

Gray & Oscar LLC

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RE: CONGRESSIONAL UPDATE

This Week in Congress: Originally, this week was slated to be a recess week, but with the looming government shutdown, Congress remained in session to resolve this impending crisis. To that end, the House and Senate considered legislation to fund the government, along with the Senate considering legislation to aid the Israel military.

SENATE FUNDING PACKAGE: On Tuesday, the Senate considered a bill to fund the seven FY19 appropriations bills affected by the government shutdown. Included in the package is the \$12 billion disaster aid package passed by the House last week; and legislation outlined by the President this past Saturday. The package also includes:

- three years of deportation relief and work authorizations for about 700,000 young undocumented immigrants, who previously received relief from former President Obama's Deferred Action for Childhood Arrivals programs;
- a three-year extension of stays for those in the country under Temporary Protected Status;
- establishes a process for Central American migrants to apply for U.S. asylum in their home countries, while automatically denying asylum requests from applicants who have entered the U.S. illegally;
- extends authorizations for Violence Against Women Act and EB-5 investor visas; and
- \$5.7 billion for the border wall.

Speaker Pelosi announced that the Trump proposal was dead on arrival as did Senate Democratic Schumer who stated that the offer "was not a compromise but more of a hostage taking" as the plan did not offer any permanent protections for the dreamers. Democrats continue to insist that the President reopen the government first, and then lawmakers will negotiate a compromise.

WAGE GROWTH: Unemployment rates are the lowest since the 1960s, but that does not mean wages will increase at a faster pace, finds a study by the Federal Reserve Bank of San Francisco. Average hourly earnings for US workers increased 3.2% in 2018 and are expected to grow at a gradual pace.

CONSTRUCTION SPENDING: Although nonresidential construction spending is expected to increase by 4.4% through 2019, that figure is expected to slow to 2.4% growth in 2020, per the American Institute of Architects.

SCOTUS (Transgender People): On Tuesday, the Supreme Court revived the Trump administration's policy of barring most transgender people from serving in the military. The justices temporarily stayed trial court decisions blocking the policy while litigation in the lower courts moves forward. The vote was 5 to 4. Justices Ruth Bader Ginsburg, Stephen G. Breyer, Sonia Sotomayor and Elena Kagan dissented.

NORTH AMERICAN SHALE GAS EXPLORATION:

- ***U.S. Oil Output May Surpass Saudi Arabian and Russian Capacity*** – The International Energy Agency predicts that with U.S. oil production increasing by 1.1 million barrels per day this year, the country is on track to exceed Saudi Arabia or Russia's peak production capacity by mid-2019. Saudi Arabia has a maximum capacity of 12 million bpd, whereas the U.S. pumped 11.8 million bpd in December.
- ***Stronger Global Oil Demand in 2019*** - The International Energy Agency projects global oil demand will grow by 1.4 million barrels per day this year, up from 1.3 million bpd in 2018, but the outlook may change in light of slowing global economic activity. The IEA also said the oil market should regain balance in the first half of this year if OPEC producers stick to agreed-upon production cuts.
- ***West Virginia Shale Gas Production to Grow at Slower Rate Through 2024*** - West Virginia's natural gas production is projected to increase by 5% to 8% yearly through 2024, down from 30% annual growth in the early 2010s, but Platts Analytics sees a silver lining in the state's wet gas Panhandle, where output may surge by over 50% in the next five years. Producers should benefit from ongoing pipeline capacity expansions that will open the door to Northeast and Gulf Coast markets, resulting in higher gas prices in the longer term.