, some nations are negotiating with the Trump administration to implement quotas as an alternative to tariffs. South Korea, a critical U.S. ally and third-largest supplier of steel imports, agreed to cut supplies to an amount equal to 70 percent of its average export total over the past three years. Once we reach that total, ships carrying steel to the U.S. will be turned around, and projects waiting on the supplies could be stopped in their tracks.

The U.S. energy renaissance, which has contributed so much to U.S. economic growth and security, could be undermined by policies that disrupt supply chains established with U.S. allies. In order to support the administration's goals of maintaining U.S. energy leadership and building world class infrastructure, the administration should:

•Grant relief from steel and aluminum tariffs and quotas to natural gas and oil companies and their suppliers that are submitting petitions documenting their needs for imports.

•Grant permanent exemptions from both tariffs and quotas to Canada, Mexico, the European Union and expand similar exemptions to other U.S. allies and trade partners that supply the U.S. natural gas and oil industry.

Sincerely,

Jack Gerard

President and CEO

API

Trump Could Consider a 'Skinny' NAFTA if Renegotiations Don't Go as Planned

President Donald Trump could consider a "skinny NAFTA" overhaul that would not require congressional approval, Treasury Secretary Steve Mnuchin told CNBC.

But for now, Mnuchin said in a "Squawk Box" interview, "We're focused on a new NAFTA that would go through Congress." Since the 1994 North American Free Trade Agreement was originally passed by Congress, any major reworking of the deal would need reratification. U.S. Trade Representative Robert Lighthizer has been "very focused on NAFTA," Mnuchin said. "As he's said, there are still some very significant open issues."

Mnuchin said he spoke with the finance ministers of Mexico and Canadalast week, adding, "there is a desire on all three parties to try to get a deal done."

Recently, Lighthizer said the parties are "nowhere near close to a deal."

House Speaker Paul Ryan, who is not seeking re-election, had said the Republican-controlled Congress needed to see any deal to give lawmakers a chance to approve it before the new Congress takes over in January. "For the moment, the president is focused on the agreement that he wants to get between the three countries. And then we'll figure out how to get it through Congress," Mnuchin said.

Trump has repeatedly threatened to pull out of NAFTA if negotiators can't get a better deal.

June 20, 2018– Mark Your Calendar!

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