



## Archer Financial Services, Inc.

### Energy Brief

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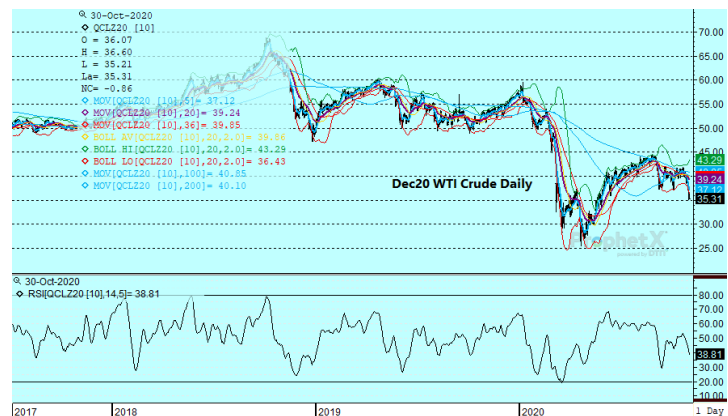
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### Price Overview

The petroleum complex traded under pressure with selling interest developing in response to the rise in COVID infections, which has raised concern over demand prospects for 2021 amid supply uncertainty. Although likelihood remains that OPEC+ will keep current production cuts of 7.7 mb/d in force into early 2021, suggestions that the allocation of cuts will need to be revisited could be cause for concern. Given current levels of sustainable production capacity, such as that for the UAE, and deteriorating economic conditions in areas such as Iraq and the FSU, discussion on how the adjustments will be distributed might raise questions regarding overall commitment to current production cuts past the first quarter. The uncertainty appears to be dragging down values toward support near 35.00 basis December, levels not seen since early June. With Libyan production rapidly increasing to near 700 tb/d following the ceasefire, the challenges to OPEC's rebalancing of the market appear to be getting worse.



Although both China and India are showing a strong recovery in demand, the rising infection rates in other areas have raised concern that the improvements might stall if the pandemic forces a return to lock downs. Any hint that travel might be curtailed for the approaching festivals in India or with the Chinese New Year could dramatically affect sentiment. The failure to respond to the dramatic increase in the US GDP yesterday due to fears that it will quickly stall due to the steady increase in new infections might help force the production issue on OPEC+. For now their meeting on November 30th will be looked at with great anticipation given the dramatic impact on demand that the COVID pandemic might have.

Another event to watch will be next week's US elections. The strong possibility that Democrats will have control of both houses of Congress and the executive branch could present considerable policy changes. From restraints to drilling on federal lands, lifting of sanctions on the Iranians, and increased investment in competing renewable resources, pronounced shifts in price relationships on the forward curve are likely. For now the breakdown to the 35.00 level has met our most ambitious bearish expectation on the downside. The election might pose additional downside risk toward 32.50, along with the lack of a US stimulus plan, but a further retrenchment of capital investment in carbon based energy resources could lead to a contraction in US production which in turn would be a counterbalancing influence to downside price pressure linked to a quick easing in Iranian sanctions.

## Natural Gas

With the quick passing of Hurricane Zeta, the market saw typical volatility as fallout was discerned. Early downside pressure yesterday was attributed to concern over demand as the storm caused

extensive power outages, with spillover weakness also coming from the possible return of global lockdowns due to the corona virus. Prices recovered after the weekly storage report indicated a 29 bcf build, well below expectations again as the injection season winds down. Production has bounced back quickly, with early indications today at 86.6 bcf/d, a jump of 1 bcf from yesterday and likely to be revised higher this afternoon. This helped keep a lid on values, but the simultaneous improvement in LNG flows, coming in at 9.5 bcf today, helped the market claw higher as the day wore on. With a cold weekend on tap and expectations for a storage draw next week, prices were able to end in positive territory with the December settling up 5.3 cents at 3.354. Although the 3.20 support level was violated briefly yesterday, the quick recovery puts the September highs at 3.37 in striking distance and that level will likely be violated near term as exports continue to improve and we head into the winter demand season.



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