Archer Financial Services, Inc.

Energy Brief

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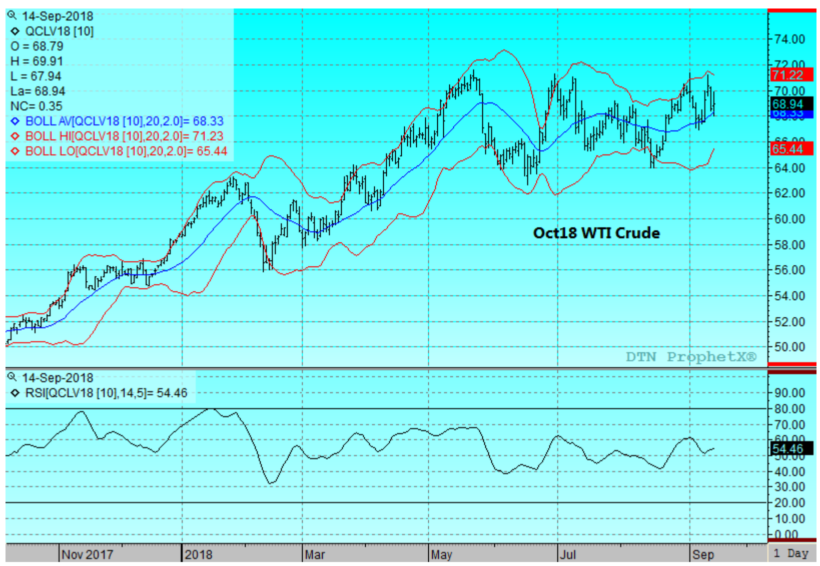
Price Overview



The petroleum complex traded in a volatile fashion with talk of an announcement by Secretary of State Pompeo on Iranian sanctions and a missile strike by Houthi rebels in Yemen giving way to fresh selling at the higher levels on news that additional tariffs would be placed by the US on China following some recent optimism that a deal could be reached. The IEA report suggesting supply availability remains more than adequate currently is a key consideration for the market given the uncertainty over how quickly and at what level Iranian sanctions will be implemented. In addition, the possibility also exists for a postponement of the sanctions to help ease pressure on energy values ahead of the sanctions. Whether Russia, Saudi Arabia and the US can compensate for any shortfall in Iranian supplies continues to be a key consideration. Perry's visit with Russia and Saudi Arabia did little to assuage the uncertainty with no clear cut strategy indicated except for expanding production at a time when Iran will likely sharply discount their crude to attract buyers.

The highlight of the IEA report was indications that global production had reached record levels. Key highlights of the report were:

- Global oil demand growth estimates for 2018 and 2019 are unchanged at 1.4 mb/d and 1.5 mb/d, respectively. The pace of growth slowed sharply in 2Q18, caused by weaker OECD Europe and Asia demand. US gasoline demand growth eased due to higher prices.

- Non-OECD demand remains resilient but there is a risk to the 2019 outlook from currency depreciation and trade disputes. Demand in China and India combined will grow by 910 kb/d in 2018, but the pace slows to 640 kb/d in 2019.

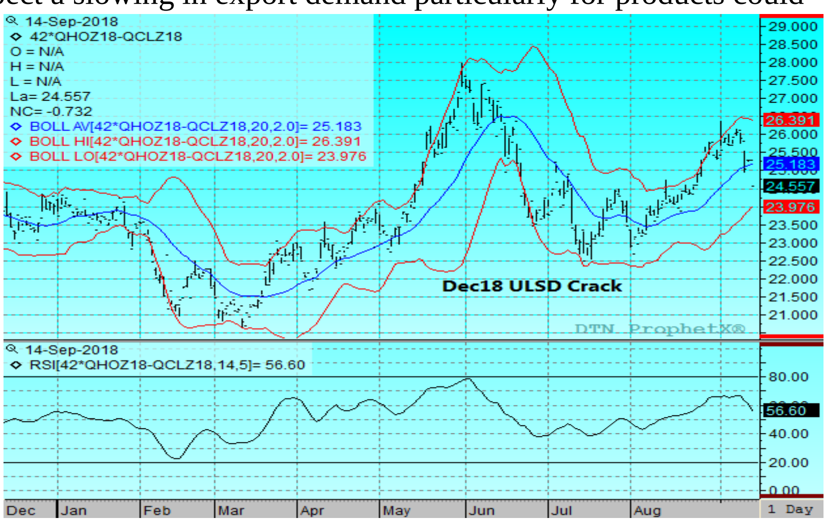
- Global supply in August reached a record 100 mb/d as higher output from OPEC offset seasonal declines from non-OPEC. Nevertheless, non-OPEC supply was up 2.6 mb/d y-o-y, led by the US. Non-OPEC production will grow by 2 mb/d in 2018 and 1.8 mb/d in 2019.

- OPEC crude supply rose to a nine-month high of 32.63 mb/d in August. A rebound in Libya, near record Iraqi output and higher volumes from Nigeria and Saudi Arabia outweighed a substantial reduction in Iran and a further fall in Venezuela.

- From August's record rate of 83.5 mb/d, global crude runs decline due to maintenance before surging in December to another record high of 84.5 mb/d. US refining is booming with runs almost reaching 18 mb/d in August, while Latin American activity continues to fall.

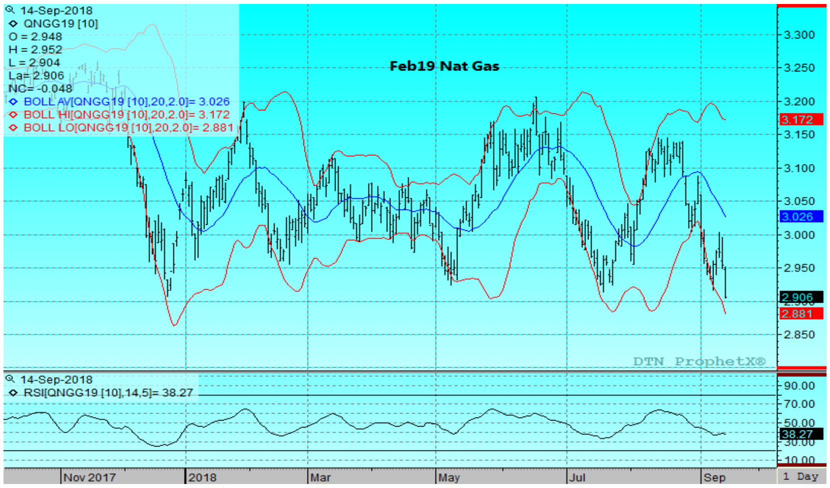
- OECD commercial stocks rose 7.9 mb in July to 2 824 mb, only the fourth monthly increase in the last year. Stocks have been stable in a narrow range since March. Preliminary data for August point to significant inventory builds in Japan and the US, and a fall in Europe.

For the most part we still suspect a slowing in export demand particularly for products could limit further upside potential, It appears that the market has priced in the potential tightening in crude supplies as we move into the last quarter of 2018, and resistance is likely to remain considerable near 71.26 basis October particularly if trade disputes remain in the background and questions over global growth remain. The high runs projected in the 4th qtr looks to be weighing on values particularly if demand softens in Latin America due to the debt crisis.



Natural Gas

Prices fell by 5 cents in Oct Nat Gas. The weakness was traced to concerns demand will fall in response to more moderate temps and reduced power usage due to Hurricane Florence related losses to the electric grid. The prospect stocks will build by over 80 bcf in next weeks EIA report compared to 96 bcf last year and 76 bcf for the five year average. Record high production remains a limiting influence on values. However with stock levels remaining low, the market is sensitive to any cold weather forecast as we move toward winter. The break down of the February contract to the lows of late Decemebr might attract followthrough to as low as 2.85 before fresh support develops.



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