ADM

Archer Financial Services, Inc.

Energy Brief

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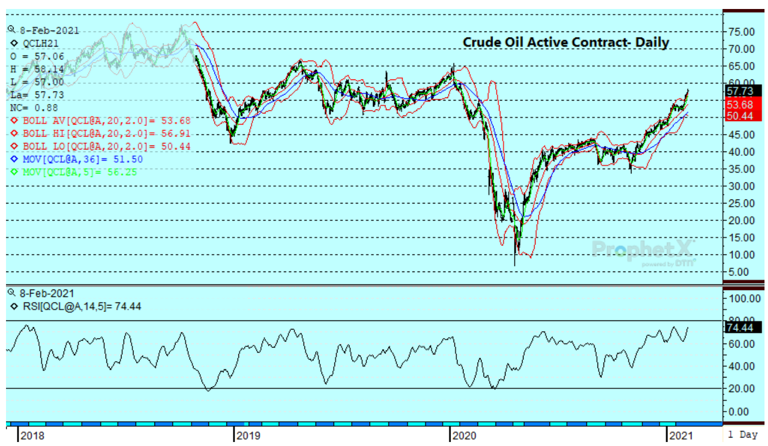
Price Overview



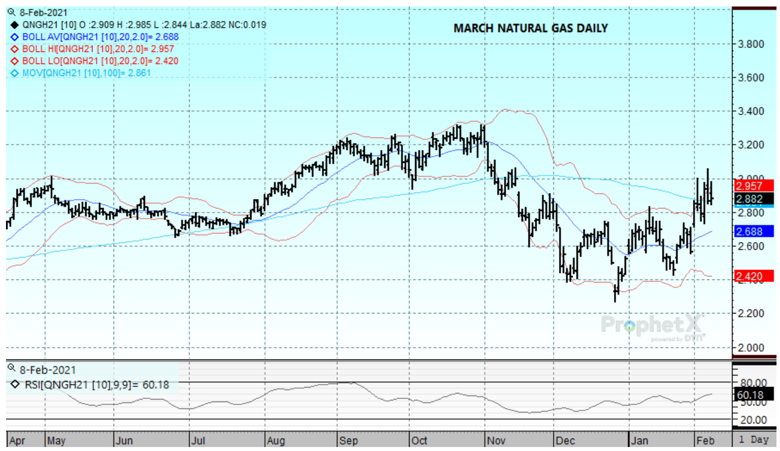
Little has changed in the petroleum complex since last week, with values continuing to make new highs for the move. Ideas that the market will swiftly move through the surplus as supplies tighten both in the nearby and later this year continues to create a positive environment for values. The strong stance of Saudi Arabia to maintain prices along with comments by President Biden that Iranian sanctions will not be lifted without assurances that they will comply with the JCPOA agreement in its entirety that ran counter to comments from the Iranians stating that all sanctions need to be lifted before negotiations take place threw cold water on a resolution and return to compliance. The fear that tensions might remain high between the US and Iran continued to underpin buying interest and kept the focus on the voluntary production restraint by the Saudis.

Strength in US manufacturing along with Congress moving ahead on a COVID-19 relief package has helped support a favorable demand outlook. The rollout of vaccines to fight the virus has raised hope of mobility increasing at a time when OPEC+ continues to show production restraint, potentially leading to a tightening in supplies. Although demand is not expected to reach pre-pandemic levels in 2021, the potential that policy changes might affect longer term investment in oil exploration and production appears to be in the background limiting selling interest tied to rising rig counts in the US and the drive by some members for an expansion in production levels.

The active crude oil contract seems poised to test the 60.00 level and potentially 63-65 where an uncertain demand environment along with an overbought position should provide resistance. The release of the IEA and OPEC Monthly reports on Thursday, February 11th should provide some guidance on the direction of both supply and demand, which hinge on a variety of variables as we move through 2021. The DOE report is expected to show crude stocks higher by 1.3 mb, distillate up .8 and gasoline increasing by 1.8. Refinery utilization is expected down .1 to 82.1 percent.

Natural Gas

Prices managed to have a fairly calm resumption of trade after the weekend, with an overnight attempt to rally running into steady selling during daylight hours. The early strength pushed March to another test of 3 dollars, with an intraday high reached at 2.985 before ending the session 2 cents higher at 2.882. Weather reports gyrated over the weekend to ultimately indicate an overall decrease in HDD expectations for the next 15 days, along with pushing the extreme cold event expected later this week back a couple of days. With the market having sold off late Friday, some of the downside risk had been priced in as the market found support on increased demand expected in the back end of the forecasts. Production has yet to show any substantial slowing due to the cold weather, with weekend output near 90.5 bcf/d, while LNG flows have been consistently in the 11 bcf/d range recently. Although the solid exports are supportive, capacity is currently near its maximum and therefore exerting all the upside pressure it is capable of. With February shaping up to potentially be one of the coldest on record despite recent fluctuations, the inability to crack the 3.00 level seems to indicate that the arrival of winter may be too little and too late. Further downward revisions in temperature severity could quickly push prices back to the 2.70 area, while any chance to surpass 3.00 will likely require the extreme cold to stay in place through the second half of the month.



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