ADM

Archer Financial Services, Inc.

Energy Brief

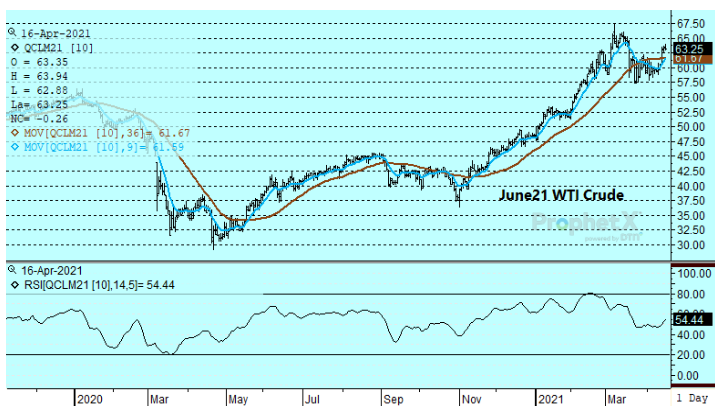
April 19, 2021

Prepared by Steve Platt and Mike McElroy

877-377-7931

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

Price Overview



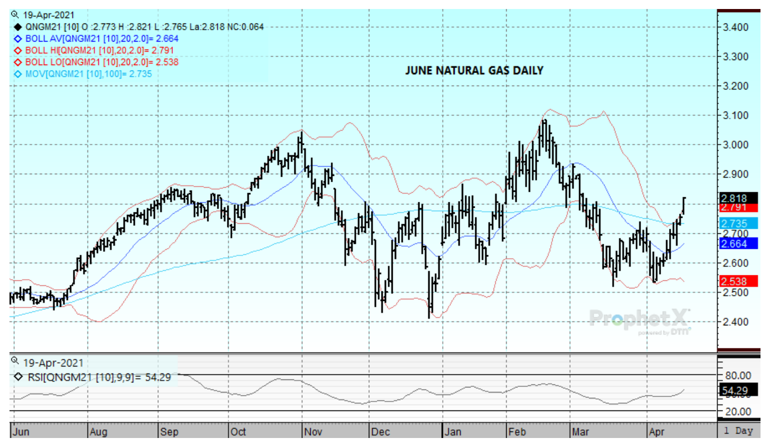
The petroleum complex saw cautions trade today, as early selling was linked to reports that a sharp rise in COVID-19 infections would lead to additional lockdowns. Support emerged on the massing of Russian troops on the Ukrainian border as uncertainty grew over what effect an outbreak in hostilities might have on oil and gas shipments from Russia to Europe. In China reports have suggested large storage inflows, which might taper buying interest given the increase in prices. There is some evidence that this is occurring with estimates of April crude imports being off by 6.7 percent from March. With maintenance shutdowns at refineries typical at this time of year a further falloff in China might be expected.

Ongoing strength to the US and Chinese economies is expected, but for the most part appears priced in. The focus might be placed on other macro influences, including the equity markets, the dollar, and trends in commodity prices.

For now, the supply side could provide the biggest surprises. The increase in US rig counts suggest that prices are encouraging new investment, but uncertainty over the Biden Administration's Energy policies continues to restrict new capital flows as they are expected to expand modestly despite the price recovery. OPEC+ production policies will be watched closely ahead of planned increases in May-July. Whether or not further adjustments are made in May will hinge on the progress is seen in India and Europe toward combating infections. Another influence will be the pace of the Iran nuclear talks and if it begins to look like sanctions could be lifted. Heightened geopolitical risk associated with rising tension between Russia and the Ukraine also needs to be considered.

Given the sharp decline in US crude stocks last week, the DOE report will be watched for further confirmation of rebalancing. Estimates currently suggest a draw of 2.9 mb in crude, .5 in distillates, and a build of .7 in gasoline. Refinery utilization is expected to continue rising, with estimates pointing to an increase of .7 to 85.7 percent.

Natural Gas



The new trading week kicked off with prices continuing to be well supported by the cold front currently moving across the country, as the June gained over 6 cents to settle at 2.818. Weekend forecast revisions added to HDD expectations, with an outside chance that we could see a daily withdrawl from storage in the middle of the week. A weekend pullback in production levels also added support as both days saw output drop well below 91 bcf after spending all of last week near 91.5. LNG flows remained near record pace with today's total indicated near 11.4 bcf, but with maintenance scheduled to begin this week at some of these facilities, the pullback in flows could slow the rally that has now pushed the market to overbought levels. The 2.87 area on the June contract will offer resistance to further price strength as it marks a 68 percent retracement of the February to March break. The quick push past the 200 day moving average near 2.74 now makes that level likely support on a pullback as the cold front runs its course this week and LNG flows temprarily slow. The market appears to be transitioning toward a new trading range as we work through the shoulder season and attention turns to the pace of summer injections and potential weather trends.