Archer Financial Services, Inc.

Energy Brief

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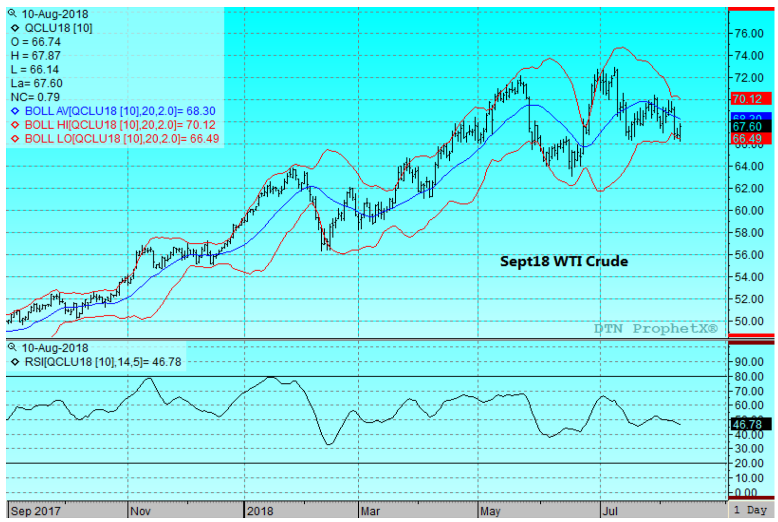
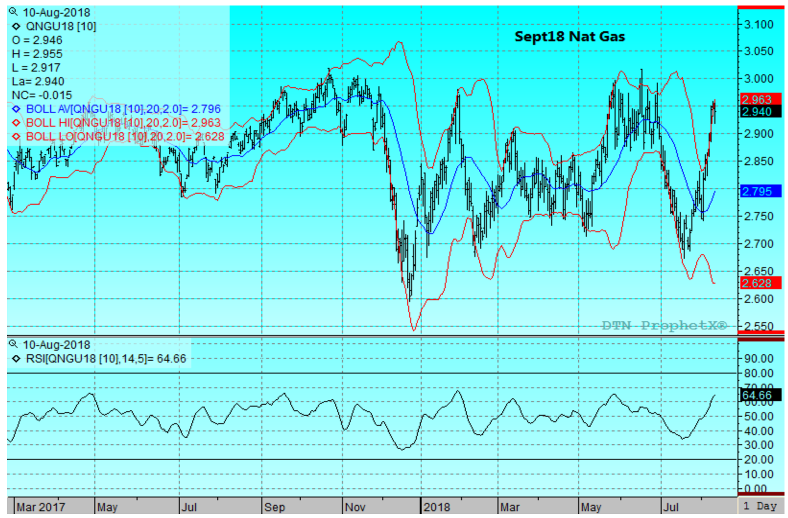
Price Overview



The Petroleum complex continues to show a resilient tone despite the recent downside pressures associated with concerns over trade between the US and China and ideas that despite the sanctions on Iran, expanding production by other members will likely offset the prospective shortfall. Support today might have been linked to some relief that the latest tariff list by China against the US did not include crude oil. However doubts remain over how long it will remain off the tariff lists particularly if Iranian crude oil can fill the gap and the trade dispute is still going on in November as the Iranian sanctions hit.

Reports suggest that some question over the level of Saudi crude oil production might be emerging. The estimates by independent analysts are suggesting crude production by Saudi Arabia might be as much as 500 tb above the Saudi government estimate. This was amply apparent in the Saudi official stance that production had fallen as much as 200 tb/b in July compared to the private estimate by Platts and the US EIA suggesting that production had reached 10.6 mb. Whether the difference represent sales from inventory remains to be seen. Another source of concern on the supply side is the IEA estimate today that Russian crude and condensate production had risen by as much as 150 tb/d last month or 265 tb/d above year ago and near the record high production of 11.35 mb/d. With reports suggesting that the North Sea oil market is oversupplied as floating storage builds in the North Sea, the supply issues could supplant the concerns over US sanctions against Iran. This should lead to further vulnerability on the downside with the potential to test the 64-65 level basis September WTI crude next week provided resistance near 68.30 basis September holds. The market should begin to price in the potential for a more balanced supply/demand scenario and a moderation in global growth in the coming months.

Natural Gas



Prices attracted light profitaking ahead of the weekend and forecasts for some moderation in temperatures expected next week. Recent strength linked to low stock levels is likely to persist as low storage levels offset the impact of record high production. Modest stock builds likely reflect an improving consumption pattern as additional petrochemical capacity comes online. The market will continue to balance storage levels against the record production pace as we finish summer and head into the shoulder months before demand season kicks in and a risk premium is priced in until stocks improve more dramatically. Early estimates for next weeks storage are for an injection of 29 compared to 49 a year ago and 56 on the five year average.