**Energy Brief**

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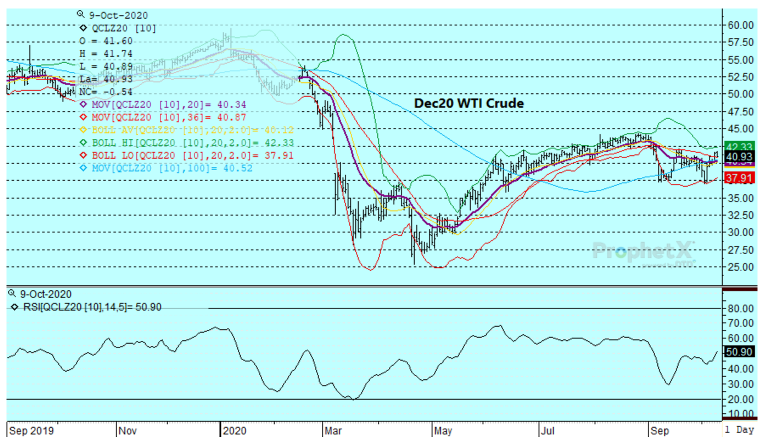
**Price Overview**



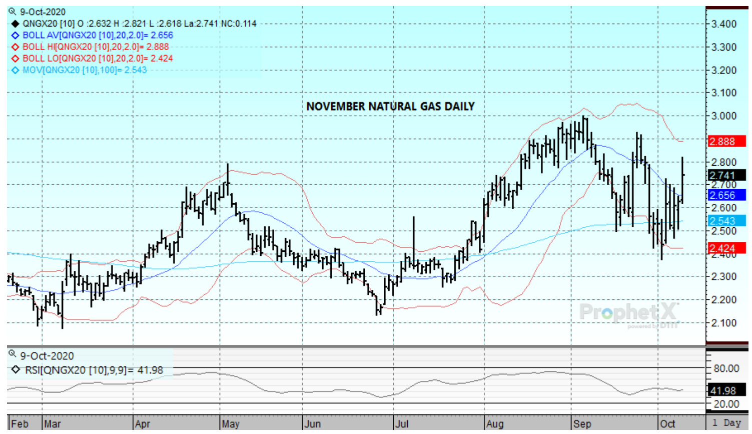

The petroleum complex eased off from the strong gains evident this week that had been in response to fears of an expansion of the Norwegian oil workers strike along with the shut-ins in the Gulf of Mexico due to Hurricane Delta. The settlement of the strike today appeared to encourage profit taking ahead of the weekend. The agreement averted the shut-in of as much as 1 mb/d. Today's weakness developed despite Hurricane Delta which affected US production in the Gulf of Mexico as energy companies shut in 92 percent of offshore output, or nearly 1.7 mb/d. The market also appeared to take heart over chances that a US stimulus package will move ahead, as polling seems to be encouraging Republicans and the Trump administration to advance the talks.

The recent recovery has taken values back up toward highs at 42.02 basis December. The settlement of the Norwegian strike along with Libyan export flows and how quickly GOM operations return to normal will likely be key considerations next week. The economy will remain in the background and the pace of recovery amid the pandemic and its impact on underlying supply/demand trends will be a key factor as well.

While US policy developments will remain in view, particularly a US stimulus plan, the global supply/demand situation will likely come into clearer focus on October 13th when OPEC will release their monthly Oil Market Report. We still feel demand is being overestimated, particularly next year. The appearance that the global economic recovery might be slowing on the potential for a second virus wave as we move into the 4th quarter continues to be a concern as it effects how quickly supply and demand re-balances. Whether OPEC needs to take additional action as we move into the new year will be a major question for the market. Key support for the December crude will be the 100 day moving average near 40.50. A break of this level could lead to a test of 37.50 in the near term.

**Natural Gas**

Prices broke out to the upside today as the November traded to an intraday high at 2.821 before settling the session up 11.4 cents at 2.741. Hurricane Delta continues to be the main factor creating volatility, as Gulf of Mexico production shut-ins reached near 1.7 bcf/d and put lower 48 output at its lowest level this year. Warm temperatures in the Southwest along with some signs of cooling in other parts of the country upped total degree day expectations and added underlying support for the first time in weeks. Signs that maintenance at the Cove Point LNG terminal may be nearing completion also supported prices, although overall flows were off .9 bcf in preperation of Delta making landfall. The market appears to be looking past the current risks to onshore gas infrastructure and demand from the hurricane to the potential return to full strenght of US LNG exporting capacity. Yesterday's storage injection of 75 bcf was just above estimates but well below the 5 year average of 87, and with early estimates for next week near 54 against an 87 average, the bulls continue to feel that the expected tightening into the winter months is beginning to materialize. As mentioned before, any additional setbacks at Cameron or other facilities from the current storm could further back up gas and change the optics of the already ample EOS storage levels. How the storm plays out over the coming hours and weekend will be key to any followthrough, with the 2.80 level now likely resistance until more is known about damage. If it is limited, look for continued strength next week to test the 2.90 area in the November contract. Any pullbacks will find initial support at the 2.60 level.

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