Archer Financial Services, Inc.

Energy Brief

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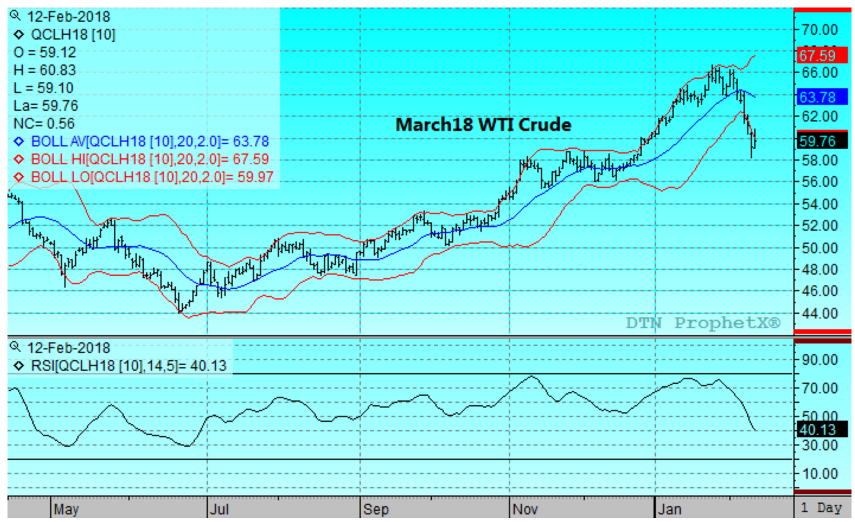
Price Overview



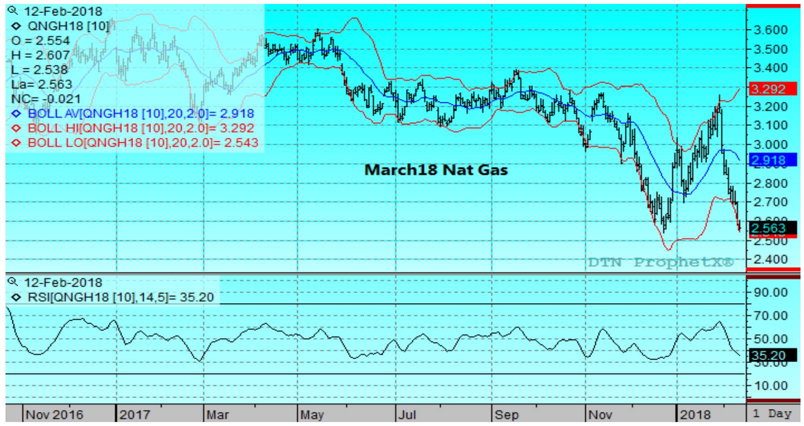
The petroleum complex attracted support as equity markets recovered from their sharp losses and the dollar traded under pressure. The OPEC report released this morning forecast that world oil demand would grow faster than previously thought, while supplies would likely be balanced as global producers and particularly the United States increase output levels. Supply is expected to increase by 1.4 mb/d, 250 tb/d above last month.

OPEC indicated that the market was expected to return to balance only toward the end of this year as steady increases in production in areas of the Western Hemisphere compete for market share with producers in the Middle East and Asia.

For now it looks like the market will be cautious in advance of tomorrow's IEA Monthly Report. Ideas that higher consumption has already been priced in, leaving the market vulnerable to disappointment if US production shows further increase might put the market back on the defensive.

Although we are inclined to think that most of the bearish news has been discounted, one cannot dismiss the impact that a rebuilding in US inventories might have on values along with recent reports that Iran could increase there production quickly if the current pact is not extended. The threats by Iran could certainly shake the foundation on which the recent rally has been built. Namely the OPEC agreement and the high level of compliance. With interest rates in the upswing some additional strength to the dollar might ignite further selling.

Natural Gas



Continued price weakness is reflecting ideas that production levels will increase as temperatures moderate. The demand side seems to be ignored given the increase in export levels along with the rising level of petrochemical production which is reliant on natural gas. Some support is likely in advance of the EIA report on Thursday. Expectations point to a drawdown of 180 bcf compared to 120 bcf last year and 154 bcf for the five year average. A draw of this magnitude would put stocks 17.2 percent below the average for this time of year. Support is likely near the 2.50 area basis March.