



Archer Financial Services, Inc.

Energy Brief

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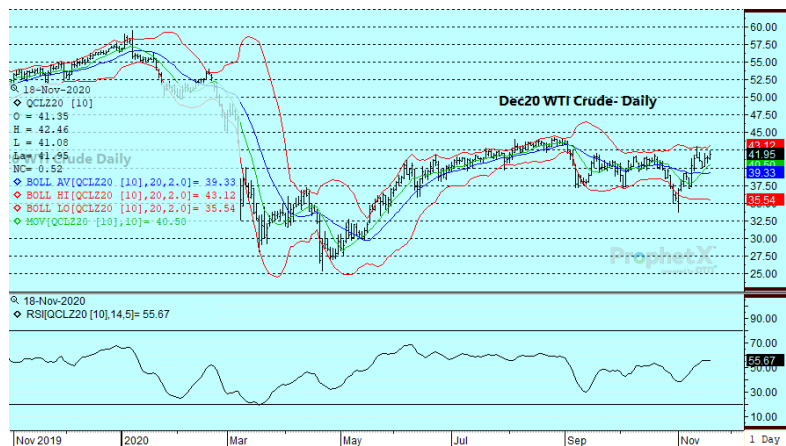
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Price Overview

The petroleum complex maintained a firm tone following the OPEC Price Monitoring Committee meeting yesterday. Hopes that OPEC+ will postpone its planned production increase of 2 mb/d appeared to underpin values along with optimism that a vaccine for COVID-19 will be available soon, which helped offset the adverse impact the virus has had on petroleum demand. No formal recommendations ensued from the meeting ahead of the Full Ministerial meeting taking place on November 30th. It appears that a rolling over of the current production cut of 7.7 mb through the first quarter is expected. Concern over compliance with the current pact does appear to be building. Compensatory cuts to offset overproduction by some producers has not taken place. It is estimated that Russia's cumulative overproduction is at 531 tb/d while Iraq's is at 610 tb/d. With Libyan output having risen sharply and additions from Norway likely next year, the OPEC meeting will be watched closely to see how they deal with the potential oversupply situation if demand does not pick up quickly.

The DOE report showed crude oil inventories in the week ending November 13th rising by .4 mb compared to expectations for an increase of 1.7. Capacity utilization rose to 77.4 percent from 74.5. Domestic crude oil production recovered to 10.9 mb. Distillate inventories fell 5.2 mb while gasoline stockpiles rose 2.6 compared to expectations of a decline of 1.5 and an increase of .1 respectively. Total products supplied was 19.6 mb compared to 21.2 mb last year, a decline of 7.5 percent. Gasoline supplied remains off by 9.8 percent while distillate supplied was off 2.3 percent from last year. Jet kero



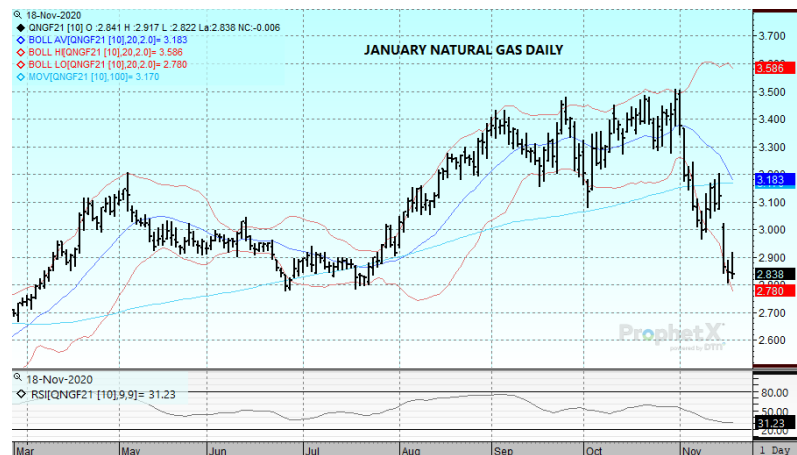
remains the hardest hit fuel in terms of disappearance at 41 percent below year ago, while propane disappearance has held even with last year.

Despite recent price movement to the upside we still see the petroleum complex facing considerable uncertainty. The OPEC meeting will be a key barometer of their commitment to production cuts. Any sign that they are proceeding with originally planned production increase at the beginning of January would likely push the market back into surplus, particularly if mobility is restrained further by the spread of the COVID virus in Europe and the US. While progress has been made toward reducing inventory levels since the summer, they still remain well above the five year averages and holding production at current levels will be a key to maintaining price stability.

With the OPEC meeting approaching, prices below 40.00 for WTI would likely help them agree to maintain output curbs at current levels of 7.7 mb into the first quarter given a weaker than expected demand environment. Another factor might be the difficulty getting a new US stimulus deal through congress.

Natural Gas

Prices steadied over the last two sessions after the steep losses seen on Monday. The December contract gained 2 cents to settle at 2.712 today, while the January ended less than a penny lower at 2.838. Upward revisions to HDD expectations lead to strength early in the session as prices gained nearly 10 cents intraday as short covering was also flushed out on the oversold condition of the market. Despite the forecast improvement, demand remains well below normal for this time of year and temperatures need to trend colder before the market can attempt any significant recovery. Adding to the negative bias is stubbornly firm output, with the lower 48 likely reaching 92 bcf today. With a 15 bcf build in stocks expected tomorrow verses the seasonal average withdrawal of 24 bcf, look for the market to continue to struggle near term with the June/July lows in the 2.78 area offering support.



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