ADM
Archer Financial Services, Inc.

**Energy Brief**

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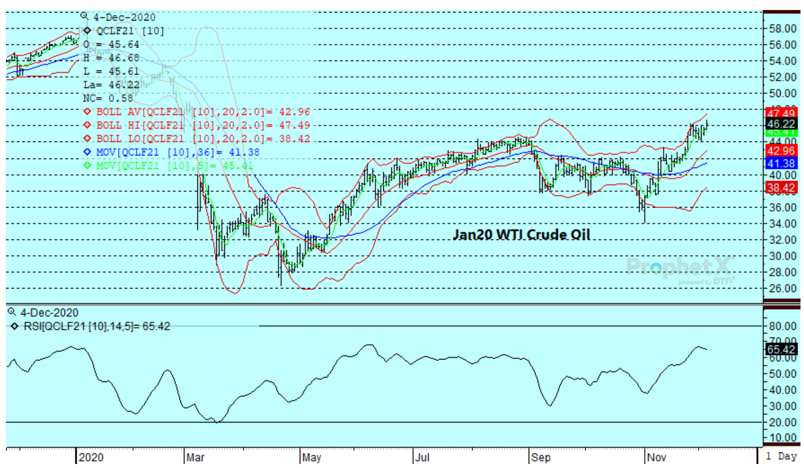
Prepared by Steve Platt and Mike McElroy

877-377-7931

Stephen.Platt@archerfinancials.com
Mike.McElroy@archerfinancials.com

**Price Overview**

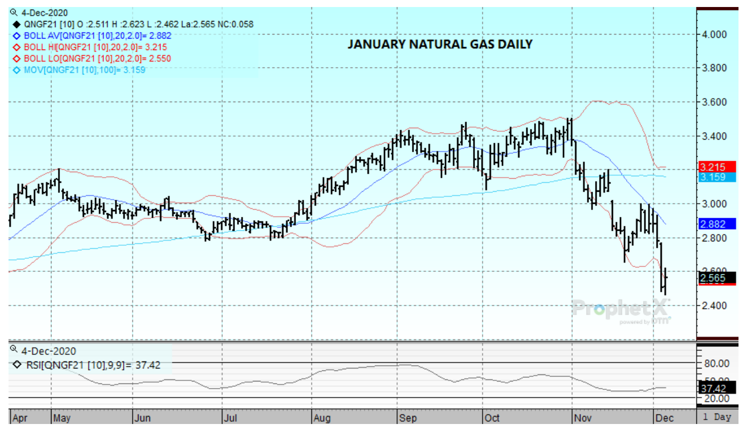


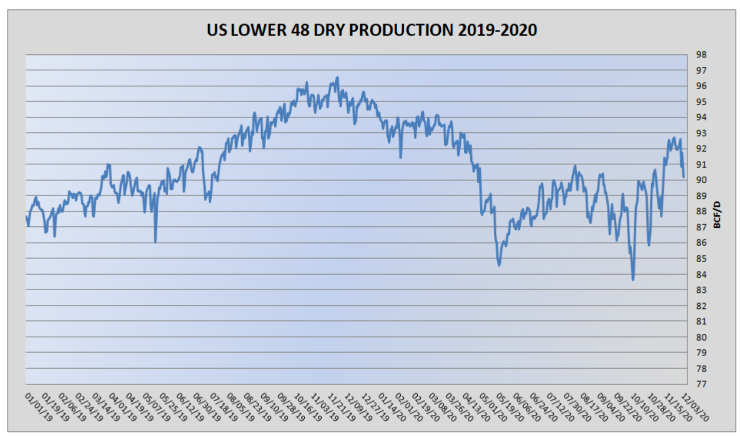

Prices traded higher following the extended OPEC meeting that concluded yesterday. OPEC and Russia agreed to slightly ease their oil output cuts in January by 500 tb/d, but failed to come up with a compromise on a broader and longer term plan for dealing with imbalances for the rest of the year. The agreement puts current cuts at 7.2 mb/d. Whether it is enough to balance the market is questionable given the surge in virus infections in Europe and the US which is prompting additional lock-downs. The compromise was reached with the Saudis favoring a rolling over of current cuts into March. Other producers including Russia, Iraq, Nigeria and the UAE appeared to favor a larger production increase on hopes for an effective vaccine ultimately boosting demand in the coming year. There were also concerns that a further tightening in the market would force prices toward levels that could encourage production from non-OPEC producers, particularly in shale areas of the US. Compensatory cuts, which have been unfilled, were extended to March. The group decided that the announced cut will be effective for January and that they will now meet monthly to determine output levels.

Although prices were able to respond to the agreement with modest gains, the market will be gauging whether the agreed cuts are enough. In the background remain planned increases in Norwegian production of 300 tb/d slated for January, along with the potential for some easing of sanctions on Venezuela and Iran. In addition, US production rebounding in response to the firmer prices remains a possibility. Subsequently the increase in production in January of 500 tb/d could well be understated and strain the alliance in coming months as budget pressures amidst the COVID pandemic weigh on decisions.

For next week the market will likely be focused on whether a stimulus deal in the US can be passed. Demand uncertainty and the strength to the Asian economies will be watched closely in the months ahead.  The forward curve will also be under scrutiny following recent strength in the nearby contracts. Any weakening in the front verses the back months might be a sign that the support to values is easing on an increase in physical supplies.

**Natural Gas**




Prices suffered a major blow yesterday as the active January lost over 26 cents and tested the 2.50 level  intraday.  The capitulation was ignited by continued downward revisions to HDD expectations, as some cold in the two week forecasts was downgraded in the last few model updates. A lower than expected draw of 1 bcf from stocks added to the downside pressure as fund longs appeared to throw in the towel and intensify the selloff.  The continued lack of weather demand has steadily pulled almost all the winter premium out of the market.  Surprising production flexibility, which  jumped to as high as 92 bcf/day recently, has added to the deflating sentiment.  Only a few months ago expectations were for output to continually contract this winter well below 90 bcf/d. Prices saw some recovery today as the selloff had overextended itself, with underlying support from likely coal to gas switching and bargain hunter buying. Despite the slight recovery the market remains close to its lows with weather continuing to be the spoiler.  Without some colder revisions showing up soon, the 2.40 are is in striking distance as long liquidation continues.