



Archer Financial Services, Inc.

Energy Brief

March 31, 2021

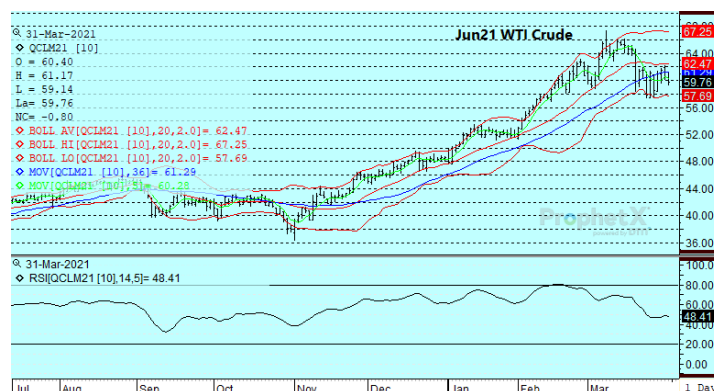
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Price Overview

The petroleum complex found early weakness linked to yesterday's API report, which showed a larger than expected crude build of 4 mb. Additional pressure was provided by news that OPEC+ lowered its 2021 oil demand growth by 300 tb/d due to new COVID lock-downs and limited buying interest in advance of the OPEC Ministerial meeting tomorrow.



The Joint Technical Committee Report today showed that despite the ongoing destocking of commercial OECD stocks, they remain above the 2015-2019 average and that recent volatility is a signal of fragile market conditions. The committee indicated under its base case scenario that it expects demand to grow by 5.6 mb to 96 mb/d. World supply is expected to grow to 95.2 from 93.6 mb/d in 2020, and assuming OPEC 13 production averages 26.9 mb/d in the 2nd half of 2021, well below maximum production potential near 31 mb/d. This implies that OPEC will still need to restrain production significantly for the remainder of 2021. Although Saudi Arabia is reportedly prepared to support output curbs into June, including their voluntary cut of 1 mb/d, the expansion of exports by Iran is helping to offset the impact. Reports suggest that the Saudi's are looking to raise Official Selling Prices by 1.40 for Saudi Light to Asia for May. The OSP is typically released by the 5th day of the month and will be watched closely to gauge importers acceptance of the increase.

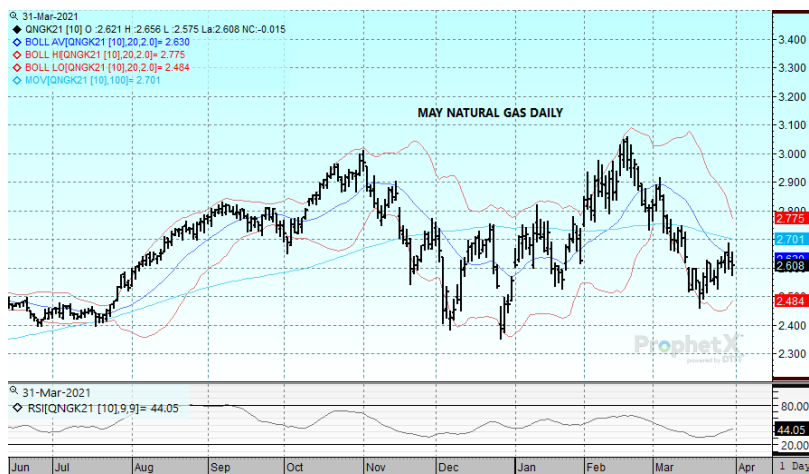
The DOE Report indicated a drawdown in crude inventories of .9 mb. Gasoline stocks fell by 1.7 mb while distillate stocks built by 2.5. Total stocks including products fell 1.3 mb. Fuel ethanol fell by .7 to stand at 21.1 mb compared to 25.7 mb last year. Stocks at Cushing rose to 47.1 mb an increase of .8, while refinery utilization rose to 83.9 percent compared to 81.6 last year. Total product supplied was 20.3 mb with gasoline increasing to 8.9 mb. Distillate product supplied was 4.1 mb compared with 3.9 mb last year.

Undoubtedly the results of the OPEC meeting will be a source for near term direction. We believe global crude stocks are ample, and the degree to which they are drawn down in the coming months along with the eventual response from producers will be key. Resistance continues to exist near the 61.50-61.80 level basis June WTI.

Natural Gas

Follow through strength yesterday pushed prices up to hit the 200 day moving average on the nose at 2.688, which also marked a 38 percent retracement of the break from mid-February.

Support was linked to the near term cold spell that will increase demand over the next two to three days, along with continued record LNG flows. The buying could not be maintained today as prices retrenched to settle lower by 1 ½ cents on the May contract at 2.608. Production continues to be a limiting factor as it has surpassed 91.5 bcf/d over the last 3 sessions. Tomorrow's storage report is estimated to show a 21 bcf build in stocks in contrast to the 5 year average draw of 24. With weather continuing to trend above normal, yesterday's high looks to be solid resistance while the 2.55 area is likely support on a high side stock build tomorrow.



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