ADM

Archer Financial Services, Inc.

Energy Brief

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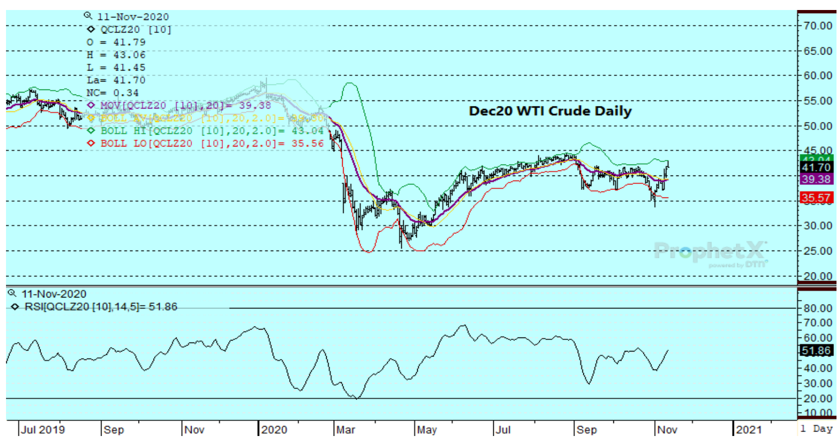
Price Overview

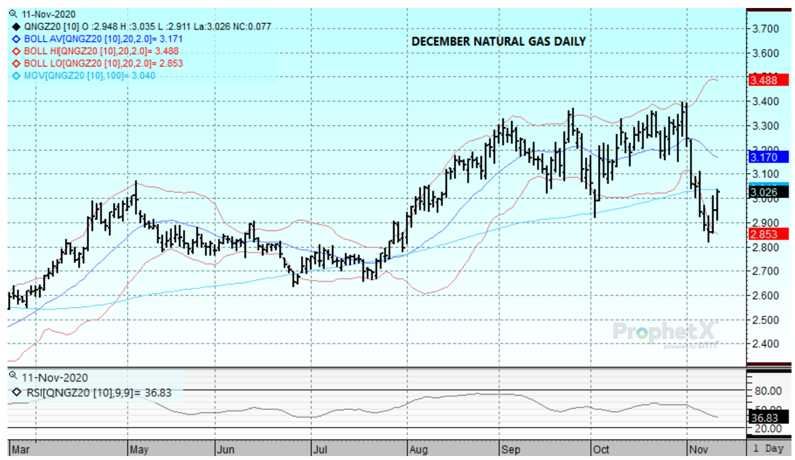


The petroleum complex traded sharply higher, reaching over the 43.00 area basis December before settling back on profit taking. The strength reflected a combination of influences which included news that a vaccine for COVID might be on the horizon, ongoing strength to equity values, and the API report which showed a crude draw of 5.1 mb, a gasoline draw of 3.3, and a distillate decline of 5.6 mb. The DOE report is delayed until tomorrow due to Veteran's Day. It is expected to show crude stocks -1.3 mb, gasoline -2.2 and distillate -.9. Given the API numbers, higher drawdown's are likely anticipated in tomorrow's release.

The OPEC Monthly Report was released today, and will be followed by the IEA Monthly report tomorrow. There was little in the way of consequential changes, as it suggested that while demand was stronger than expected in October, the outlook into early next year is likely to be weaker than expected due to the pickup in COVID infections in Europe and the US. Although the market has rallied on news that a vaccine has been developed in the US and Russia, uncertainties remain including when it may be authorized and how long it will provide protection. In addition, how broadly it will be distributed remains a key variable.

Despite the surge above the expected resistance near the 41.00 area basis December to the high at 43.06 today, we look for renewed pressure on values as the higher prices encourage opposition among OPEC members to additional curbs on output and might even lead to a change of heart by some against rolling over current output curbs of 7.7 mb, and raises speculation that they might reduce cutbacks to 5.7 mb as previously planned. We still see the need for the higher level to provide stability to the market, and the increase in production from Libya might actually necessitate bigger output curbs than had been planned. Whether members are comfortable with maintaining production at levels currently in force remains to be seen. The hope that some normalcy might return in the 2nd half of 2021 continues to dominate sentiment and while recent declines in US crude inventories have been encouraging, they need to be maintained in the month ahead given the large global stock overhang in both products and crude. We expect the market to drift back down into our previously suggested range of 37.50 to 41.00 basis prompt WTI.

Natural Gas



With temperatures beginning to return to more normal levels the market recovered to inch past the 3.00 area basis December. The steady string of lower HDD revisions was finally broken yesterday, as some hope was rekindled that we may actually have a winter. Despite these minor near term improvements, the longer term forecasts continue to point to below average demand through December. With LNG running at record levels the weather is the only thing currently holding this market down, and any significant cooling trends will likely goose the winter contracts. For now the December looks fairly priced near 3.00, with any positive developments likely finding initial resistance in the 3.10 area. The 2.80 level should offer solid support on any return to weakness. Due to the Veterans Day holiday the release of the EIA's weekly storage report is delayed until Friday, November 13th at 9:30 a.m. CST. Current estimates are for a 5 bcf draw compared to the 5 year average for this week of a 33 bcf build.