ADM

Archer Financial Services, Inc.

Energy Brief

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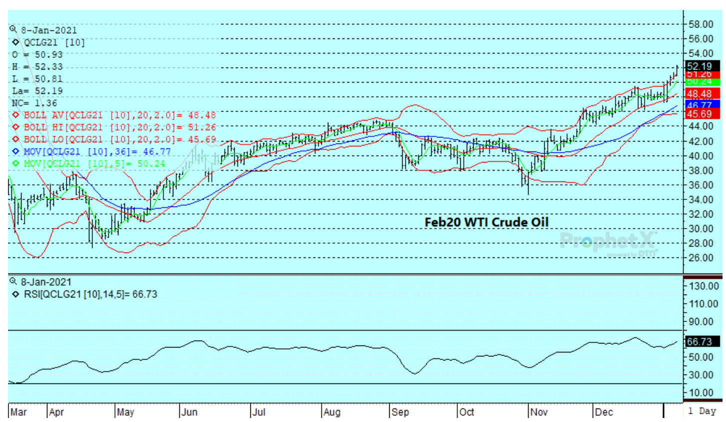
Price Overview

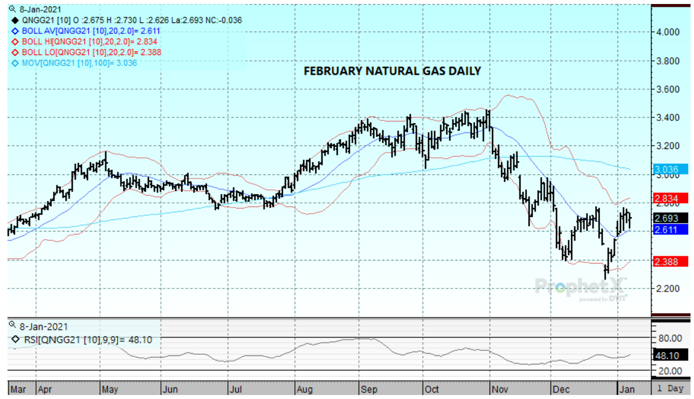


The petroleum complex continues to trend higher and has exceeded our expectations on the upside. The decision by Saudi Arabia to pledge an additional output cut of 1 mb/d in February and March is the primary focus as speculative interests appear intent on adding to long positions amid optimism over demand revival later this year on the back of additional stimulus. The fact that the Saudis were prepared to address demand uncertainty despite values moving to levels where production will be encouraged in countries not party to the OPEC agreement has helped provide confidence in the market's upside track. In the background are ongoing concerns over demand trends, weak refining margins along with the high stock overhang and other uncertainties including expansion in production by non-participants such as the US, Canada and Brazil. With OPEC still expecting members that had previously overproduced to compensate with future restraint, they might see any failure to honor prior pledges as a sign of weakening support for the agreement.

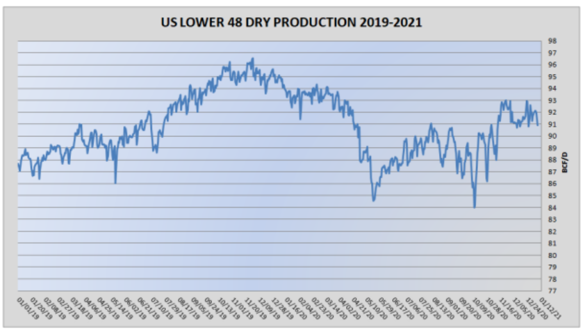
For next week the market will anxiously await the Monthly Oil Reports from OPEC and the IEA scheduled for release on January 14th. to see how the supply/demand situation is shaping up. The potential for a modest surplus in the first quarter still exists. While demand recovery is possible for the 2nd quarter, how quickly it emerges is still a concern. The OPEC action for now has forestalled additional price weakness. Nevertheless the threat from production increases by non-

OPEC+ members remains, particularly given current price level, and should pose continued challenges to the upside as OPEC market share is eroded.

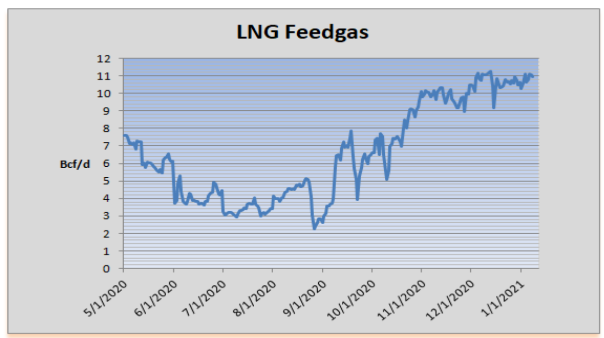
Natural Gas



After 5 straight days of higher closes the natural gas market finally saw some selling interest develop as the February contract ended the session 3 cents lower at 2.70. Despite the setback prices still managed to gain over 15 cents on the week, primarily spurred by weather forecasts that began to indicate increased HDD's early in the week. Ensuing forecasts have had a tendency to push the cooling further out on the calendar, which slowly deflated the upside euphoria by the end of the week.



Offering underlying support has been an easing of production levels, which have slipped to near 91 bcf/d recently. LNG exports also continue at near capacity as cold temperatures in Europe and Asia have kept upward pressure on overseas demand and prices. With these fundamentals in place the bottom line remains weather, and a follow through of the recent rally will require continued normalization of temperatures. Initial resistance on a continuation likely emerges near the double top on the charts in the 2.77 area, with more substantial cooling possibly leading to a test of 3.00 and the November gap. Any significant revisions toward warming could lead to a quick pullback to the 2.55 area.



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