



## Archer Financial Services, Inc.

### Energy Brief

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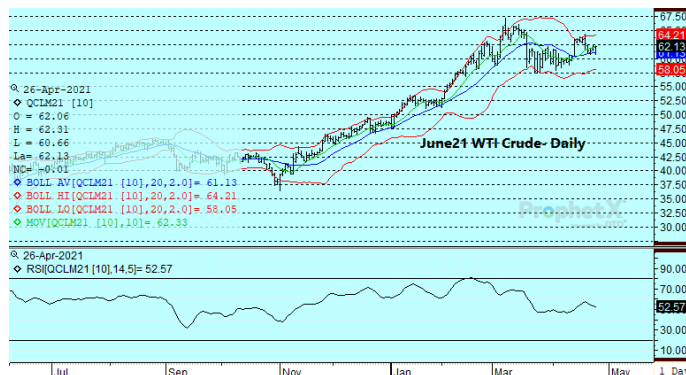
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### Price Overview

The petroleum complex traded under pressure early in the session as concerns continued over a surge in COVID-19 infections in India and Japan. The possibility that gasoline and diesel

demand could be scaled back in the 3<sup>rd</sup> and fourth largest oil consuming countries, along with news that Libya was lifting their force majeure, encouraged long liquidation. Support emerged at the lower levels reflecting reports that major powers, including the US, were preparing to send aid to India as they grapple with the spread of the virus. In addition, the market attracted support ahead of the US GDP scheduled for release on Thursday. It is expected to show 1st quarter growth at 6.1 percent over the previous quarter. In the background was the continuing strength in grains and industrial commodities such as copper and lumber. The tightness is even evident in used cooking oil, which according to Valero is running in short supply. The refiner announced an expansion in renewable diesel production at its plant in St. Charles, Louisiana that utilizes feedstock including used cooking oil, animal tallow and distillers corn oil. Animal tallow and used cooking oil are deemed less carbon intensive than soybean and other vegetable oils and generate more tradable credits under California's low carbon fuel standard.



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The OPEC Joint Technical meeting today indicated that it would maintain its forecast for growth in global oil demand at 6 mb/d despite expressing concern about COVID-19 cases in Brazil,

India, and Japan. There was little indication of a change in output levels announced in early April, which was generally expected.

The market is finding underlying support from commodity prices in general and economic strength expected to transpire throughout the remainder of the year. Offsetting factors remain the continuing negotiations with Iran over the nuclear agreement and lifting of US sanctions, along with the Biden Administration Climate Change legislation and its longer-term impact on global oil demand. With sustainable capacity still underutilized by OPEC+, the potential for additional supplies coming to the market cannot be ruled out.

The DOE report Wednesday is forecast by Reuters to show crude inventories up by .4 mb, distillate down .2 and gasoline up .4, while refinery utilization is expected to gain .6 percent.

## Natural Gas

Overnight weakness saw prices probe under the 2.80 level basis June as a normalization in temperatures and solid weekend production brought out selling interest. Prices reversed as the day session got under way and steadily climbed to close higher by over 5 cents at 2.874. Record LNG flows continue to get credit as the main supportive factor, but today's strength with a lack of fundamental impetus appears to be fund based as we may be beginning to see interest spill over from a general commodities rally. The outside day on the chart and settlement near the high's points to likely follow-through near term as the 2.87 resistance area likely gives out with 2.95 the next target. Any retrenchment on mild shoulder season weather will likely be limited to the 200-day moving average near 2.74.



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