Archer Financial Services, Inc.

Energy Brief

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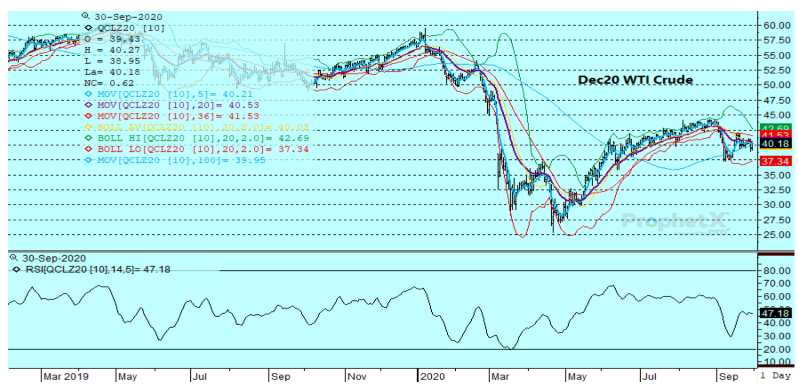
Price Overview



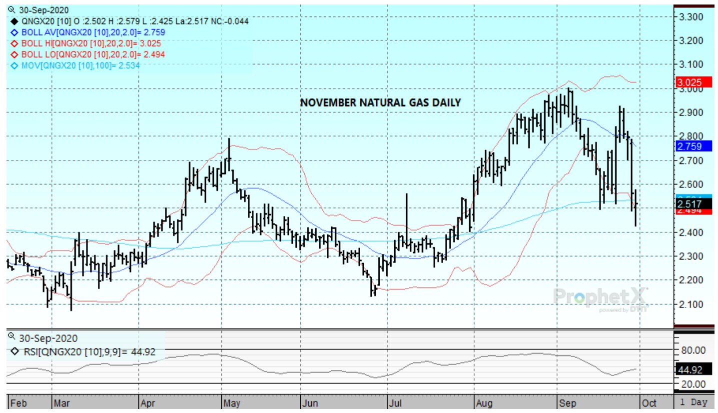
The petroleum complex traded mixed with ULSD and crude registering strong gains while gasoline lagged. The primary driver behind the price moves was the DOE report, which showed crude and distillate inventories declining while gasoline stocks rose as refinery throughput increased moderately.

The report indicated commercial crude inventories fell by 2.0 mb compared to expectations for an increase of 1.6. An uptick in exports and a decline in imports helped facilitate the draw down in crude, along with a modest pickup in refinery utilization to 75.8 as the Midwest (Padd 2) jumped. Distillate followed on last week's decline with another drop of 3.2 mb this week. Stocks remain well above year ago levels of 131.3 mb, currently at 172.8. However margins remain weak, near 8.30 on the December contract. Restrained refinery operations should continue to lead to a more balanced market, particularly as demand picks up ahead of winter. Gasoline inventory levels built by .7 mb compared to expectations for a drawdown. Disappearance levels continue to stagnate near 8.5 mb compared to year ago levels of 9.3. Total product supplied was 17.4 mb compared to 20.8 at this time last year.

With the DOE report behind us until next week, the market is likely to shift focus back to the global situation. Talk of movement on a US stimulus package might support ideas that demand will begin to stabilize despite the recent pickup in COVID infections. OPEC has indicated that while output has risen for the third month in September, compliance rates are still at 101 percent. Concerns over demand remain in the background along with the rising supplies from Libya and Iran, who are exempt from the OPEC+ agreement. Reports suggesting that the Norwegian Oil Workers strike might expand on October 4th to four additional fields could raise concern although some of the impact has been mitigated by the rising export levels from Libya and Iran. What looks to be a rather finely balanced situation has helped to draw down excess inventories slowly and steadily, keeping values confined to relatively tight ranges.

Natural Gas

With the November becoming the front month yesterday at a large premium to the October settlement as well as to the cash market, something had to give. The futures ended over 23 cents lower and followed through today another 14 cents before finding underlying support as the session wore on to settle modestly lower on the day at 2.527. A recovery in production coupled with a lack of near term weather demand added to the downside pressure. LNG flows were off slightly as Sabine Pass and Cove Point undergo maintenance and Cameron remains idle. These issues have heightened congestion concerns as End of Season storage estimates continue to creep higher. Despite the substantial pullback, prices did manage to recover over 10 cents from the lows as demand expectations improved primarily on coal to gas switching. With European LNG prices remaining firm, trade continues to expect strong exports into the winter months once the processing plants get back up to capacity. Whether the large storage surplus being created in the meantime is enough to relieve the expected tightness remains to be seen, with weather demand becoming increasingly necessary to justify the winter premiums. With the 200 day moving average near 2.45 tested today, that area looks like solid support on any further near term weakness. A settlement below that level likely portends the end of any possible price recovery for the November contract. Initial resistance looks to be in the 2.60 area.



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