



Archer Financial Services, Inc.

Energy Brief

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Prepared by Steve Platt and Mike McElroy

877-377-7931

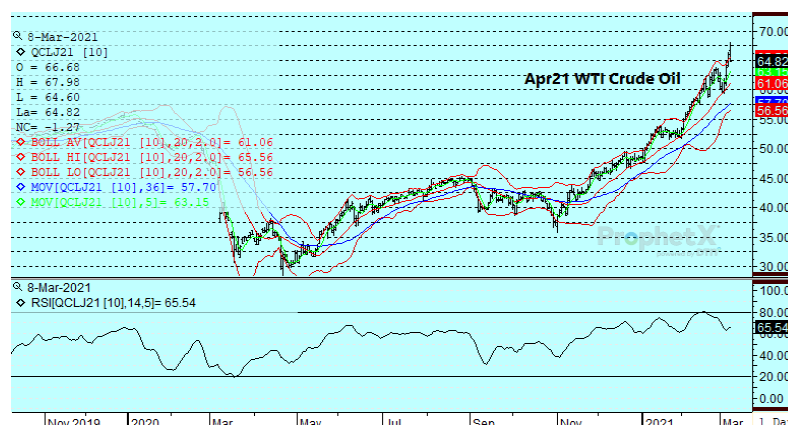
Stephen.Platt@archerfinancials.com
Mike.McElroy@archerfinancials.com

Price Overview

The petroleum complex could not maintain strong early gains linked to missile and drone attacks by Houthi rebels against Saudi oil facilities overnight and the Senate vote approving President Biden's 1.9 trillion COVID-19 relief plan. The price reversal, which moved levels down by over 1.00 in April crude, appeared to be linked to

doubts that OPEC will allow prices to go much higher given demand concerns, along with the commitment by the US to defend Saudi Arabia against further attacks. The failure of the strikes to actually support values appeared to reflect a lack of any widespread damage and also some caution following an attack in September, 2019 when the market opened sharply higher and closed sharply lower.

The inability of the market to follow through after reaching a high near 68.00 on April, along with pressure on the switches, likely indicates that today's high is significant. With ample sustainable capacity available due to the cutbacks and reports that shipments from Iran to China and India have risen suggests demand might flag as inventories are drawn down due to high price levels. In addition, the rise in tensions due to the attack makes it even more imperative that some sort of understanding between Iran and the US is reached, which could bring the lifting of sanctions quicker than expected.



For now we see the following as key questions for the market going forward:

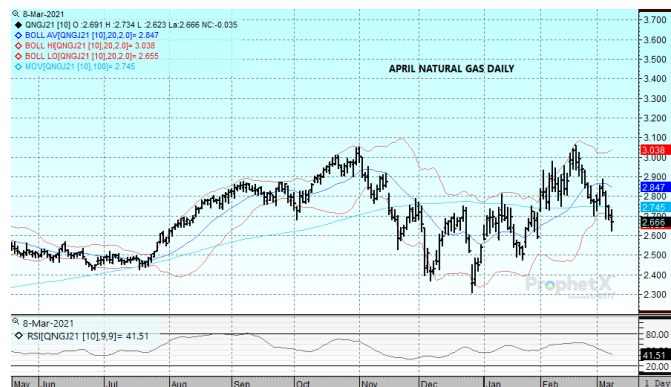
- Will the producer group change their stance on output levels when they meet again on April 1st?
- How will key consumers react to the higher prices and will there be a distinct retrenchment in demand trends and quicker adoption of alternative energy sources?
- What is the size and status of global 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?

The DOE report is expected to show crude stocks down .8 mb, distillates off by 3.7 and gasoline down 4.2. Refinery utilization is expected at 61.7 percent.

Natural Gas

Weakness continued in the natural gas market as the April contract traded as low as 2.623 intraday before settling near 4 cents lower at 2.664. A lack of risk on the weather front continues to hamper any rally attempts, as this morning's updates were a mixed bag with colder temperatures in the second half of the forecasts offset by near term warming. The Northern half of the US is running as much as 30 degrees above normal over

the next few days, as some analysts are predicting possible daily injections to storage for the middle of this week. The market is also continuing to digest the small storage draw from last week, with expectations off the mark by over 50 bcf. The 2.70 level could not hold up to early morning selling pressure today as the 2.60 area now becomes the next target for support. Upside potential remains limited by the lack of weather risk as we move into the shoulder season. With the probe lower we now expect range bound trade near term between 2.65 and 2.80.



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