Archer Financial Services, Inc.

Energy Brief

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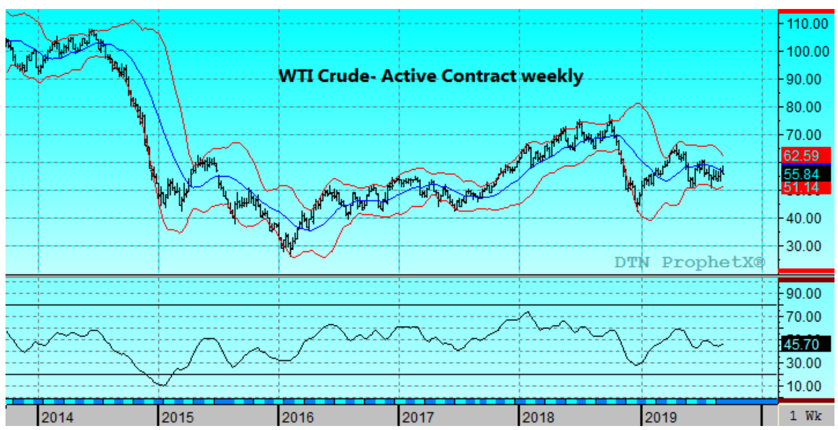
Price Overview



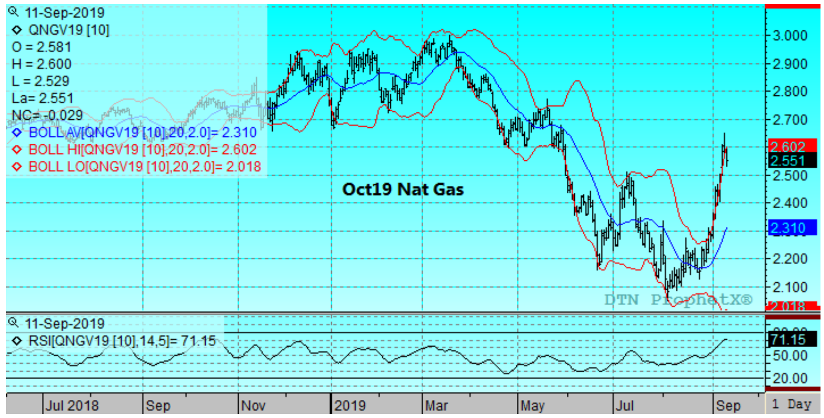
Prices came under concerted selling pressure on reports that President Trump had discussed easing Iranian sanctions. Reports that the idea had resulted in John Bolton's firing/resignation appeared to help encourage the bearish sentiment. The news helped offset buying linked to the sharper than expected decline in US inventories, which had underpinned values early in the session. In the background were reports that OPEC had cut its 2020 demand forecast due to the global economic slowdown and the need for ongoing efforts to prevent a glut of crude.

The pressure on OPEC appears to be building just as tensions between the US and Iran might be easing. How quickly that might bring the re-entry of Iranian crude to world markets and its potential price impact remains to be seen, but it certainly sets up tomorrow's OPEC monitoring meeting as a key issue for the market. One has to consider that the recent shakeup at the Saudi Oil Ministry might have been a prelude to recent developments and the prevailing uncertainty. How quickly the new minister addresses imbalances within the market is a key consideration given the Saudis' need to support prices ahead of the Aramco IPO. Any action could be for naught if significant strides are made at reducing tension between the US and Iran.

Despite the sharper than expected draw of 6.9 mb in crude stocks, the DOE report was once again treated as a non-event given other developments. In products, gasoline stocks showed a draw of .7 mb while distillate increased by 2.7 mb. We believe that the decline in inventories is not as serious as it has been in the past given the expansion in US production sources and higher exports adding to the US supply situation.

Today's news that a thawing of tensions with Iran might be in the cards suggests that the 50.00 level on the downside is certainly achievable as demand struggles. However the OPEC monitoring meeting tomorrow might provide the basis for caution.

Natural Gas



Prices came under modest pressure reflecting some tempering of bullish sentiment due to yesterday's failure at the 200 day moving average in the 2.63 area basis October, and the EIA release tomorrow. Buying still appeared to be linked to forecasts for above normal temperatures for the Eastern half of the US over the next two weeks and the associated increase in demand, which is projected at 88.2 bcf compared to 80.6 on the five year average. Supply is expected to remain high and total 92.5 bcf compared to 85.3 bcf for the five year. The EIA report tomorrow is estimated to show an injection of 82 bcf compared to 68 a year ago and 73 bcf for the five year average.

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