Archer Financial Services, Inc.

Energy Brief

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Price Overview- Oil Demand to the rescue?

Total World Oil Demand

	2014	2015	2016	2017*	2018
	million barrels per day				
OECD					
Europe 5	8	8.1	8.2	8.3	8.2
Japan	4.3	11.6	12.0	12.3	12.7
Canada	2.4	2.4	2.4	2.4	2.4
US	19.1	19.5	19.6	19.8	20.0
Korea	2.4	2.5	2.6	2.6	2.7
Other		2.3	2.0	1.6	1.0
Total OECD	45.8	46.4	46.8	47.0	47.0
Non-OECD					
Brazil	3.2	3.2	3.1	3.1	3.1
Russia	3.6	3.5	3.6	3.7	3.8
India	3.8	4.0	4.3	4.5	4.7
China	10.8	11.6	12.0	12.4	12.7
Saudi Arabia	3.2	3.3	3.2	3.2	3.2
Korea	2.4	2.5	2.6	2.6	2.7
Mexico	2.0	2.0	2.0	2.0	1.9
Iran	2.0	2.0	2.0	2.0	2.0
Other	16.2	16.7	17.0	17.5	18.2
Total Non OECD	**47.2**	**48.8**	**49.7**	**50.9**	**52.3**
Total World	**93.0**	**95.2**	**96.5**	**97.9**	**99.3**

Source: International Energy Agency

***Forecast**

The demand side of the market appears to hold the greatest hope for prices. The sluggish global economy has helped pare back demand growth, particularly in China, while showing stagnation in the OECD countries during the 1st quarter of 2017. It appears that demand prospects have improved in the second quarter as both the US and German economies show vigor which helped underpin petroleum demand for industrial uses and transportation. Further economic expansion could portend modest increases in demand in the EC and US.

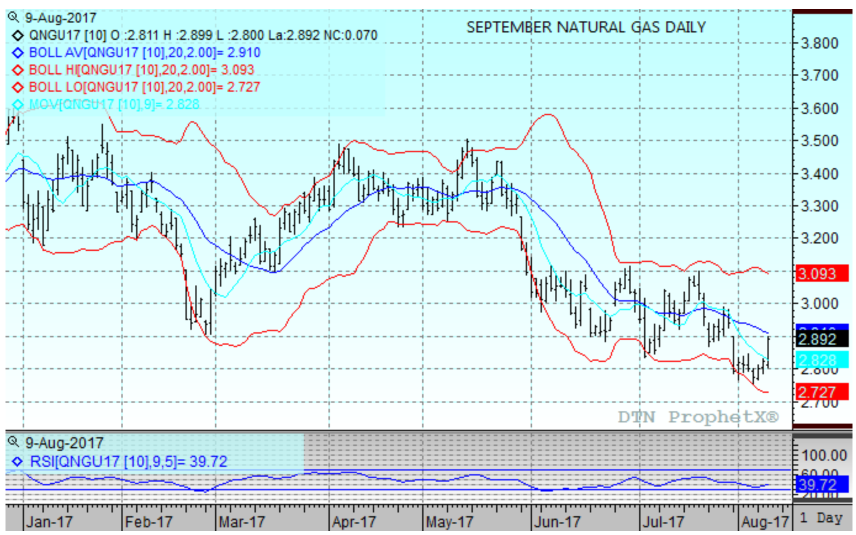
For non-OECD countries, some acceleration in demand is expected as we close out this year and move into 2018. The economic recovery that followed monetary reforms earlier this year in India should pick up momentum. In China, a more competitive price environment for petroleum products has encouraged gasoline demand along with rising interest in less fuel-efficient SUV's. The Russian economy is beginning to show signs of recovery from the deep recession that accompanied the decline in petroleum prices in 2015 and

2016, which is resulting in an uptick in petroleum demand. Brazil's stabilizing political environment and economic reforms are bearing fruit and should help underpin an economic recovery, albeit slowly.

Global demand for 2017 is expected to grow by 1.4 mb/d to reach 97.9 mb/d. The strength follows a modest year over year gain of 1 mb/d during the 1st quarter of 2017. In 2018, we anticipate demand will reach 99.3 mb/d. The increase should provide the basis for a modest pull down in inventories. Undoubtedly the prevailing price levels and forward curve will have a bearing on inventory levels given that higher prices will encourage investment. In addition, how long a more accommodative monetary policy is maintained will have a bearing on the degree that prices strengthen. For now it looks like the ideal scenario for prices would be working into the mid-50 range, walking a delicate balance that does not disproportionally disrupt the supply and demand developments discussed in the last two briefs. This will be particularly true as we approach the Saudi Aramco public equity offering taking place in the first half of 2018, a key consideration for Saudi national oil policy.

Natural Gas

The market found good buying interest today that pushed prices up to test 2.90 on the September contract. An increase in demand expectations propped up prices after upward revisions on the two week forecast. With prices reaching the low end of the chart gap from July 31st it seems likely that we will push to fill it in the near term. The recent cool temperatures have created considerable negative sentiment that may need warmer than normal forecasts to trend into September for trade to regain confidence in the long side of the market as we head into the winter demand season. If a further near term move to fill the gap up to the 2.95 area lacks followthrough it will likely lead to a pullback that tests the 2.70 area. This weeks storage report is estimated to show a 40 bcf build compared to the five year average injection of 54.



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Charts Courtesy of DTN Prophet X, EIA