



Archer Financial Services, Inc.

Energy Brief

February 26, 2021

Prepared by Steve Platt and Mike McElroy

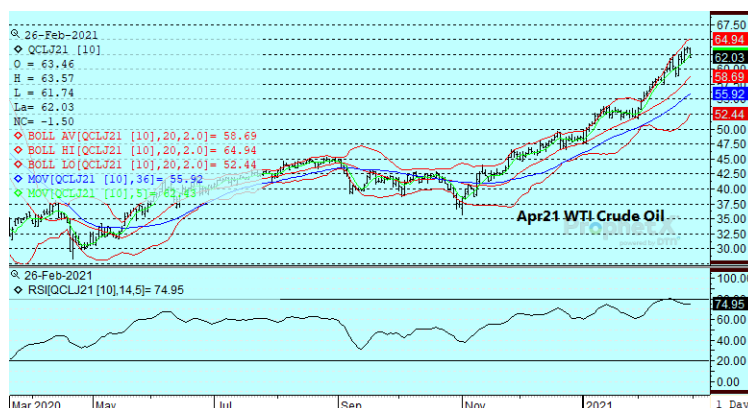
877-377-7931

Stephen.Platt@archerfinancials.com

Mike.McElroy@archerfinancials.com

Price Overview

The petroleum complex traded on the defensive as dollar strength and profit taking pressured prices ahead of the OPEC+ meeting on March 4th. Expectations that they will look to expand production levels given the higher prices and forecasts for increasing demand created some caution on the long side. Negative sentiment has also been garnered by the sharp rise in interest rates over the past week and fears it could have a drag on economic activity and business. In the background were reports Chinese independent refiners have reduced export levels due to the higher prices and seasonally weaker demand trends typically evident in the spring.



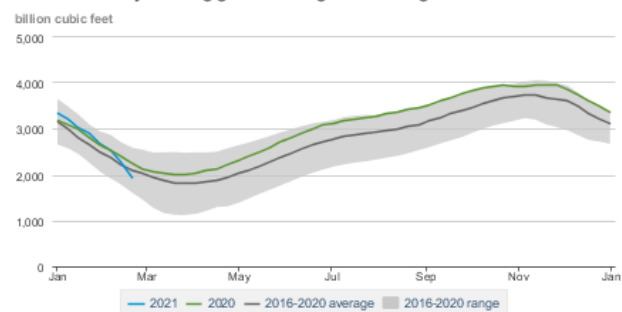
With prices having reached pre-pandemic levels on an optimistic outlook for demand and restrained production, the market appears to be at a key inflection point. Further gains will need to be supported by strong demand and continued discipline on the part of OPEC+. The transition to a green global economy and the potential for OPEC+ members who need foreign exchange to make up for shortfalls by softening their commitment to the OPEC agreement could offer strong resistance above the 63.00 level basis April crude with potential for values to back off to the 58.50 area as production in the US recovers from the recent weather issues and is spurred by recent price levels. Major question marks remain as to how much OPEC+ producers will be willing to raise production in April, and the possible easing of sanctions on Iran.

Natural Gas

The market continued its poor performance with another low for the move achieved today at 2.697 before prices recovered late in the session. That level marked a 68 percent retracement of the rally from the 2021 lows in mid-January and is just above the 200 day moving average at 2.685. The weather continues to be the biggest issue as HDD demand expectations have faded throughout the week and are now running nearly 20 percent below average in the 15 day outlook. Yesterday's storage draw of 338 bcf was in line with estimates, and seemed to deflate the market further as trade had held out hope for an upside surprise. The rapid recovery in production has also weighed on sentiment. With output indicated near 92 bcf today, we have surpassed the levels seen prior to the cold snap. To add insult to injury, LNG flows have dipped below 9 bcf over the last two sessions as issues at Freeport and Sabine have slowed loadings. The recent warming has seen upcoming withdrawal estimates turn markedly lower, but despite that demand loss, the cold snap has flipped the storage narrative. We are now running below the 5 year average with a month left in the season. Today's lows could mark a longer term bottom as LNG flows return to normal and a clearer picture of the end-of-season storage situation comes into view over the next few weeks.



Lower 48 weekly working gas in underground storage



Futures and options trading involve significant risk of loss and may not be suitable for everyone. Therefore, carefully consider whether such trading is suitable for you in light of your financial condition. The views and opinions expressed in this letter are those of the authors and do not reflect the views of ADM Investor Services, Inc. or its staff. The information provided is designed to assist in your analysis and evaluation of the futures and options markets. However, any decisions you may make to buy, sell or hold a futures or options ADMIS position on such research are entirely your own and not in any way deemed to be endorsed by or attributed to. The authors of this piece do currently maintain positions in the commodities mentioned within this report. Charts Courtesy of DTN Prophet X, EIA, Reuters.