



Archer Financial Services, Inc.

Energy Brief

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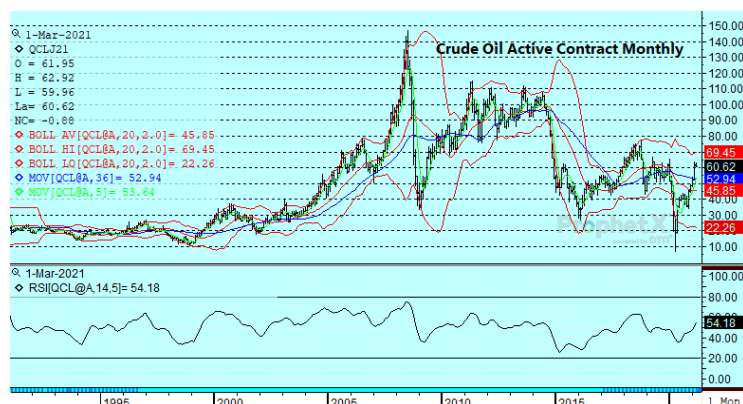
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Price Overview

The petroleum complex failed to follow through on overnight strength linked to rising optimism over the increasing availability of COVID-19 vaccines and the strength to equity values in response to the House approval of the stimulus package.

Although strength to the manufacturing sector in the US and abroad continues to bode favorably for demand, the supply side is garnering attention in advance of the OPEC meeting this Thursday. With prices now posing an incentive to production, the possibility that output will rebound strongly appears to be limiting buying interest and encouraging profit taking.



The market is awaiting the outcome of the OPEC meeting which takes place March 4th, as well as the annual CERA energy conference taking place this week. Reports that Chinese Oil reserves are equal to 100 days of imports encompassing both strategic and commercial inventories, along with signs of a tapering off in economic growth has produced some caution in the market, particularly with prices now above pre-pandemic levels.

Expectations that OPEC will look to expand production levels while uncertainty remains over the speed of demand recovery, particularly in the transportation sector, is providing a drag on values. Reports that India is considering a reduction of excise taxes in response to record high prices in the domestic market suggests that current petroleum product values are tempering industrial activity and likewise petroleum demand along. Coupled with the appearance that

Chinese inventories are at comfortable levels suggests the two biggest consumers of crude are facing challenges that could cut into demand. Whether OPEC can navigate these issues remains to be seen. In the interim prices look poised to weaken toward the 58.50 level in advance of the OPEC meeting.

The DOE report to be released Wednesday is expected to show crude stocks off by 1.9 mb, gasoline down 2.1 and and distillates lower by 2.9. Refinery utilization is expected to total 72.7 percent compared to 68.6 percent last week.

Natural Gas

Volume was anemic today as prices spent much of the session near unchanged levels. Overnight trade was to the upside as forecast updates indicated cooler temperatures for the first time in nearly a week. Despite the revisions the market couldn't garner any follow through as the underlying fact is that March is still shaping up to be well below normal in terms of demand.

Production continued to improve over the weekend as it surpassed 92 bcf/d while LNG flows topped 10 bcf for the first time in almost three weeks, although fog issues remain a potential limiting factor near term. The switch in expectations for March from below to above normal temps helped bring the recent weather rally to an abrupt halt. 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. Early estimates for this week's storage report suggest a draw in the area of 146 bcf.



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