Archer Financial Services, Inc.

Energy Brief

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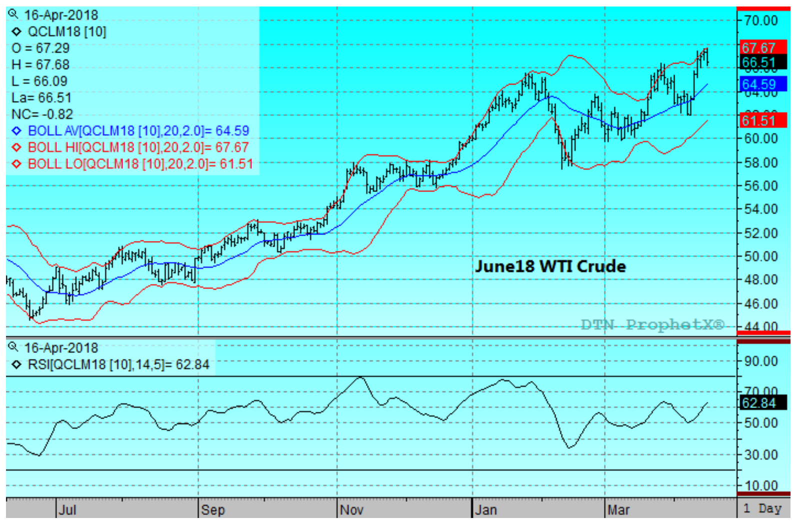
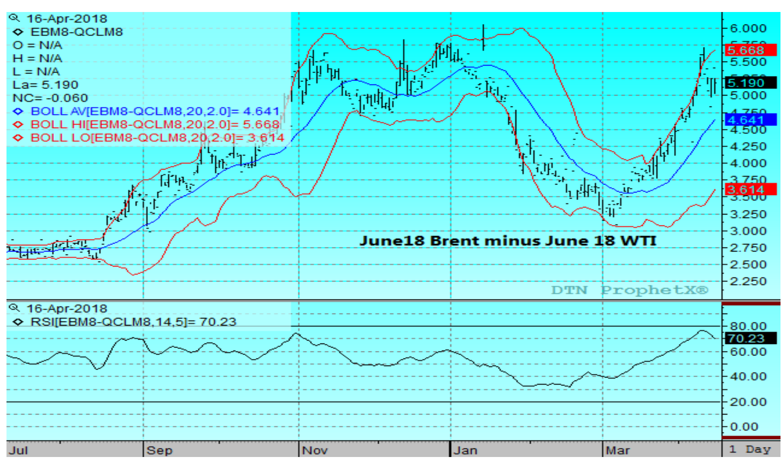
Price Overview



The crude market traded defensively on expectations that the joint missile attack on Syrian chemical weapon facilities on Saturday was unlikely to escalate further. Instead the market appeared to focus on indications that no firm decision has been made on continuing the production agreement past December. Instead Kuwait's oil minister indicated that market conditions would determine whether the pact will be extended beyond 2018. Minister Rahidi also indicated that the alliance would be discussed at the mid-June meeting of OPEC. At that juncture we would suspect that the high compliance levels by OPEC participants relative to the lower levels from non-OPEC players will likely be discussed.



Another factor that might be working against the market, particularly in the US, is the changes in net speculative long positions. In Brent they have increased by 17,000 contracts in the latest week and have increased by 48,000 contracts since mid-January. On the other hand WTI saw a reduction of 17,000 contracts in the week ended April 10th and the net long position is off 108,000 contracts since mid-January. The dichotomy between the two markets looks to reflect the steady increases in US production as opposed to stagnant output for Brent. This has been reflected in the spread differential for Brent as the above chart shows.

Key support still exists near the 66.00 area basis June WTI. A penetration of this area should set up the potential for values to fall back toward the 20 day moving average near 64.50.

Natural Gas

Prices contined to find buying interest as forecasts through the end of the month showed a slight uptick in demand potential. The risk of the injection season being pushed back into May and estimates pointing to stocks being as much as 25% below the 5 year average at that point is forcing the market price in some risk premium for the potential that a warm summer could hinder the markets ability to replenish stocks to an acceptable level by fall. Another draw is in the offing for this week, with estimates at 19 bcf, compared to a 5 year average build of 38. The late March high at 2.81 basis June was tested today, and it may take a few sessions of retrenchment before the market makes another run at that level. We expect prices to continue to work higher, and continue to be long the July at 2.74, risking 2.68 with an objective of 3.05.

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