



# Archer Financial Services, Inc.

## Energy Brief

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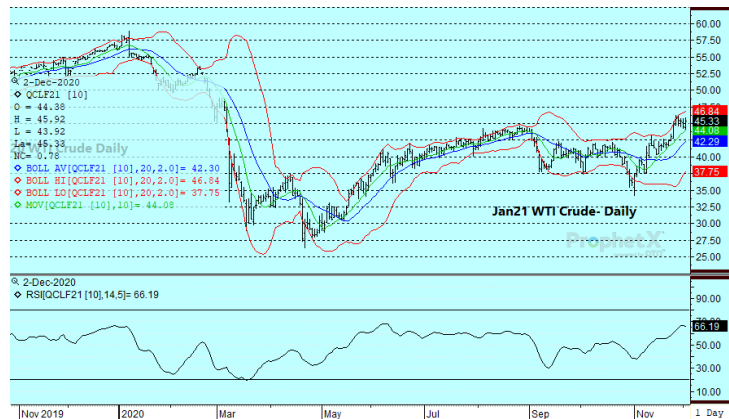
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## Price Overview

Prices traded higher following weakness over the past two sessions. News that OPEC had delayed a decision until tomorrow on output levels for the first quarter raised concerns. Reports that the UAE was pressing for compliance with compensatory cuts for overproduction by some members along with Russia favoring a more relaxed production level than the Saudis favored appeared to raise questions on how committed the participants are to maintaining support to values at current levels. The uncertainty over how unified OPEC+ was at supporting the market helped lead to the price weakness the past few days. Today's recovery which saw values gain as much as 1.70 from overnight lows was somewhat surprising, and likely suggests some agreement might have been hammered out between the key players of Saudi Arabia, Russia, and the UAE, allowing for a gradual relaxation of production cutbacks as we move through the first quarter.

Support was also traced to the DOE report, which showed crude inventories declined by .7 mb, refinery utilization declined to 78.2 percent from 78.7 last week, and exports of crude surged 3.4 mb compared to 2.8 in the prior week. Gasoline inventories rose by 3.5 mb while distillates increased by 3.2 mb and total inventories of crude and products remained unchanged. Disappearance of gasoline fell sharply from the prior week and 11.5 percent against year ago levels.

A failure to roll over the current agreement might undercut the belief that OPEC+ is unified in seeking a balanced market. Instead the need to address budget deficits in many countries through higher output levels could shake confidence in compliance levels and lead to overhead resistance.

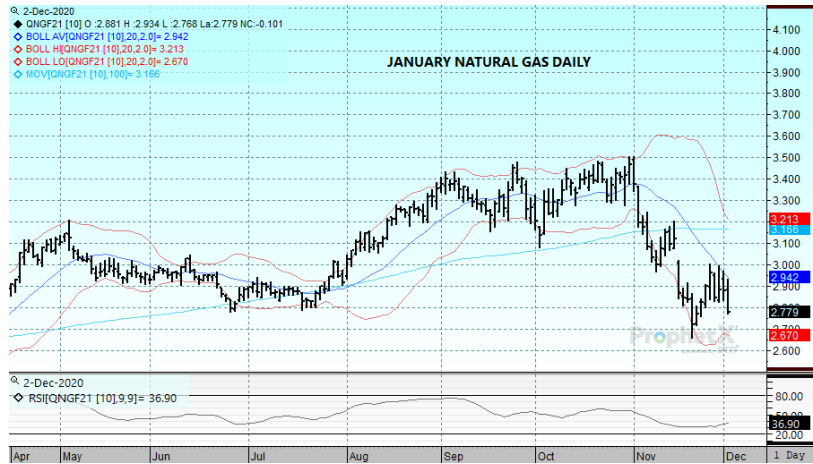


The failure to come to an agreement on Tuesday could raise concerns that some members will not respect their cutbacks. The erosion of confidence should lead to overhead selling and help return the market back to the previous trading range between 38.50-43.00.

## Natural Gas

The market saw sideways action early this week, with an inside day on the charts yesterday followed by late session weakness today. The price stalemate had been the result of the offsetting forces of solid LNG exports and lackluster heating demand. Early strength was garnered today on upward revisions in HDD expectations and a downtick in production, but prices turned lower due to the strength to crude prices following the DOE report. The

steady improvement to crude values has rekindled concerns of increased output of associated gas that goes hand in hand with upward movement in crude production. Mid-day weather model runs seemed to spark additional selling into the close as the 2.80 level basis January was taken out, with a low put in at 2.768 before the January settled 10 cents lower at 2.78. The poor close today brings the contract lows into play without some colder temperatures showing up. Look for 2.70 to offer support on follow through weakness.



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