



Archer Financial Services, Inc.

Energy Brief

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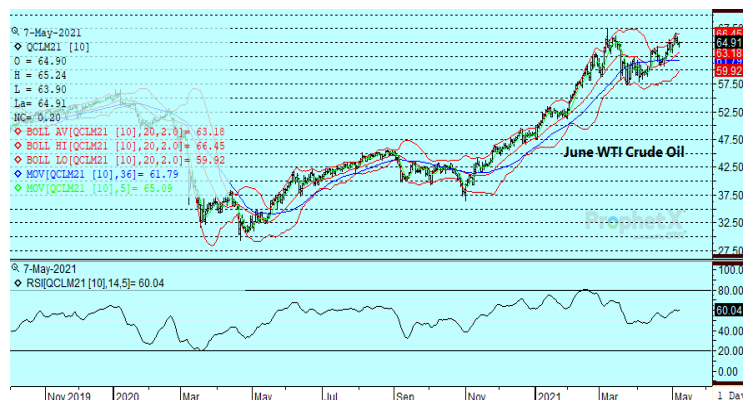
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Price Overview

The petroleum complex traded mixed with the market torn between the uncertain prospects for demand in India as the COVID-19 virus continues to rage, and the appearance that stocks of both products and crude have reached normal levels in key consuming areas such as the US. Additional support was provided by the ongoing growth in the Chinese economy as exports continue to accelerate and the service sector appears to be showing further expansion despite tightening lending by the Central Bank. The weaker than expected US payrolls provided initial pressure on values but quickly dissipated on ideas that growth in payrolls will accelerate as unemployment benefits run out and the economy expands.

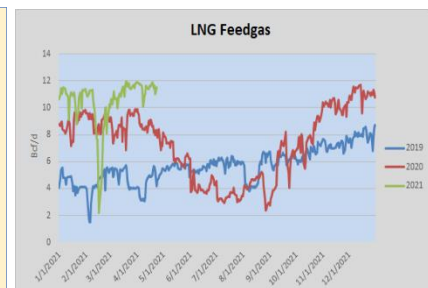
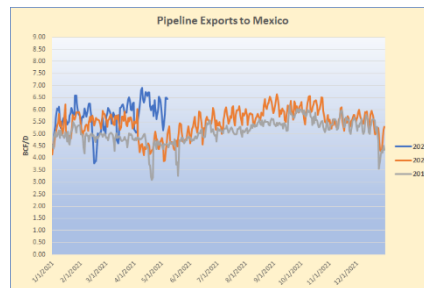


A key consideration as we move ahead is the normalization of crude and product stocks in the US, which in total are currently only 1.4 percent above the pre-pandemic five-year average. Although demand for jet kero has remained weak, a recovery in other products continues to foreshadow an improvement in demand that appears to be picking up steam as we move into the summer. To some extent the recovery has been offset by the upward adjustment in OPEC production. For now, the situation appears to be balanced but expectations for demand to exceed available supplies is being priced into values. Whether it materializes will be contingent upon the commitment to current output restraint by OPEC+, as well as on production levels by those members currently exempt from the curbs such as Iran and Libya. At this point the balanced

situation suggests a consolidative trading range which should contain values near the 67.00 area basis June crude on the upside and 62.00 on the downside.

Natural Gas

The weekly storage report held no surprise, as the 60 bcf build was slightly below estimates and lead to muted price action after its release yesterday. Total stocks now stand at 1,958, which is 3% below the 5 year average. Today saw early weakness from lower weekend demand expectations, followed by another run at the highs that stalled out at 2.989 when the Baker Hughes Rig Count was released at mid day showing a surprise increase of 7 gas rigs. Support continues to be pegged to solid exports, with LNG flows near 11.7 bcf over the last 3 days and exports to Mexico bouncing back to 6.4 bcf over the same period. Despite the markets impressive fortitude over the last few weeks, we still look for a retrenchment near term as demand drops into the second half of the month on normalized weather. The 2.90 level now looks like initial support, and a failure there could lead to a test of the 2.80 to 2.85 range. A continuation of the rally will find resistance at the February highs near 3.08.



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