



Archer Financial Services, Inc.

Energy Brief

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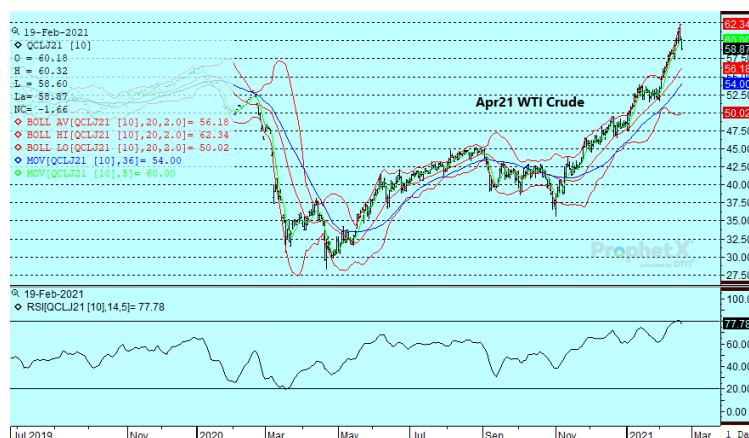
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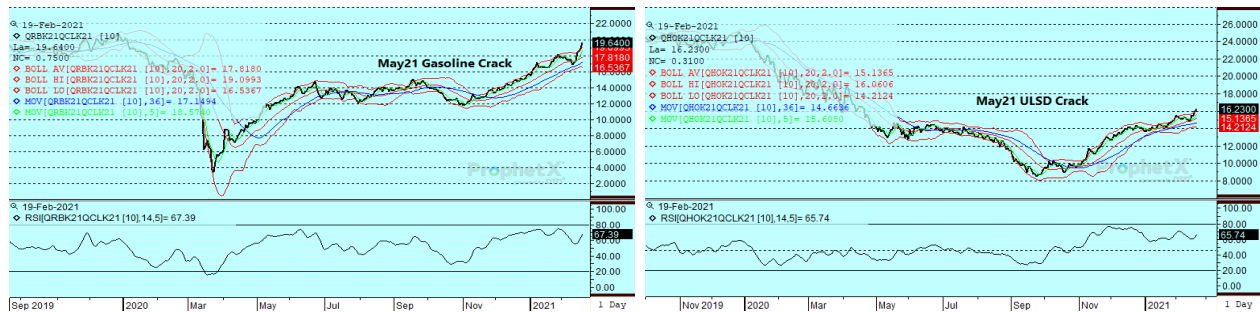
Price Overview

The petroleum complex traded on the defensive with crude showing the largest losses and the cracks strengthening amid the abnormally low temperatures affecting refinery throughput in Texas. In addition reports that the US was ready to talk to Iran about both nations returning to the 2015 Nuclear agreement that aimed to prevent Tehran from acquiring nuclear weapons was in the background as

a potential negative over future supply availability of crude. The DOE report released yesterday showed crude inventories dropping to their lowest levels since March of 2020, but was taken in stride given the impact of the deep freeze on refinery operations in Texas. Concerns that refinery closures that are affecting up to 20 percent of output along the Gulf Coast might bring forward maintenance work normally scheduled for the spring also appeared to weigh on values.

The DOE report showed crude inventories falling by 7.3 mb to 461.8 mb. Gasoline stocks rose by .7 mb while distillate fell by 3.4. Total stocks fell by 15.2 mb, with propane stocks particularly tight at 48.6 mb. Exports of 3.8 mb accounted for the larger than expected draw in crude. Refinery utilization was reported at 83.1 percent and should fall in next week's report due to the freeze related refinery shutdowns. Products supplied at 20.7 mb exceeded last year's level of 19.6. Distillate and propane product supplied accounted for the bulk of the increase.





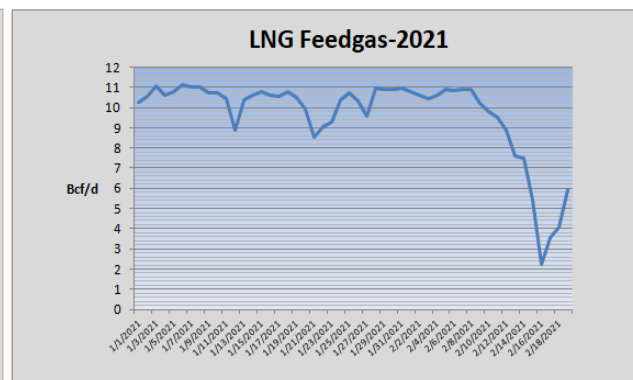
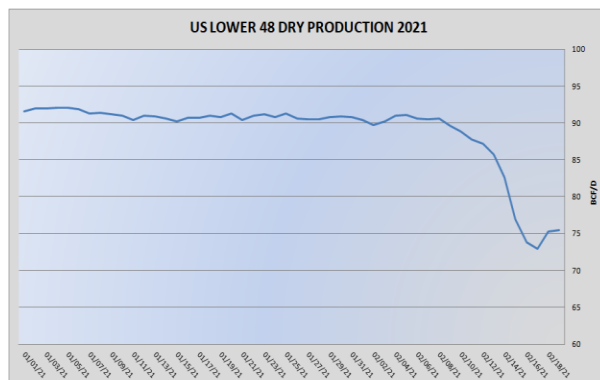
The crack spreads have gained increasing interest given the refinery shutdowns. The lower throughput has helped underpin the value of products relative to crude despite the larger stock drawdown's in crude. In addition, expectations of more favorable travel trends remain in the background with the gasoline crack reaching 19.60 basis May from near 13.00 in November, and the ULSD crack at 16.20 today from near 14.00 in November. Further strength could develop if the extended maintenance restricts supply availability.

Natural Gas

Prices have pulled back from the highs seen at midweek as the extreme cold event experienced across much of the country has mostly run its course while fallout is still being assessed. Some momentum was lost yesterday after the weekly storage report surprised on the downside, showing a drawdown of 237 bcf when expectations had been closer to 250. Despite the low side surprise, the current situation likely leads to sizeable draws in the coming weeks as the End of Season storage status comes back to the forefront as we finish up winter. The next few weeks will be important in determining whether this market can finally begin to trend consistently higher after a long period of poor price performance. The forward curve is beginning to indicate potential tightness with the summer months above 3.00 and the winter 21/22 above 3.25.



Production recovery will need to be watched closely in the coming weeks against LNG exports, as any lag in output will further tighten the supply situation. Although the worst of the demand



spike looks to have passed, forecasts are pointing to a normalization in temperatures, which in reality we did not see for the majority of the winter and could set the market up for a below normal end of season storage situation. Look for the April contract to continue to probe the upside through 3.05, with 2.90 as solid support on setbacks.

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