ADM Archer Financial Services, Inc.

Energy Brief

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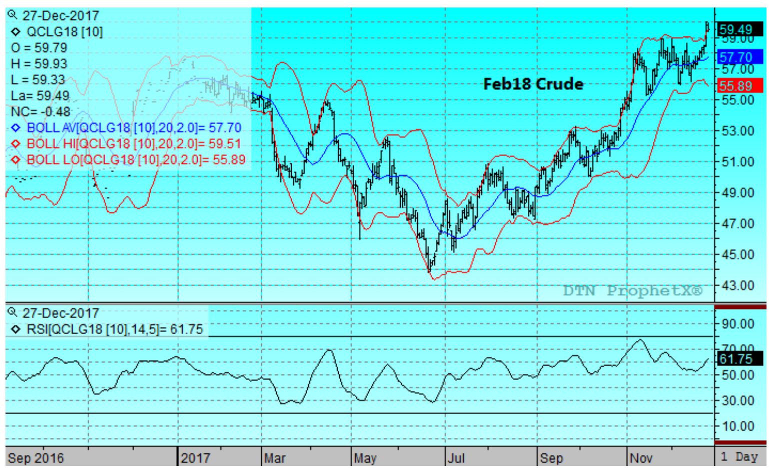
Prepared by Steve Platt and Mike McElroy
877-377-7931
Stephen.Platt@archerfinancials.com
Mike.McElroy@archerfinancials.com

Price Overview

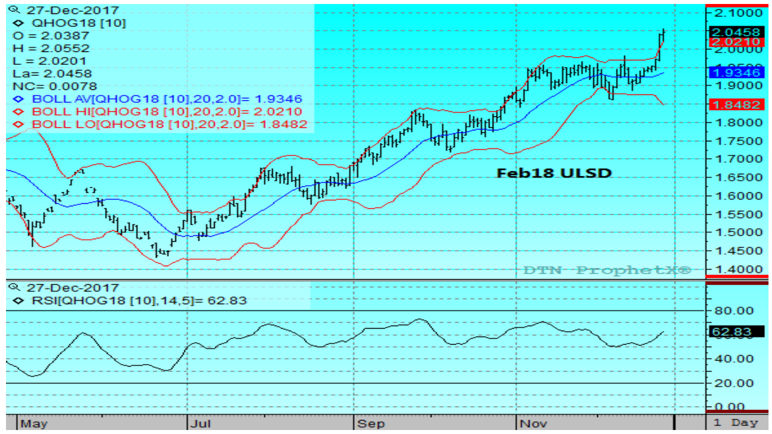


The Petroleum complex drifted lower but near the year's highs for prompt month crude and products. Support continues to emanate from the leak on the North Forties pipeline along with an attack on a Libyan pipeline that cut output as much as 100 tb/d to near 900 tb/d. Nevertheless ideas that both pipelines will be restarted soon appeared to gain credence and attract profit taking. Reports by Libyan oil officials suggested that they will need a week to repair the issues. In the North Sea, the Forties pipeline was pumping at half capacity. However in a sign of normalcy returning, an export schedule was sent out to cargo owners, albeit at a much lower level than normal. For February just six cargoes have been listed compared with 20 normally.

For tomorrow the delayed DOE inventory report will be watched closely. The report is expected to show crude stocks fell by 3.9 mb, gasoline is expected up 1.0 while distillate is expected to have fallen by 1.0 mb.

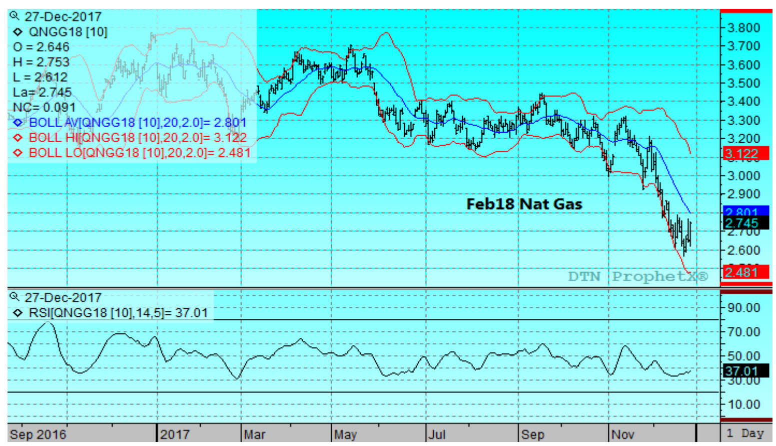
The move through recent highs near 59.05 has certainly provided an opportunity to assess how much downside risk there is. The scaled back exploration and production programs have helped moderate the production response. Nevertheless the market above 60.00 returns to a value area where production could be encouraged.

Although it appears that the overall supply/demand situation for crude is moving into balance, the supply shortfall that has helped to reduce inventories will be negligible as we move into the 2nd half of 2018. Whether the global economy continues to improve as we move through 2018 will be a key variable for prices provided production cuts are maintained throughout the year by OPEC and their allies. The pace of US supply increases will be a counterweight to OPEC and in the background as a potential bearish influence. A strong positive influence is the strength to the US economy and the appearance that other areas are benefitting globally.



Product markets continue to to strengthen on a flat priced basis while the cracks have steadied. The strength to the domestic economy continues to provide a favorable backdrop for demand from both the domestic and export market. February ULSD penetrated the 2.00 mark yesterday as weather related demand on the East Coast competes with diesel demand. An extension of the rally to the 2.08-2.10 area cannot be ruled out if the frigid temperatures persist. Previous resistance in February crude near 59.00 should now offer support but given the near record net spec long position in crude, some vulnerability exists as production returns following recent disruptions.

Natural Gas



The natural gas came back to life as the bitter cold currently gripping the country is expected to persist for another two weeks. The expiration of the January contract today also fed into a more bullish trade, with the expiring contract finishing over 9 cents higher. With weather providing the basis for a strong consumption rate along with increasing export levels, the market looks to be overdone on the downside and given the higher consumption could see values test the 3.00 area basis February.