ADM Archer Financial Services, Inc.

Energy Brief

February 11, 2019

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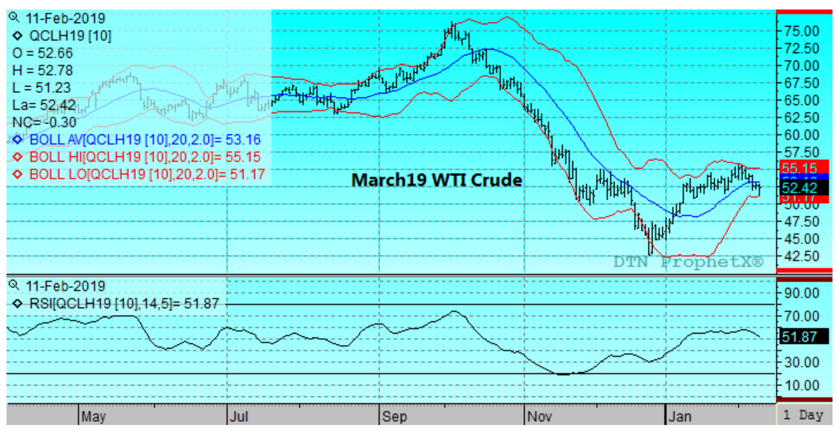
Price Overview

The petroleum complex traded on the defensive as strength to the dollar, the trade dispute and weak economic prospects undercut values. In addition a refinery outage at Philip's 766 Wood River, IL refinery also weakened Crude values as good buying of the Gasoline crack developed.



In the background continues to be fears that a trade agreement between China and the US will be elusive and could undercut economic growth prospects particularly in China. These concerns have been heightened by not only the impact on Chinese economic prospects but also from recent statistics suggesting the EEC economy appears to be slowing. The pressures from an unfavorable outlook for the global economy has been exasperated by the strength to the dollar that has been evident despite recent downward pressure on interest rates. Fears that another government shut down could affect economic activity also appeared to weigh on sentiment.

Supply issues are being ignored for now given the approach of refinery turnaround. These issues include not only Venezuela and the sanctions recently imposed by the US but also the approach of deadlines in June of waivers granted by the US on trade with Iran. Libyan production remains a question mark with reports suggesting limited gains by the governement in securing the Shahara oil field and that the governemt is still negotiating.

In the near term, the market might mark time ahead of the OPEC Monthly report slated for release tomorrow, and the IEA report scheduled for release on February 13. We suspect that trading participants will likely focus on the prospective demand from the IEA and the supporting data from OPEC on the success of the current agreement in balancing the market.

The market still appears to be confined to a trading range with the Venezuelan disruptions being mitigated by the adequate stock situation and high US production along with ideas that international pressure will eventually force the Maduro governement to step down; leaving open a recovery in crude production. All in all, the Crude market looks to be in an uneasy equilibrium while product markets and particulalrly gasoline appear to be attracting more formidable support on both an outright and spread basis ahead of refinery turnaround. The fire at Philips 66 Woods River, IL entails the second largwest Crude Distillation Unit with a capacity of 120 tbd helped encourage additional buying of the Gasoline Crack and oushed the crack up to as high as 15.40 today basis May. The crack has risen as much as $2.70 per barrel from as low as 12.73 reached on January 31, 2019.

Natural Gas

The market traded in a firm fashion on good buying generated by cooler weather forecasts through the end of the month. Prospects that the North East will be cooler than expected helped generate revised demand forecasts from last week suggesting 473 heating degree days over the next two weeks compared to a normal of 395 HDD's for the Continental US. A degree day is the number of days average temperature is below 65 degrees. The extended decline in values recently and a pickup in LNG exports from the low levels apparent last week should help underpin values, Given the low stock situation and the prospect for heightened demand, a recovery in flat prices and the spread differential should be apparent as the market refocuses upon the tight stock situation. Estimates for this week's EIA report are for a draw of 82 bcf compared to 183 last year and a five year average draw of 160 bcf.