



Archer Financial Services, Inc.

Energy Brief

March 24, 2021

Prepared by Steve Platt and Mike McElroy

877-377-7931

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

Price Overview

The petroleum complex rallied sharply following yesterday's collapse as prices rebounded by over 3.00 per barrel. The volatile trade reflected conflicting viewpoints on the market. Ideas that OPEC continues to control production, as compliance rose to 113 percent in February, along with the grounding of a ship in the Suez Canal that halting tanker traffic helped support prices. Yesterday's tumble was tied to a return of lockdowns in Europe and growing concern that demand might not recover as expected. The drop, which was the biggest in crude since April 2020, might also have reflected aggressive selling by producers in anticipation of OPEC production possibly expanding in May on a desire to maintain market share. Some concern was also due to the expansion in US rig counts and reported support by US majors for a carbon tax, which would curb longer term trends in demand.



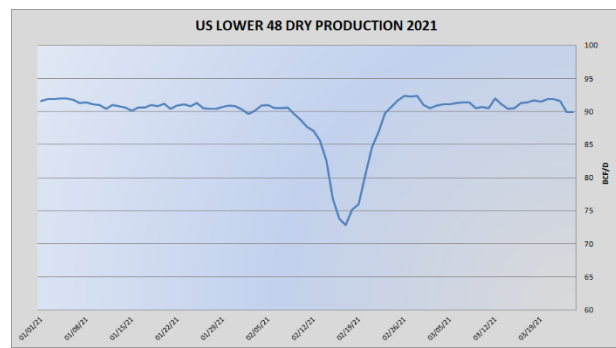
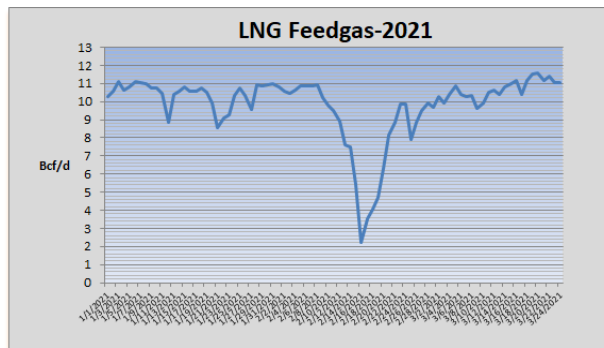
The DOE report showed crude inventories rose by 1.9 mb compared to expectation for a .3 mb draw. Crude inventories on the Gulf Coast currently are at their highest level since July 2020, rising 5.4 mb to 293.6 mb. Net imports of crude rose to 3.1 mb/d from 2.8 in the prior week. Total stocks including products rose 4.8 mb. Refinery utilization rose by 5.5 to 81.6 percent of capacity. Gasoline stocks increased by .2 mb while distillate inventories rose 3.8 mb compared to expectations for a 1.2 rise and .2 mb draw. Total product supplied remained stable near 18.7

mb and is 5.8 percent below year ago levels. Gasoline supplied for year to date was indicated off 10.1 percent while distillate was up 2.8 percent.

For now, the crude market will be challenged at the 61.50 level basis June until clearer indications of OPEC's production plans are made in early April. The appearance that crude inventories are ample continues to be a disincentive to strong upside movement. Products and particularly gasoline should fare better in the current environment given the potential strength to the US economy and likelihood of stronger usage rates while refinery throughput is constrained.

Natural Gas

The time spent outside of our recent trading range was again brief as the chart gap near 2.62 basis May was filled late in the session on Monday, followed by a quick retreat back into the middle of the two week range. The market found some support today as production downticked and weather reports showed a jump in HDD expectations, although total demand remains well below normal as we finish up March. Gas for power also improved as current low prices induce coal switching. Consistent weather, production and exports as we transition into the shoulder season has made for uneventful trade. A breakout in either direction would not be surprising due to the tightness of our recent range,



but with weather priced in, the End of Season storage situation somewhat below average and solid export expectations into the summer we would look for the recent lows to hold. A move higher will encounter resistance at the 200 day moving average near 2.68.

Futures and options trading involve significant risk of loss and may not be suitable for everyone. Therefore, carefully consider whether such trading is suitable for you in light of your financial condition. The views and opinions expressed in this letter are those of the authors and do not reflect the views of ADM Investor Services, Inc., or its staff. The information provided is designed to assist in your analysis and evaluation of the futures and options markets. However, any decisions you may make to buy, sell, or hold a futures or options ADMIS position on such research are entirely your own and not in any way deemed to be endorsed by or attributed to. The authors of this piece do currently maintain positions in the commodities mentioned within this report. Charts Courtesy of DTN Prophet X, EIA, Reuters.