ADM

Archer Financial Services, Inc.

Energy Brief

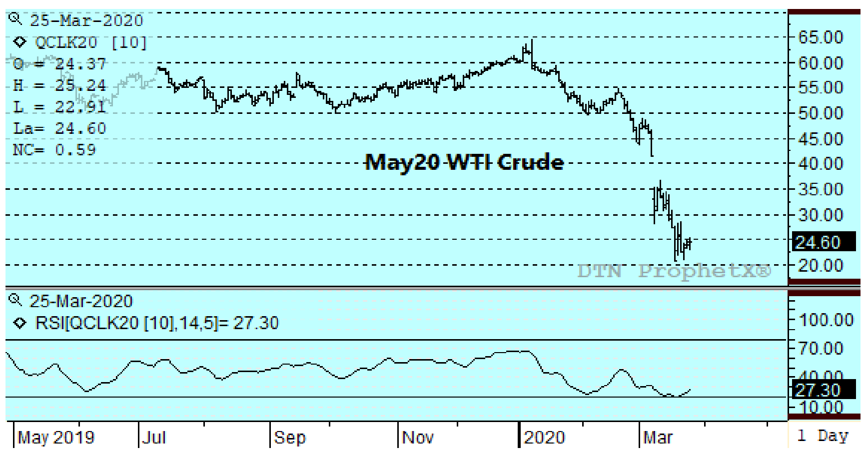
March 25, 2020

Prepared by Steve Platt and Mike McElroy

877-377-7931

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

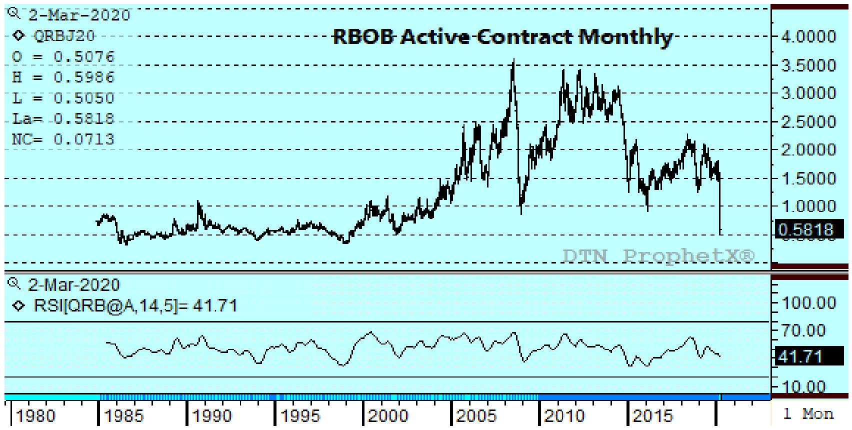
Price Overview



The petroleum complex traded firm with crude and heating oil showing modest gains, while gasoline surged to the upside by as much as 10.00 cents. The recovery in equity markets and the stimulus package appeared to underpin buying interest.

The DOE report was generally taken in stride despite a sharp decline in the level of gasoline disappearance. The report saw crude inventories rise by 1.6 mb compared to expectations for an increase of 2.8 mb. At 455.4 mb, US crude inventories are 3 percent below the five year average for this time of year. Cushing stocks rose by .9 mb, well below forecasts. US production remains stubbornly stable at 13 mb despite the dramatic price drop. US net exports of crude and products totaled 1.3 mb. Refinery utilization was 87.3 percent compared to 86.4 percent. Product supplied or domestic disappearance fell to 19.4 mb from 21.5 mb in the previous week, a decline of 10 percent. Gasoline supplied was 8.8 mb compared to 9.7 mb in the previous week while distillate supplied fell to 3.8 mb compared to 4 mb in the prior week.

For the most part the impact of COVID-19 has yet to be fully felt. US disappearance should fall toward 15 mb/d before stabilizing and it will be interesting to see whether driving habits will changed materially. The summer driving period is likely to be hurt dramatically but with gasoline prices falling to levels last seen in 1999 following the Asian default crisis and gasoline margins falling to uneconomic levels, better support should begin to emerge.



In crude, support at 20.00 continues to hold on latent optimism that the US government will stave off the potential collapse of the shale oil industry in the US. Although diplomacy with Saudi Arabia is being pursued in an attempt to push them to reduce output, indications suggest that the Russians are poised to expand production and shipments in April. With India's economy now in shut down, further demand hits are inevitable, taxing storage space both onshore and offshore. Although purchases of as much as 60 mb of crude for the SPR are likely the next few weeks, it will likely be a short term fix and demand prospects will need to improve before a meaningful rally takes place.

Natural Gas

The impressive bounce off Monday's contract lows ran out of steam today as the market reassessed the 30 cent price swing in the face of uncertain macro considerations. On the weather front, minor cooling had offered some support on the rally, but there was not enough potential to push prices any higher at this point, as today's forecast revisions moved demand expectations lower for the next two weeks. Production was also supportive as it slipped below 93 bcf over the last two days. Despite the mixed positives, the risks to demand from COVID-19 will likely constrain prices for the near term, with the 1.80 area in May offering resistance while support near the lows in the 1.60 range likely holds up. Tomorrow's storage number likely doesn't help the bull case with a 22 bcf draw expected in contrast to the 5 year average of 40.