



Archer Financial Services, Inc.

Energy Brief

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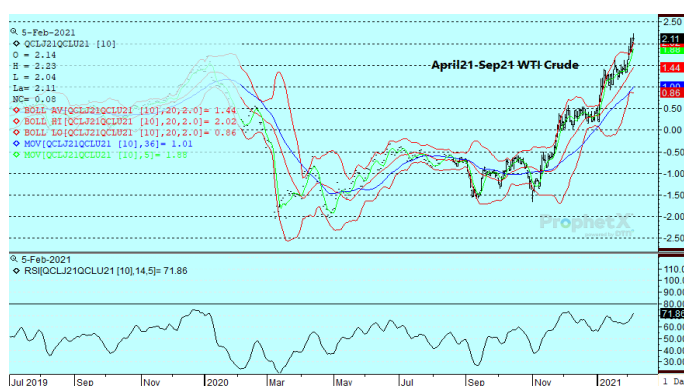
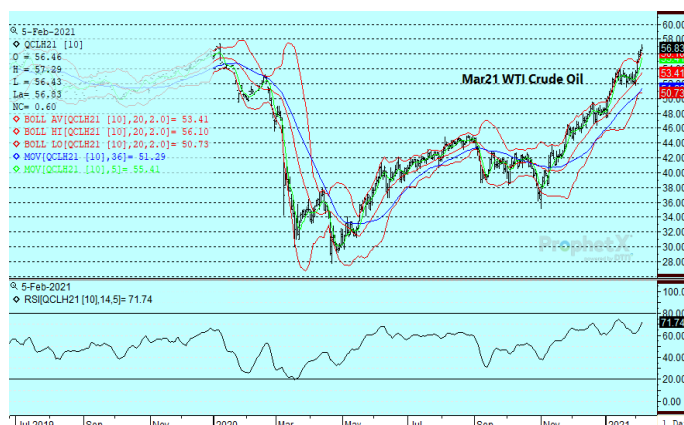
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Price Overview

The petroleum complex continued to trade in a firm fashion with the active crude contract reaching levels not seen since January of 2020. Strength in US manufacturing along with Congress moving ahead on a COVID-19 relief package underpinned values. The rollout of vaccines to fight the virus has raised hope of mobility increasing at a time when OPEC+ continues to show production restraint, potentially leading to a tightening in supplies. Although demand is not expected to reach pre-pandemic levels in 2021, the prospect that policy changes might affect longer term investment in oil exploration and production appears to be in the background limiting selling interest.

Nearby tightness in crude has been apparent with backwardation widening. Cold weather demand and a tepid outlook for global production later this year has helped prices advance faster in the nearby contracts. Of concern in the back months is the potential that Iranian supplies, which are currently under sanctions, will increase as talks proceed on the US rejoining the nuclear



agreement. This has helped moderate the recovery in the back months with April 21 crude moving out to a premium of over 2.00 to the September contract from near even money in November. Concern over OPEC+ production will also be a key consideration as weakness in the spread could be the first sign of a change in sentiment that could undermine values overall.

Natural Gas

The market was able to mount another run at key resistance as early morning action pushed the March up to 3.057. The outlook for well below normal temperatures over much of the country has continued to verify, with model agreement on large upward revisions to HDD expectations reported again today. Current forecasts have HDD's running nearly 25% above normal over the next 15 days as February is shaping up to potentially be one of the coldest on record. The push higher seemed to start yesterday after the release of the weekly storage report, which showed a 192 bcf withdrawal that was in line with estimates. With the risk of a low number out of the way the market surged higher by 15 cents and settle above 2.90 for the first time since mid-November. Despite the cold weather this morning's price action was unable to be maintained as the March contract settled more than 9 cents lower on the day at 2.841. The Baker Hughes rig count increased by 8, which added selling pressure at mid-day, but for the most part the weakness appeared linked to trade unwillingness to hold longs into the weekend due to the risk of downward forecast revisions and the market's recent fickle reaction to rallies. With wide recent ranges, prices are set up for another large move coming out of the weekend. A decrease in weather severity could quickly push prices back to the 2.70 area, while unchanged to colder forecast trends will again run in to firm resistance in the 3.00 area.



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