



Archer Financial Services, Inc.

Energy Brief

March 5, 2021

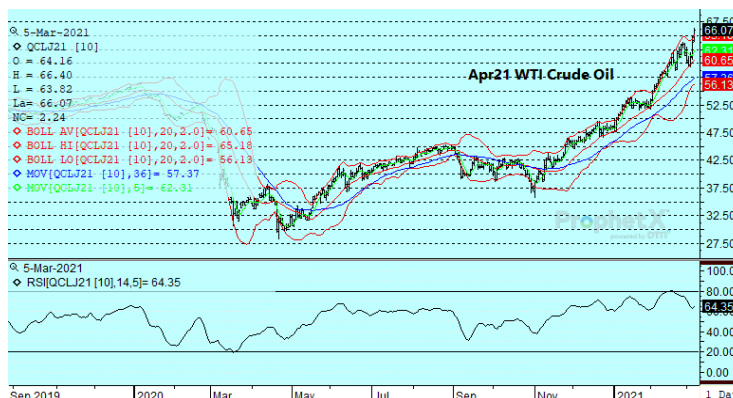
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Price Overview

The petroleum complex traded sharply higher following the OPEC+ announcement that they would not increase supply in April until a more sizable improvement in demand was seen. The appearance that Saudi Arabia would maintain their voluntary cut of 1 mb/d helped exacerbate the price increases. Although exemptions totaling 150 tb/d were provided to both Russia and Kazakhstan, the increase to these producers were relatively minor compared to the voluntary cut by Saudi Arabia and the 1.5 mb/d increase expected by traders going into the meeting. The supply restraint has significantly changed the market dynamics and taken values to levels that we did not expect. Following the decision, Goldman Sachs raised its Brent forecast by \$5 to \$75 in the second quarter and \$80 in the third quarter.



Key questions for the market going forward will likely be the following:

- Will the producer group change their stance when they meet again on April 1st?
- How will key consumers react to the higher prices and will there be a distinct retrenchment in demand trends and quicker adoption of alternative energy sources?
- What is the size and status of global inventories that had been built up at significantly lower prices last year?
- Is the US still moving toward some agreement with Iran on lifting sanctions, and how quickly? Iran has come under increasing pressure due to tightening foreign currency

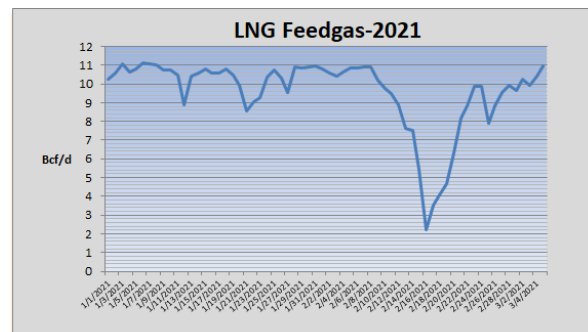
reserves that appears to be restricting trade. Will this allow for a more conciliatory tone on their part?

- What will be the reaction of producers outside the agreement and will it provide an incentive for an expansion of production and capital investment?

All these considerations will likely have some bearing on continuing price strength into the 2nd half of the year.

Natural Gas

The market was caught off guard by the extremely low withdrawal number yesterday, with the report indicating a 98 bcf decrease verses expectations in the 146 area. The estimate miss was one of the largest in recent memory and was attributed to the chaos caused by the extreme weather event in the South Central US in mid-February. Prices pulled back to test the 2.70 area after the release, which held through yesterday's session. Today's action saw early strength attributed to solid LNG flows, as they reached the 11 bcf/d level for the first time in two months. Warming weather revisions quickly took the bounce out of the market as demand expectations currently look to be below normal to finish out the withdrawal season. The market dipped down to 2.681 before ending the session at 2.705, down 4 ½ cents on the day and 7 cents on the week. Prices have tested down to the 200 day moving average the last two sessions, and with recent negative news digested we still believe that level will hold. Upside potential is limited by the lack of weather risk as we move into the should season. Expect range bound trade near term between 2.70 and 2.90 basis the April contract.



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