Archer Financial Services, Inc.

# Energy Brief

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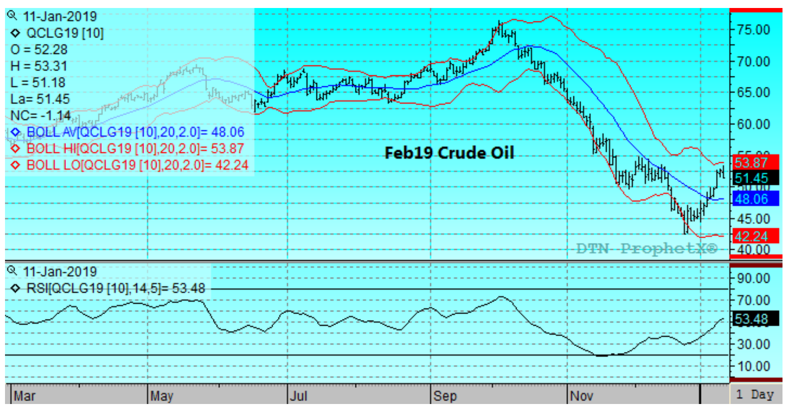
## Price Overview

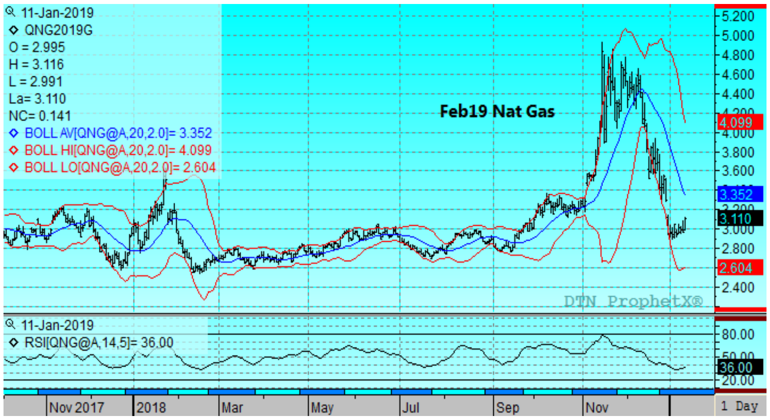



The market traded under pressure on profit taking following the strong gains this past week. Some caution was apparent on continued uncertainty over the status of trade talks between China and the US along with the prospect for a slowdown in China and globally adversely impacting demand.

The fears over global economic activity might remain a headwind to the market in the near term given signs of economic slowing not only in China but also in France and Germany. Forecasts for economic activity globally have been revised down to below 3 percent for 2019 with a some fearing a recession amid trade disputes and debt expansion.

Despite the global economic concerns the market might begin to consolidate in the $50-$54 per barrel range for WTI. From our perspective, the  market needs time to assess both the supply and demand prospects. On the bullish side, strength to Indian demand has been apparent with crude import levels reaching a record high level of 4.6 mb/d, an increase of 4.8 percent with crude imports rising by 11 percent against year ago levels. Stock .levels in Singapore also dropped to a 6 week low eventhough net import levels increased suggesting good offtaake. With respect to the OPEC agreement, Russian production  fell to 10.38 mb/d in early January which is the baseline from which Russia agreed to cut their production 230 tb/d in the first quarter. Iranian export levels also remained subdued in January near 1 mb/d despite the waivers compared to 2.5 mb/d in April. On the negative side remains not only demand uncertainty but high US production levels leading to an increase in inventories not only in the US but also overseas. The most recent ARA report for key ports in Europe showed a large increase in product inventories which rose by 235 tmt or close to 1.3 mb. The increase was concentrated in diesel which rose by over 286 tmt or 1.6 mb.

## Natural Gas




Prices were firm on renewed buying in response to forecasts for cooler temps through the end of the month. The change in forecast has led to demand forecasts rising to 116.7 bcf/d and 124.5 bcf /d in two weeks from 104.3 bcf/d this week. Neveertheless stocks are moving back toward the five year averages with forecasts indicating the prospect for stocks falling to 11.1 percent below the five year average. For next weeks EIA report forecasts point to a stock drawdown of 71 bcf compared to a draw of 208 bcf last year and a five year average decrease on the five year average. Production estimated at 87.2 mcf remains high relative to the record high daily output level of 88.8 bcf/d. We stillexpect buying interest to return for a test of the 3.12-3.15 basis Feb area as the market attempts to fill the chart gap from December 28.