ADM

Archer Financial Services, Inc.

**Energy Brief**

February 3, 2021

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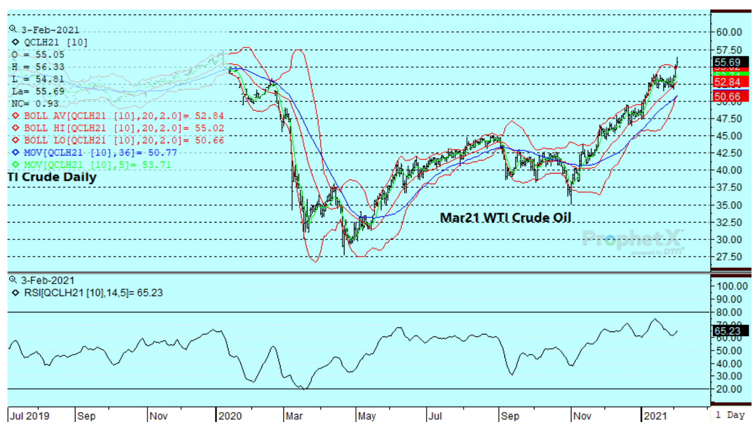
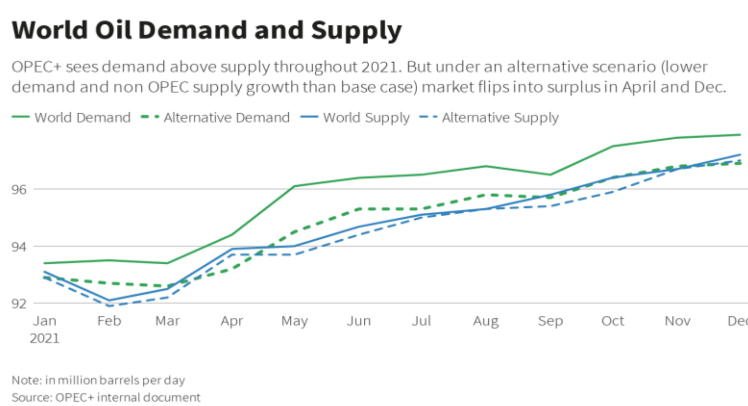
**Price Overview**




The petroleum complex continued to trend higher as the market responded to suggestions that OPEC+ has continued to show resolve at curbing production despite the obstacles posed by COVID-19. The Price Monitoring Committee meeting suggested that the oil market will be in deficit throughout 2021. The continuation of current policy is expected into March with the Saudis maintaining their voluntary output cut of 1 mb/d. The price monitoring Committee forecasted that global stockpiles might decline below the five year average by June. The API report released yesterday afternoon also helped bolster prices in reaction to their estimate that crude stock had fallen by 4.3 mb in combination with a decline in both gasoline and distillate stocks.




Although today's DOE report helped moderate bullish enthusiasm, prices recovered quickly reflecting ideas that the market is tightening. The DOE showed crude inventories fell 1 mb/d while gasoline inventories increased by a larger than expected 4.5 mb and distillates were unchanged. A recovery in imports from last week's low levels helped contain the draw in crude. Total product supplied slipped to 18.5 mb compared to 20.8 mb last year. Gasoline disappearance for the four week average remains depressed and was 10.6 percent below year ago levels. Distillate disappearance for the four week average remains above last year by 1.5 percent.

The market's ability to climb a wall of worry continues to be noteworthy. It has ignored the expansion in US production as rig counts have risen for a sixth straight months. Prices are moving to more remunerative levels which will ultimately compete with output from other crude producers. At some point OPEC will likely take notice and try to carve out market share, but for now their ability to maintain a unified front continues to help fuel the upside initiative.. Only with signs that OPEC's resolve is fraying will a significant correction take place. Resistance rests near the 57.50 area basis March.

**Natural Gas**

The test of the 3.00 level came sooner than expected as the March traded up to an intraday high at 3.005 early yesterday before easing considerably into the close and giving back all of those gains. Although weather forecasts were pointed to as the catalyst, with model agreement on large increases in HDD expectations yesterday, a large chunk of the move was achieved in the early morning hours on Tuesday. Once resistance near 2.85 was taken out while most of us slept, the market quickly spiked to fill the gap up to the 2.96 area in what looked like a possible computer driven spike through stop orders. The market had difficulty finding any buying interest today despite continued cooler forecast revisions as prices ended the session lower by over 5 cents at 2.789. Estimates for tomorrow's storage report are indicating a draw of 192 bcf compared to the 5 year average at 146. If forecasts can be maintained and tomorrow's number can surprise on the upside the market could resume its rally, but as we saw yesterday the 3.00 level will be difficult to surpass. With production dropping below 91 bcf/d recently and expectations for a frigid weekend that could lead to well freeze-offs, a continued near term retraction in production could aid the upside continuation. Any further weakness will encounter solid support in the 2.70 area.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