Energy Brief

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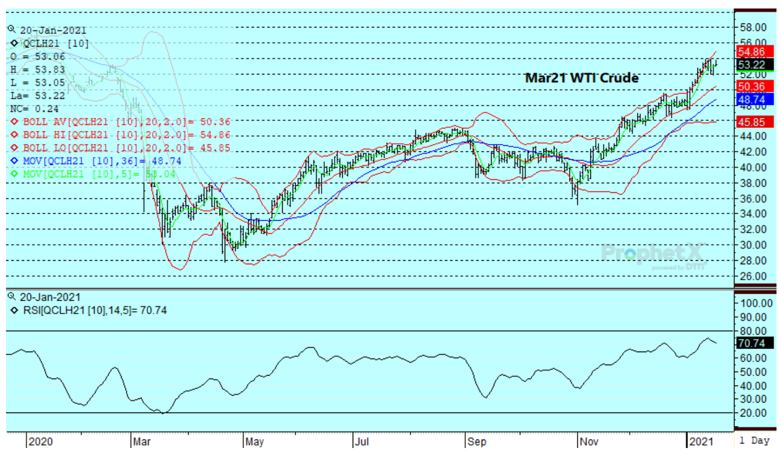
Price Overview

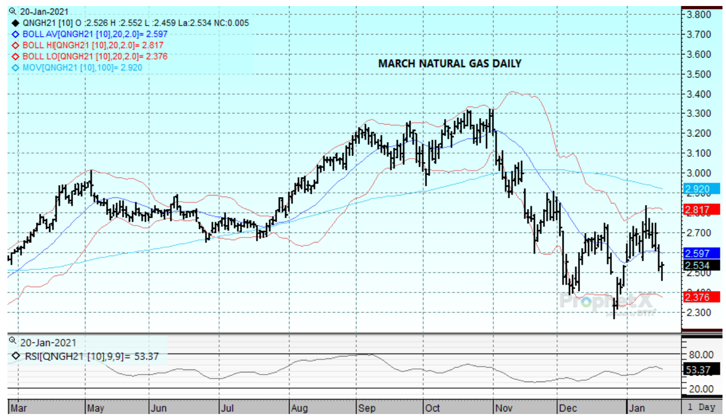


The petroleum complex traded steady to higher with hopes of additional stimulus in the US underpinning values. The IEA report released yesterday suggested that global oil demand would recover by 5.5 to 96.6 mb/d following an unprecedented collapse of 8.8 mb/d. They noted that the resurgence in COVID-19 cases was slowing the rebound, but were hopeful the rollout of vaccines, a cold snap in Europe, and continued restraint by OPEC+ and in particular Saudi Arabia was putting fundamentals on a stronger trajectory this year with both supply and demand shifting into growth mode. The fact that neither the OPEC or IEA report showed much change in consumption appeared to help underpin bullish sentiment.

Although the market has taken some consolation from the stimulus package proposed by the Biden Administration, the potential impact is contingent on its implementation, ultimate level of stimulus, and timing. In the background remains jobs data which appears to be weakening once again and the pace of the global recovery as we move through 2021. China and India have been the bright spots and how they navigate through the resurgence in infections and associated lockdowns will be watched closely. On the supply side, reports that Saudi Arabia will cut as much as 1 mb/d in production during February and March remains supportive. Uncertainty over compliance levels remains a concern due to the reluctance of Russia to cut output further and the failure of Iraq to live up to previous promises to compensate for overproduction in prior months. The rising incidence of infections in China and ensuing lockdowns have potential to undermine values, while dollar weakness has tended to provide support. Support rests near 52.00 basis March WTI with resistance against the recent highs at 53.86.

Due to the Inauguration and MLK holiday, the DOE report will not be released until Friday at 10:00 a.m. Eastern. Current forecasts point to crude stocks off .3, distillate up .8 and gasoline higher by 3.0 mb, while refinery runs are expected at 81.4 percent compared to 82.0 in the prior week.

Natural Gas



The cold weather abandoned the market again as we started the new trading week sharply lower. Weekend forecast revisions were the culprit as the expected colder than normal end to January disappeared into thin air. The selling momentum followed through to today's session as the 2.55 area was easily surpassed to fill the gap from the first of the year. With today's early forecast revisions offering little support and a drop in LNG flows due to issues with two trains at Sabine Pass, the market probed all the way down to a low at 2.459 before finding late buying interest to settle slightly higher on the day at 2.533. Despite the rapid change of sentiment the market appears to have found solid support in the 2.45 area with plenty of time left for winter to create volatility.