Archer Financial Services, Inc.

Energy Brief

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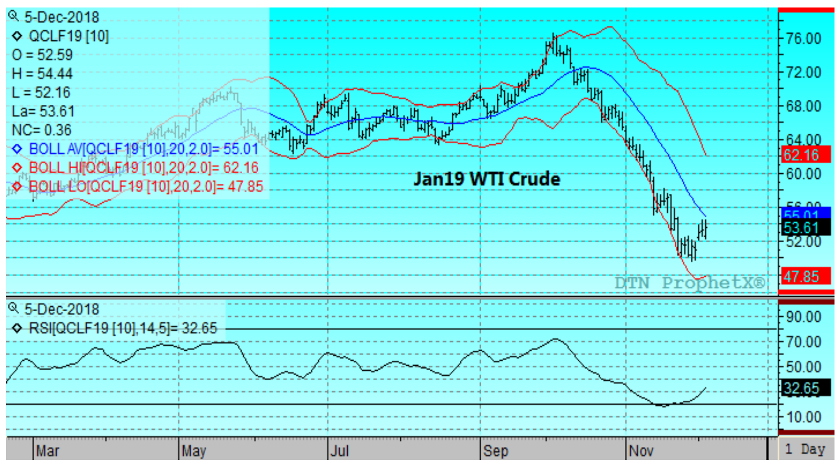
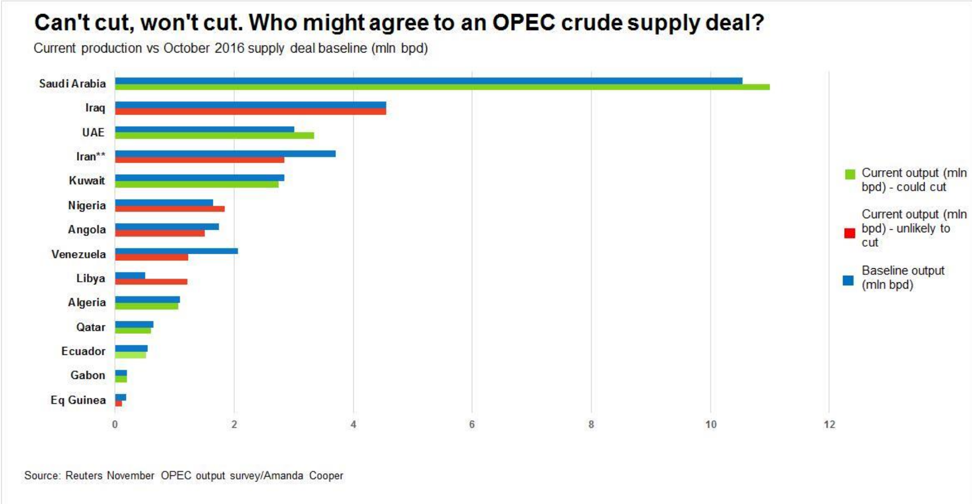
Price Overview



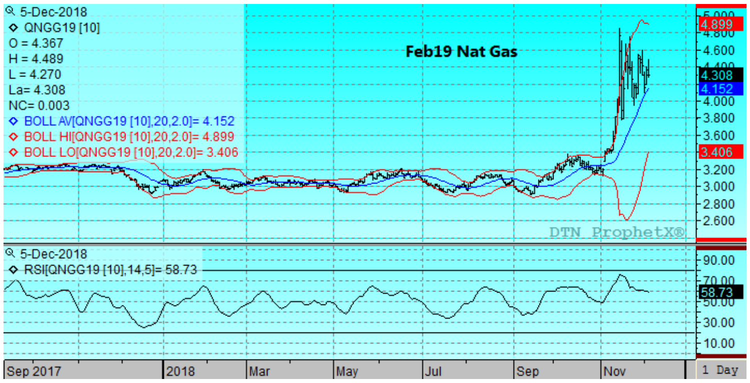
The petroleum complex traded in a choppy fashion on both sides of unchanged. Uncertainty ahead of the OPEC meeting along with a larger than expected build in crude and product stocks appeared to have pulled the market both ways on a day in which the EIA report was delayed due to the Federal holiday. The API report fed into underlying market bearishness, showing US crude stocks rose 5.4 mb for the week ending November 30th. More significant was the build in gasoline inventories of 3.6 mb and in distillate of 4.3 mb. Forecasts had suggested a decline of 2.4 mb in crude, a build in gasoline of .4 mb and in distillate of 1.25 mb. Instead of focusing on the API report, attention quickly turned to the OPEC meeting and suggestions that they would revert to production quotas agreed to in 2016. With production by Saudi Arabia increasing by 650 tb/d and Russia having increased output by about 460 tb/d, those two producers have the ability to cut output levels by almost 1 mb/d if brought down to 2017 levels. Whether such cuts will balance the market remains to be seen and will likely be contingent on whether demand can be maintained despite the trade pressures and rising US shale output. Another factor to consider as we approach the OPEC meeting is the levels by which other members have exceeded the 2016 Supply deal. Most participants have generally maintained their production at the 2016 baseline. Only Saudi Arabia and the UAE have recently exceeded those levels. While other producers such as Kuwait might show minor cuts, it really appears up to Saudi Arabia and Russia to cut production significantly enough to balance the market. For now it looks like the cut will total about 1 mb. The ability of OPEC to get Russia to participate wholeheartedly in supporting values might also provide a psychological boost to values.

While the market might defer to the EIA report tomorrow for near term direction, it looks like the OPEC meeting and its result will be tantamount for longer term direction for crude oil prices. At this juncture the market appears to believe an agreement is likely given the current price levels and desire for stabilization of the crude market. The government mandated cuts in Alberta oil fields totaling 9 percent, along with the possible labor strife in Libya could provide additional support as well if the OPEC+ cuts meet expectations.



Natural Gas

The market traded in a rather tame fashion with values generally steady. Cold temperatures through this week are likely to be followed by more moderate readings, which should help undercut demand later this month. The EIA report has been delayed until Friday at 9:30 a.m. due to the Federal holiday. Estimates are indicating a draw of 73 bcf compared to a draw of 3 last year and 58 on the five year average. With demand expected to pause, the market might be vulnerable at current high levels. Ideas the displacement of some gas by coal along with weaker export demand for LNG compared to last year might have accounted for some profit taking.



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