Archer Financial Services, Inc.

Energy Brief

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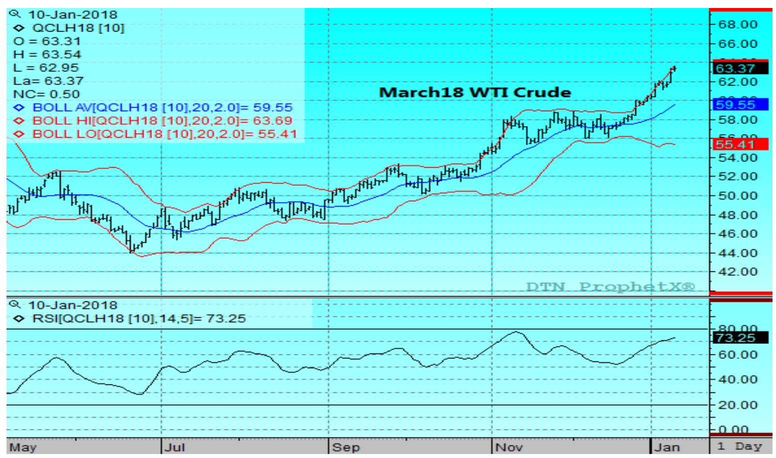
Price Overview

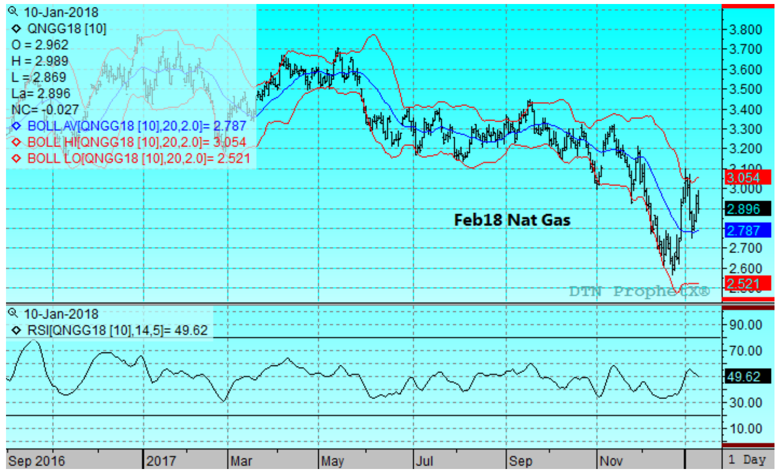
WTI crude oil saw strong upside follow through overnight as good buying interest developed in response to the 11.2 mb drawdown in crude inventories reported by the API, compared to expectations of a draw of 4.0 mb. Additional support was provided by nervousness ahead of the US decision to extend sanction relief to the Iranians as part of the 2015 nuclear agreement. Ideas that the re-imposition of sanctions would restrict Iranian exports helped underpin buying interest. Nevertheless the market failed to attract additional buying once the DOE numbers were released. The report, which showed a draw of 4.9 mb in crude inventories, was seen as disappointing given the API numbers and led to profit taking. A firm undertone continued in crude given the ongoing draw down in stocks, and particularly Cushing stocks, which fell by 2.4 mb and currently stand at 46.6 mb. This is the lowest level since February, 2015. Product markets generally traded under pressure with weakness on both an outright and spread basis linked to the build in gasoline inventories of 4.1 mb and in distillate of 4.3 mb. Net imports of crude and petroleum products remained low at 3.4 mb/d, compared to 5.2 mb/d a year ago, a decline of 33 percent.



We attribute the contraction in US import levels to the Saudi decision to cut their production and likewise their exports. The move is meant to support values and limit downside pressure. Todays' movement took out our stop on the short position established yesterday at 62.45 basis March. At this juncture given the strong technical makeup of the market we are content to stand aside until a more definitive top is established. We still see the potential for resistance to build as supplies improve from the North Sea and Libya. The weakness to the cracks also might be foreshadowing some softness to the market as well. The sizable build in US product stocks will eventually limit crude oil inputs and likewise moderate stock declines in crude.

Natural Gas

Prices traded on the defensive as an early rally attempt failed to be sustained. Buying appeared to be linked to the EIA report tomorrow, which is expected to show a record high withdrawal of 332 bcf. compared to 151 bcf last year and a 162 bcf draw for the five year average. This would put stocks 11.5% percent below the five year average. The markets failure to respond to the low stock levels appears to reflect ideas that production will rebound from the lower levels recently recorded as temperatures moderate. We look for values to be undercut by more moderate temperatures that should carry values back toward the 2.75 area basis February.



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