Energy Brief

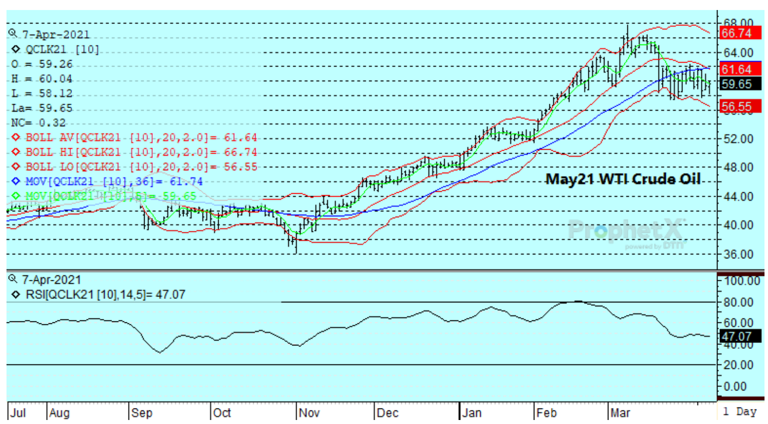
April 7, 2021

Prepared by Steve Platt and Mike McElroy

877-377-7931

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

Price Overview

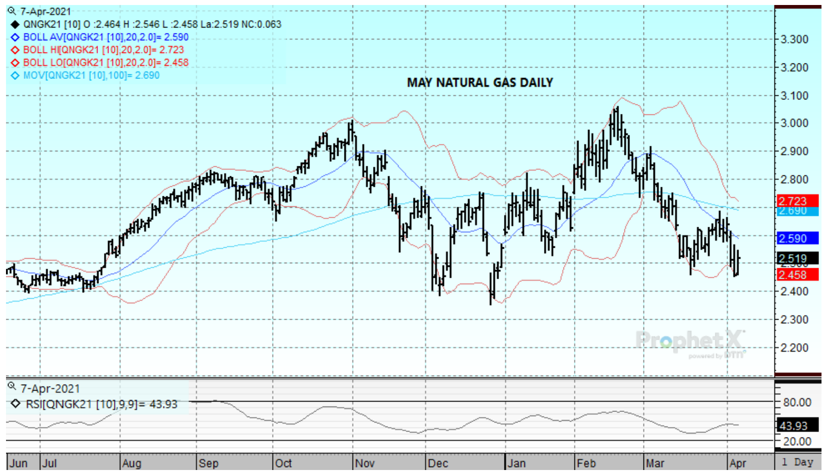


The petroleum complex traded on both sides of unchanged with early strength linked to expectations of accelerating global economic growth suggested in estimates from the IMF. This was offset by the DOE report showing a build in US gasoline stocks of 4 mb/d compared to expectations of a .2 mb decline. The build helped override a larger than expected decline in crude inventories and a drop in Padd 2 (Midwest) crude inventories to their lowest level since March 2020. Selling interest was also linked to the beginning of what were termed constructive talks by world powers on reviving the 2015 nuclear deal. Any sign of a breakthrough and associated potential that the US might lift sanctions on Iran’s oil sector could pose a risk to prices by raising supplies at a time when OPEC+ is attempting to increase output. Short covering late in the session amid favorable economic prospects helped steady values into the close.

The DOE report showed crude stocks declining by 3.5 mb while gasoline stocks rose by 4 mb and distillates increased by 1.5. The increase in product stocks was above expectations and led to total stocks including products rising by 2.3 mb. The jump in stocks reflected relatively high refinery utilization, which stood at 84 percent compared to 75.6 percent last year. Product supplied totaled 19.2 mb compared to 14.4 last year . On a cumulative basis year to date, product supplied are 2.3 percent below year ago levels.

We continue to see good resistance near today's high at 60.04 basis May and again near 61,50. Any sign of a breakthrough in the Iranian nuclear talks has the potential to pressure values below the 57.30 area toward the 52.00-53.00 range as the recent move to raise output by OPEC+ maintains a relatively high stock level.

Natural Gas



Follow through weakness from Monday's washout lead to a breach of the March lows as the May contract dipped to an intraday bottom at 2.453 yesterday. The market recovered today to end the session at 2.52, a gain of just over 6 cents. The bounce was attributed to multiple inputs, with gas switching due to the low prices the most influential. Some cooling in the forecasts along with a small drop in production and renewable inputs added support. The May contract will likely have difficulty mounting any substantial recovery into its expiration on April 28th as the shoulder season thus far is offering above normal temperatures that lack any demand boost from the heating or cooling side. Near term the market is unlikely to exit the 20 cent range it has been in since mid-March. The 2.60 area will offer resistance to any upside continuation, with the recent lows near 2.45 a possible longer term bottom. Tomorrow's storage report is expected to show a 21 bcf injection verses the five year average of 8.