



Archer Financial Services, Inc.

Energy Brief

November 4, 2020

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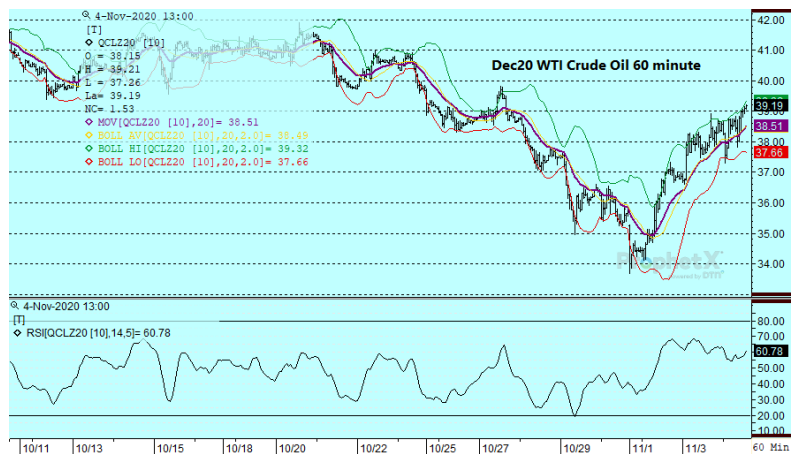
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Price Overview

The petroleum complex has gained sharply from Monday's lows with crude up over \$5.00 per barrel and ULSD and gasoline surging over 12.00 cents per gallon. The strength reflects speculation that OPEC will consider not just rolling over the current curbs of 7.7 mb/d in the first quarter of 2021 but might pursue additional cuts if necessary to counter unexpected demand declines associated with rising virus rates in both the US and Europe. From our perspective, the unconfirmed reports appear to be a lot of rhetoric aimed at supporting prices in order to counter expected declines in their domestic economies but also unknowns linked to the recovery in Libyan production levels, Iraqi compliance, Iranian production and export levels, and Coronavirus infection rates. Undoubtedly the full OPEC meeting on November 30th will be watched closely to see if key members can come up with a viable strategy to support prices. Although US election uncertainty will remain a variable, we doubt it will have a dramatic impact on values.



The API report showed crude inventories falling by over 8 mb yesterday, and was confirmed by the DOE release, which also showed a decline of 8 mb compared to expectation of an increase of .9 mb. The bulk of the decline was registered in PADD 3, or the Gulf Coast, and appeared to be linked to production related storm losses last week along with a downward adjustment in unaccounted crude oil which suggests last week's level was off. Capacity utilization by refineries also increased to 75.3 percent compared to 74.6 last week. Gasoline inventories rose 1.5 mb while distillate fell 1.6. Product supplied totaled 18.4 mb compared to 19.6 mb in the prior week and 21 mb/d last year. Distillate supplied was 3.8 mb/d compared to 4.3 a year ago. The report was supportive but one needs to be

cautious given the large crude oil adjustment of -877 tb/d this week. We suspect the market will be cautious toward extending gains from current levels as resistance builds above the 40.00 area.

We still feel the increase in infections will be a key consideration for demand, but the ability of China and India to continue to recover should be watched, with values likely range bound between 37.50-41.00 in advance of the OPEC meeting that begins at the end of this month.

Natural Gas

The market saw follow through weakness over the last two sessions as above normal temperatures continued to hammer demand. With forecast models decreasing HDD expectations for the 5th straight day, prices probed all the way down to the 3.00 level basis December before finding support on potential coal to gas switching to end the session near unchanged levels at 3.046.

Production has remained strong near 90 bcf/d to add to the weak bias. LNG stands out as the only bright spot, hovering near 10 bcf/d and expected to continue improving and remain solid throughout the winter. It has become obvious that this fact alone will not be enough to move prices higher. Weather will need to start trending colder to bring long interest back into the market. With the warm bias settled in near term look for the 3.00 level to be tested with trendline support coming in near 2.95.



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