



Archer Financial Services, Inc.

Energy Brief

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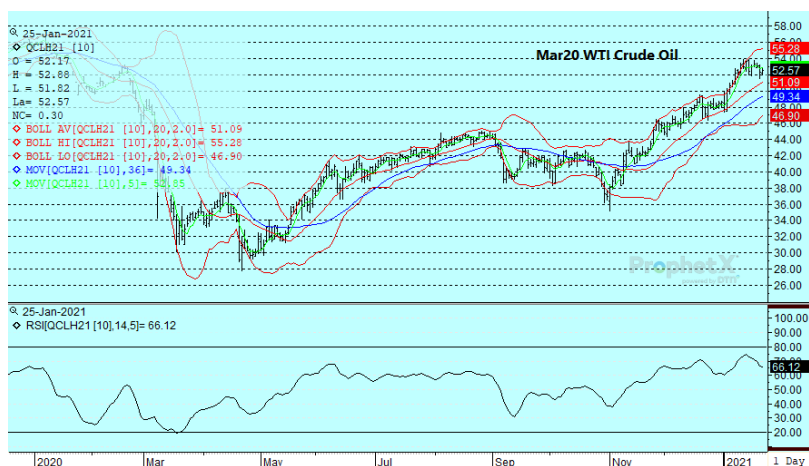
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Price Overview

The petroleum complex traded around unchanged levels amid caution over the rising level of infections in China and reports of a work stoppage by guards at some oil exporting facilities in Libya. In the background are stimulus talks by US lawmakers and questions regarding the size and scope of the final package.

The range-bound trade continues to reflect a combination of factors which include the prevailing supply/demand trends and future prospects. The voluntary output cut by Saudi Arabia is expected to lead to a modest deficit during the 1st quarter. Of consequence will be the drawdown in stock levels in consuming nations and how well it matches up with demand trends and the level of forward cover, which remains above average. Of critical concern is the strength to the Chinese economy and whether the increase in cases will significantly restrict economic growth. Forecasts that global demand might decline marginally in the first quarter of 2021 due to the pickup in Covid infections remains a key consideration along with whether OPEC cuts are enough to balance the market. China and India have been the bright spots in the global economic recovery, and how they navigate through the resurgence of infections and associated lockdowns will be watched closely. Despite the voluntary cutback by the Saudi's, uncertainty over compliance levels continues to be a concern due to the reluctance of Russia to cut output further and the reported pickup in Iranian export levels. Indications that Iraq will be cutting output to compensate for past overproduction

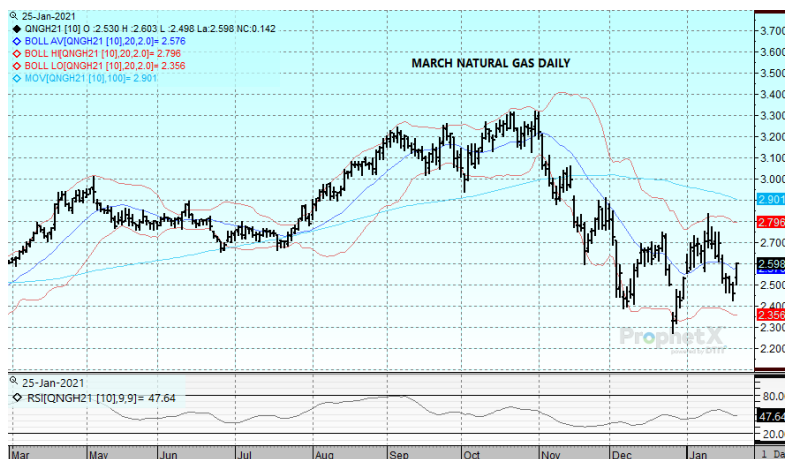


might help bolster confidence, but economic recovery in many of these countries hinges on their output and exports of crude.

The DOE report on Wednesday is expected to show crude stock up by .6 mb, distillates down .2 and gasoline up 1.7. Refinery runs are expected off .2 percent to 82.3.

Natural Gas

Another large price move was seen on the Sunday night reopen as a substantial increase in HDD (Heating Degree Day) expectations lead to an initial 8 cent jump to kick off the week. Marked improvement in LNG flows following recent slowing added support, with early nominations at 10.8 bcf/d, up 1.7 from Friday. Underlying support also continued to emanate from the larger than expected 187 bcf stock draw reported on Friday, although this weeks number looks to be well below average with early estimates pointing to a 135-140 bcf drawdown compared to normal for this time of year at 174. Despite the colder revisions the end result brings demand expectations closer to, but still below normal seasonally. If these temperature materialize a move to the 2.80 level basis March is possible, but anything beyond that will likely need below normal temperatures to emerge and last for more than a few days. Today's low near 2.50 now offers support on any retrenchment.



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