Energy Brief

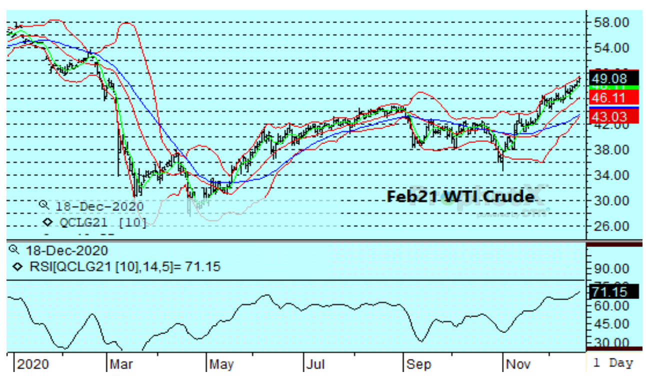
December 18, 2020

Prepared by Steve Platt and Mike McElroy

877-377-7931

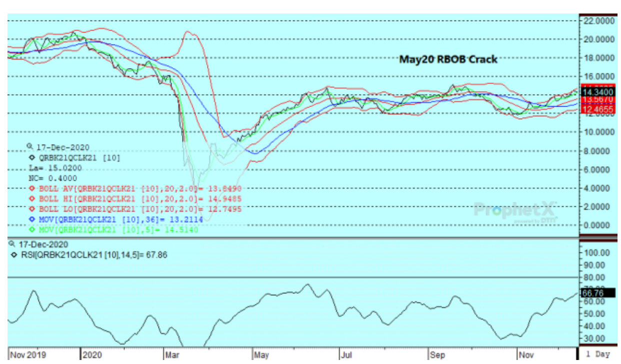
Stephen.Platt@archerfinancials.com
Mike.McElroy@archerfinancials.com

Price Overview

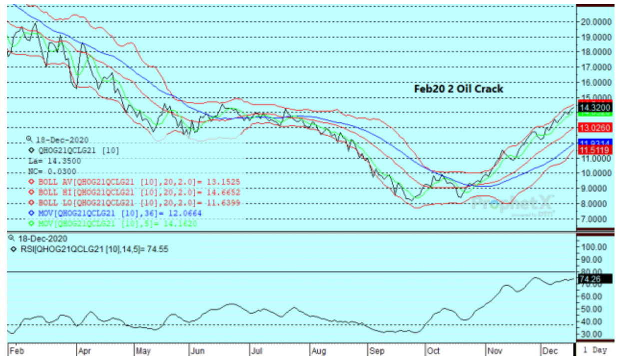


The petroleum complex continues to attract underlying support, reaching fresh highs for the move at 49.43 per barrel in the February WTI today. Although the gains have been traced to the rollout of vaccines, the market also appears to be attracting support from the improvement in refining margins on draw downs noted in product stocks of both gasoline and distillate.

Lower refinery runs and adjustment of the crude slate have helped pare the product stock overhang that had been apparent in the 2nd quarter. Excess stocks of refined products have declined to 52 mb, or 6 percent above the five year average, compared to 12 percent at the end June. Distillates have come down the most, falling to 15 percent above the five year average compared to 29 in June as refiners reduced crude throughput and shifted output from the production of distillate toward gasoline. The strength has carried the Feb 2 Oil crack to over $14 while the May crack in gasoline is near $15.00 per barrel..

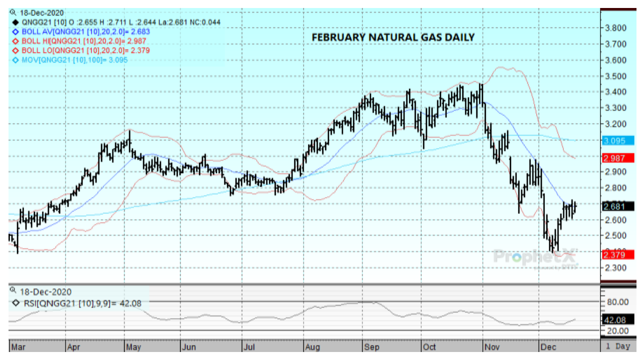


The recent progress has been hampered by a pickup in infections, which slowed travel in major OECD areas. Whether refiners trim utilization ahead of spring maintenance shutdowns might be a key consideration deciding whether the trends up in margins and down in product stocks can continue.



For those using OAK as a platform, you can view the May gasoline crack with the symbol CL:C1 RB-CL K1 and the Feb ULSD (2 Oil) crack CL:C1 HO-CL G1

Natural Gas



The market ended the session with our recent range intact, as the winter contracts traded between 2.60 and 2.70 for the lions share of the week. The active February settled at 2.681, up over 4 cents on the day and 8 cents on the week. The slight upside bias was supported by the recent normalization of temperatures after the warmth seen in November, with the last two storage draws coming in above seasonal norms and early expectations pointing to another above average draw next week. The inability to push through the 2.70 level was attributed to a downside blip in LNG flows this week, which were mostly due to short term issues as confidence is high that maximum capacity will be returned soon and the outlook for the coming year remains bright. Weather is the guiding force of trade as daily revisions are watched closely. The trendline off of the October and November highs is offering solid resistance near 2.70. A settlement through that area will require a cooler temperature trend, and could lead to an eventual test of 3.00 and the chart gap from mid-November. Any significant downward revisions to HDD expectations could lead to a quick retrenchment to the 2.50 area.