



Archer Financial Services, Inc.

Energy Brief

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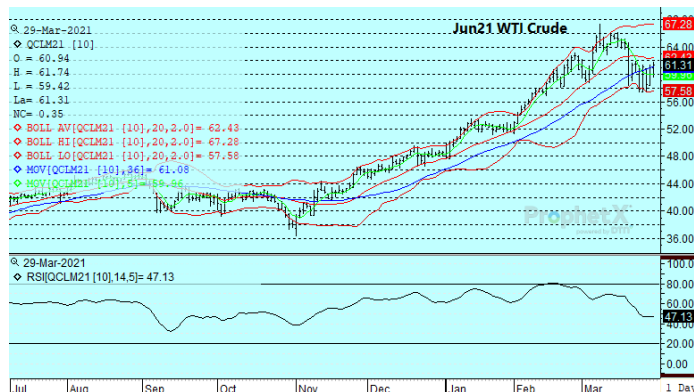
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Price Overview

The petroleum complex continues to trade in a volatile fashion. Early weakness was linked to reports the container ship that had blocked the Suez Canal for nearly a week had been refloated and traffic in the waterway was expected to resume. The weakness encountered good underlying support following reports that Russia was in favor of a stable output flow from OPEC+ in May rather than an increase.

The Russians indicated they were looking for a small output bump of 150 tb/d to account for seasonal factors. The talk that OPEC is taking a more cautious view appears to be in response to the renewed lockdowns called for in Europe and fear that weaker demand will upset the current equilibrium in the global market. Another caution flag is the appearance that Iranian shipments have increased. They, along with Libya and Venezuela, are currently exempt from quotas and the pickup in their shipments is cutting into the exports of other members. Despite the recent price swings, we are within reach of last weeks close of 61.44 basis May.

Despite reports that OPEC is willing to restrain production, attempting to support valuations above 60.00 might not be consistent with a longer-term optimization of market share and revenues. With rising debt levels continuing to be a source of concern among oil exporting nations and demand also an issue due to the increase in prices, the ability of OPEC to maintain production sharply below sustainable capacity is becoming increasingly untenable. Due to rising



rig counts in the US, it appears that the higher prices and a desire to jump ahead of new legislative initiatives to curb carbon emissions is supporting higher production as well.

With global crude stocks ample, the market could face strong headwinds as we move into the 2nd half of 2021. For now, further upside will be challenged at the 61.50-61.80 level basis June until clearer indications of OPEC's production plans are made in early April. Products, and particularly gasoline, should fare better in the current environment given the potential strength to the US economy and likelihood of stronger usage rates while refinery throughput is constrained by demand uncertainty.

The DOE Report Wednesday is expected to show an increase of .4 mb in crude, .1 in distillates and .2 in gasoline while refinery utilization is expected to increase 1.6 to 81.6 percent.

Natural Gas

Prices continued to work higher today as the May contract settled up by over 3 cents at 2.653. Volatility has been low as the shoulder season is upon us and fundamentals remain consistent. Prices dipped back below 2.60 at mid-morning after news broke that the tanker stuck in the Suez Canal had been freed. The setback was short lived, with underlying support coming from expected colder temperatures at the end of this week that will briefly lift demand. LNG feedgas continues to impress, indicated at 11.3 bcf today, but production has shown no signs of pulling back as it jumped will above 91 bcf/d over the weekend. Another factor gaining attention is wind generation, which has upped it share of the power stack by 4 percent over last year at this time. With wind advisories across the plains and into the Northeast this week, the near term trend looks set to improve further. Early indications for Thursday's storage report suggest a build of 21 bcf in contrast to the 5 year average draw of 24, as last week was likely the final withdrawal of the season. Due to these overhanding negatives, further followthrough likely finds staunch resistance near 2.68 as it marks the 200 day moving average as well as a 38 percent retracement of the break since mid-February. Any retrenchment will find initial support at 2.60.



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