ADM

Archer Financial Services, Inc.

Energy Brief

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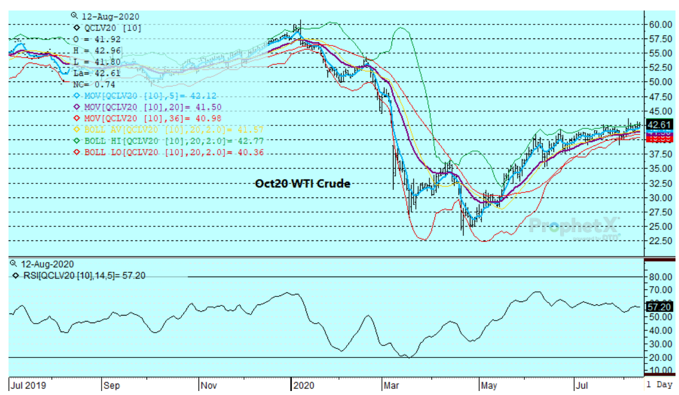
Price Overview



The petroleum complex attracted buying interest in response to ongoing declines in crude stocks and to a lesser extent product inventory levels in the US. The DOE showed commercial crude inventories fell 4.5 mb with the SPR falling by 2.2 for a total decline of 6.8. That compared with expectations for a decline of 3.1 mb in crude inventories. Domestic production was indicated at 10.7 mb/d reflecting some shutting in of rigs due to tropical storms in the Gulf of Mexico early last week. Net exports were 2.4 mb for crude. Gasoline inventories fell by .7 mb, below expectations for a decline of 1.5, while distillate stocks fell more than expected by 2.3 mb. Total stocks of crude and products including the SPR fell over 8.4 mb. Product supplied of gasoline was 8.9 mb compared to a 9.9 level last year while distillate supplied rose to 3.9 mb, unchanged compared to last year. Total product supplied totaled 19.4 mb compared to 22.1 last year, a 12 percent decline. Refinery utilization rose modestly to 81.0 compared to 79.6 percent last week.

Demand remains a big question mark for the US as well as the world. In today's Oil Monthly Report, OPEC forecasted that 2020 oil demand will decline by 9.1 mb/d. Economic activity levels remain weak with global growth for 2020 expected down 4 percent. In 2021 global growth is forecast to expand 4.7 percent. Signs that China has recovered quickly from COVID suggests that their economy should continue to rebound, rising 1.8 percent this year with 6.8 percent expected in 2021. India looks to be lagging other emerging markets with their economy continuing to struggle and contracting as much as 4.6 percent this year, but expectations are for growth rebounding by 6.8 percent in 2021.

The trend in expectations for demand recovery in 2021 will be a key for values and the forward curve, which has recently flattened. This appears to reflect the belief that as we move into 2021 the strengthening of demand will be counterbalanced by a pickup in available supplies. Although OPEC+

might be able to stave off oversupply now, any sign that members are looking to expand output could weaken the deferred months on ideas that their hold on the market might be flagging. At the current time they appear to be getting a high level of compliance but questions over how long this cooperation lasts will need to be addressed given the large spending deficits of many countries.

Natural Gas

The market probed lower early in the session, with the 200 day moving average violated as a low was put in at 2.085 basis September before prices clawed there way back to settle at 2.152. The pullback was initiated by a drop in LNG flows to 4.4 bcf/d from 4.6 yesterday. It seems trade has placed a lot of faith in a steady improvement in LNG exports, and any blips along the way will not be tolerated. Weather forecasts continue to offer little help in either direction, while production has remained steady while showing some hints of possible slowing over the past couple of days. Despite the probe below the 200 day moving average at 2.12, the market managed to settle above that area and remain in the consolidation range that followed last weeks rally. Estimates for tomorrow's weekly storage point to a 57 bcf addition to stocks which compares to the 5 year average build of 44. A low end number could help rekindle buying interest and reestablish the markets upward bias. The 2.30 area would be the first resistance, with 2.40 a possibility if we see all-in buying develop like it did last Monday. A settlement below the 2.10 area likely leads to a test of 2.00.