



Archer Financial Services, Inc.

Energy Brief

March 19, 2021

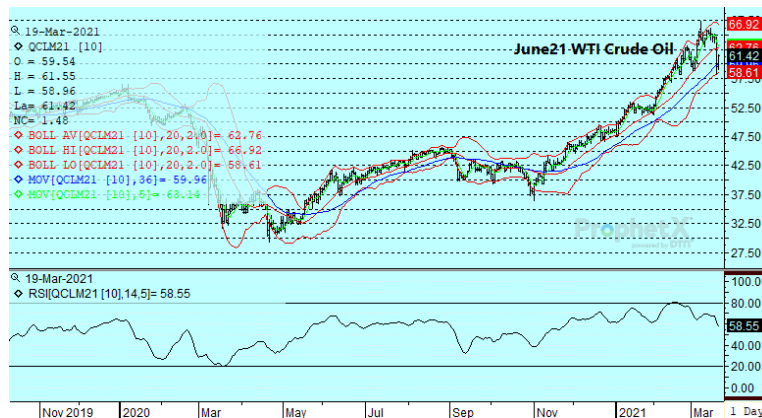
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Price Overview

The petroleum complex recovered from yesterday's sharp losses, attracting support on ideas the strong recovery expected in the US economy and the ongoing strength in China will continue to uncover growing demand within the petroleum complex and override concerns over recent COVID-19 related shutdowns in Europe. Gasoline tended to lag as the recovery in refinery utilization and the increase in stock levels helped pause recent buying interest in advance of the summer driving period.



Goldman Sachs continues to suggest that prices look poised to rebound and that this week's break of over 8 percent is likely overdone. The bank is expecting that the pressure on European demand along with the increase in Iranian supply will slow the rebalancing by up to .75 mb/d in the 2nd quarter. They continue to look for OPEC+ to maintain a conservative production strategy despite the large gap between current output and sustainable production. The bank is looking toward a significant increase in global demand and Brent rising to as high as \$80.00 this summer.

Despite their optimism we are not convinced. The IEA continues to suggest that oil inventories are ample compared to historical levels, despite the sharp decline from a massive overhang built up in the second quarter of 2020. On top of the stock cushion, OPEC+ has a large amount of

spare production capacity, which stood at 7.7 mb/d during February. Although demand is set to rise by as much as 5.3 mb/d this year, it will only reach about 60 percent of the volume lost in 2020. With the OPEC meeting taking place on April 1st to discuss curbs after May, nervousness might develop, reflecting fear that the temptation to increase output to avoid a loss of market share and take advantage of dollar strength will be substantial. Subsequently we would look for rallies in June crude to find resistance in the 63.00 area.

Natural Gas

Although most news reports attributed yesterday's drop to the negative storage report, the washout had already run its course prior to the release. The drop below the 2.52 level gave the appearance of stop loss selling as the May quickly traded down to an intraday low 2.459 prior to the report. The 11 bcf draw was below expectations but appeared to have been priced in with the selloff as the market has steadily recovered since the release, ending today's session back into the range seen during the first half of the week. For the most part the fundamental story is unchanged. LNG flows are clicking along near record levels above 11 bcf/d and production remains resilient, surpassing 91 bcf/d over the last four sessions. Heating Degree Day expectations for the balance of the month remain unimpressive, currently forecast to be 15-20% below normal, although some support emanated from the 45 day model update late yesterday. Although unreliable, it showed a substantial increase in HDD expectations for April. With the quick recovery from the sub-2.50 level and solid close today, look for the market to test the 2.60 resistance early next week and possibly fill the gap up through the 2.62 area.



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