Archer Financial Services, Inc.

Energy Brief

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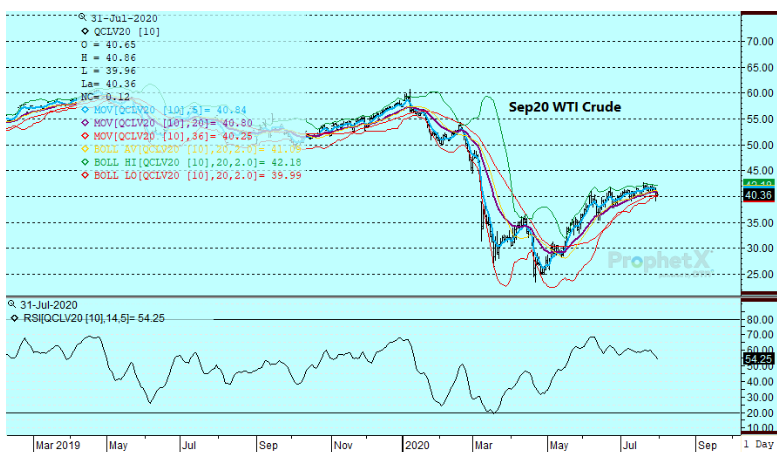
Price Overview



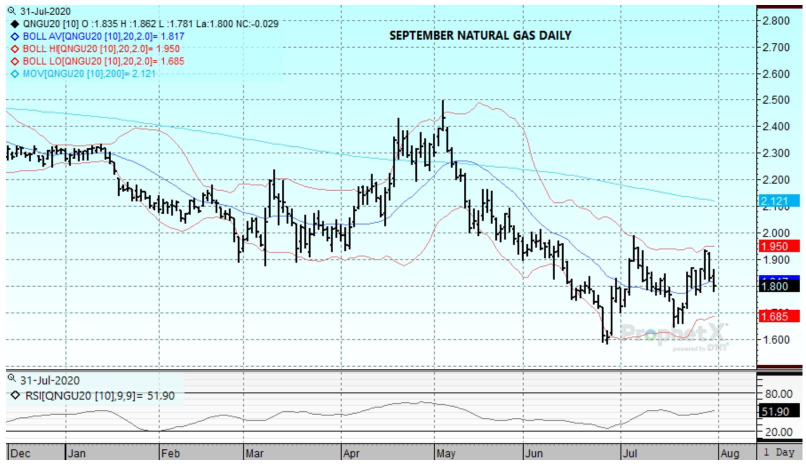
The petroleum complex failed to follow through on weakness linked to the sharp drop in 2nd quarter economic activity reported yesterday. Support continued in response to the stabilization of economic activity outside the US and the appearance that the pressure from high Saudi Arabian imports have run their course and are slowly being absorbed. Key to the outlook remains the level of stimulus to the domestic economy by Congress and its impact on work and entertainment patterns. In addition US-Sino relations remain a center of focus given the substantial impact it might have on the Chinese economy and petroleum consumption and the associated increase in petroleum imports from the US market. Underlying support continues to be evident as recent weakness to the dollar along with the strength to hard assets has helped limit selling interest on ideas that stimulative monetary policies will lead to a steady build in inflationary pressures.

The adequacy of supplies and large inventory overhang along with uncertainty over the demand side as we enter the fall continue to limit upside progress. Supply issues also will remain in the background as prospects for future production expansion and capital investment are assessed in light of OPEC+ restraint and the waning profitability of US shale oil producers. A big question is whether a relaxation of OPEC quotas in August leads to a higher level of compliance or not. Excess inventories that had built up as demand fell still need to be absorbed as reflected by a widening contango.

The market still looks vulnerable to downside price pressures if the recent high of 42.50 basis September is not violated, with potential for values to weaken toward 35.00 basis September if additional fiscal stimulus is not forthcoming to avoid further declines in US economic activity.

Pressure on the gasoline crack was apparent, as the October fell over 1.00 to 5.40. The weakness likely reflects flagging optimism over recovery prospects as we move into the fall, along with increasing distillate production. Additional weakness should encounter support near the 4.00 area where low refinery rates on weak margins might attract support.

Natural Gas



Reality returned to the natural gas market as prices gave back all of their mid-week gains over the past two sessions. The rally above 1.93 basis September could not find follow through yesterday, and when the weekly storage number came out in line with expectations at a 26 bcf build prices began to faulter. The reality of decreasing power burns into the first half of August due to normalizing temperatures and production working back toward 89 bcf/d were too much to overcome. Recent nuclear outages have trended back toward normal which also offered background resistance, and demand concerns due to the resurgence of COVID-19 remain a strong defense to rally attempts. The September traded down through our support area, making an intraday low at 1.781 before settling at 1.799. The market will likely need assistance from further upward revisions to temperature expectations into the second half of August to make a more convincing attempt at the upside, with any decreases in production or improvement of LNG flows a helpful kicker. With trade somewhat range bound, the 1.70 level offers trendline support off the June and July lows, with 1.90 as near term resistance.