Archer Financial Services, Inc.

Energy Brief

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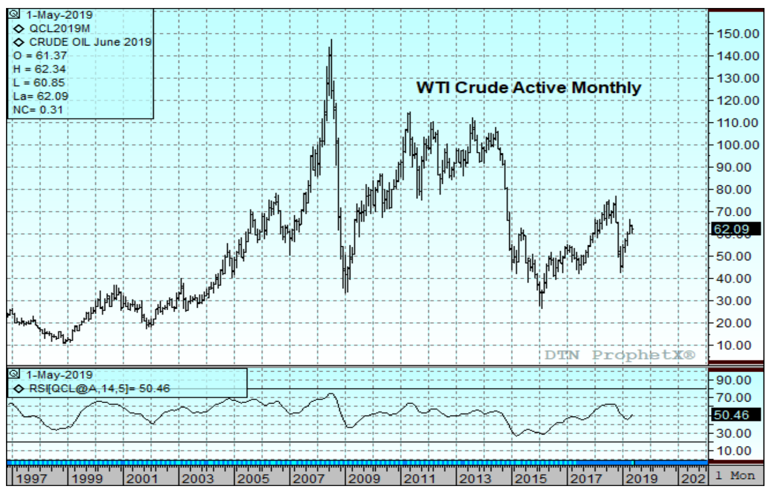
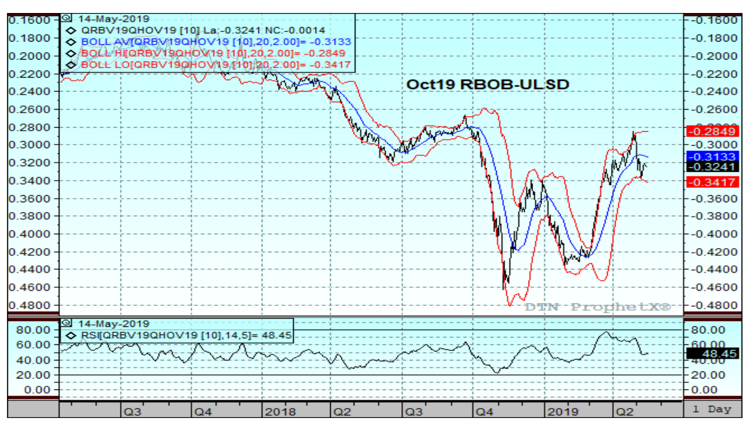
Price Overview



Heightend geopolitical risk remains the order of the day. The evacuation of personnel from the Iraqi embassy helped support energy values as concerns built over the potential for military action between US and Iran.

Although prices for WTI moved higher, the move remained unimpressive relative to products, which gained sharply in anticipation of greater demand and restrained refining during turnaround. With the US moving out of turnaround, increasing refinery utilization should aid availability of gasoline which has been tight due to high exports.

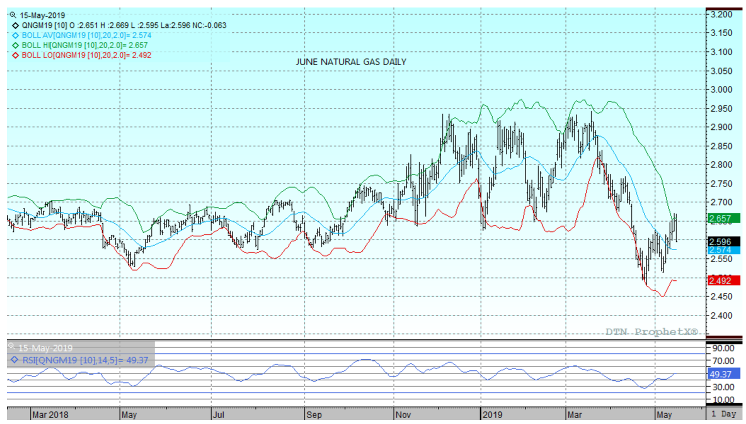


The DOE report helped contribute to the strengthening of both the gasoline crack and the 2 oil crack. The build in commercial crude inventories of 5.4 mb was above expectations but not as bearish as it could have been given the withrawal of 1.8 mb from the SPR. Crude stocks rose by 3.7 mb overall. In products the build in distillate of .1 mb and modest draw in gasoline stocks of 1.1 mb likely reflects the move out of turnaround and that previous bottlenecks have improved. The potential that Midwest planting will pick up should help tighten deisel supplies near term and in the longer term better support should emerge as we move toward the deadline for usage of bunker fuel in 2020. This should support the deisel to gasoline spread near current levels of 31-32 premium October deisel, with potential toward 40 and risk at 27.50 on a settlement basis.

Although crude prices were stronger overall due to the headline news the, IEA monthly Oil Report seems to sum it all up. "Despite the difficult geopolitical backdrop and other supply problems, headline oil prices are little changed from a month ago….."

We still see bearishness linked to fears of economic slowing being counterbalanced by supply and geopolitical concerns in the Middle East. Until these issues are resolved we expect a choppy trading range will evolve in the prompt month crude near the 60.00-65.50 area until the effectiveness of the sanctions can be assessed, the output levels from OPEC are determined for the 2nd half of the year, and the OPEC meeting on June 25-26th takes place.

Natural Gas



After an early failure to extent past yesterday's highs, the market steadily weakened through the remainder of the session. The June contract touched 2.669 before retrenching to end the day off by over 5 cents at 2.601. Demand over the next two weeks was revised slightly lower and assisted the selling pressure, but for the most part the weather has done little to spur volatility during the shoulder months. Tomorrow's storage report is expected to show a 104 bcf injection into storage against the average for this time of year at 89. With most news sources expecting the market to weaken, we would not be surprised to see prices make a contrary attempt at the recent double top at 2.670 after tomorrow's storage release is digested. Improving exports and slightly lower recent production levels could help form the basis for a continuation of the recent creep higher as we head in to the summer months and the potential risks are assessed.