

# Eagle News



EAGLE EQUITY HOLDINGS, LLC

Q3 2016

## Energy Fund II

### Looking Back

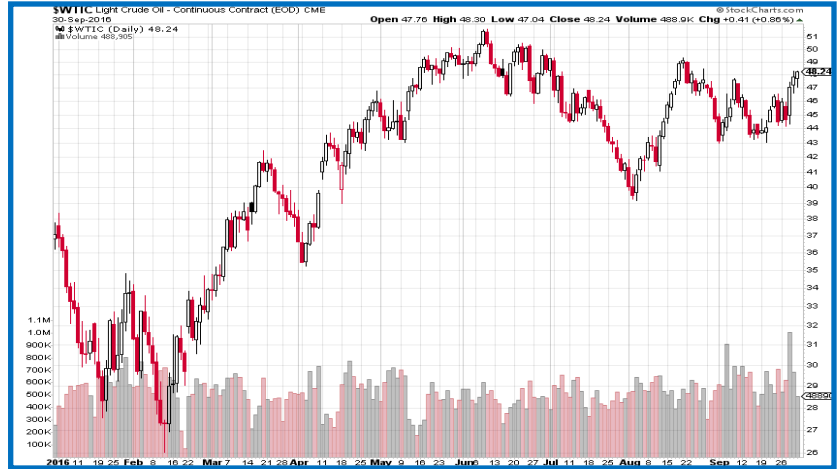
First, let's look back at what happened to the price of (WTI) crude oil over the past few months.

After forming a \$26 bottom in Q1, oil has risen back to the \$50 level in Q2 and since then seems to be range bounded between \$40 to \$50.

The most important event in Q3 got to be the OPEC meeting from Sept 26th to 28th. The market has been skeptical if OPEC could reach any agreement since the April failure in Doha. So, the result of reaching a preliminary agreement was a bullish surprise.

US crude oil inventory also ended Q3 with 5 consecutive weeks of decline. Currently crude inventory is 10% higher than Sept 2015. Gasoline inventory is 2% higher and distillate is 8% higher than last year.

On the natural gas side, we started the injection season with a 27% surplus over last year. But high summer temperature increased power generation related natural gas consumption (power producers burned a record level of 1,184 bcf in July 2016), and brought the surplus down to just 2.6% higher than last year. This glut re-balancing pushed the natural gas price to above \$3 per mmbtu (from a low of \$1.7 per mmbtu in March).



## Eagle Focus

### Looking Back:

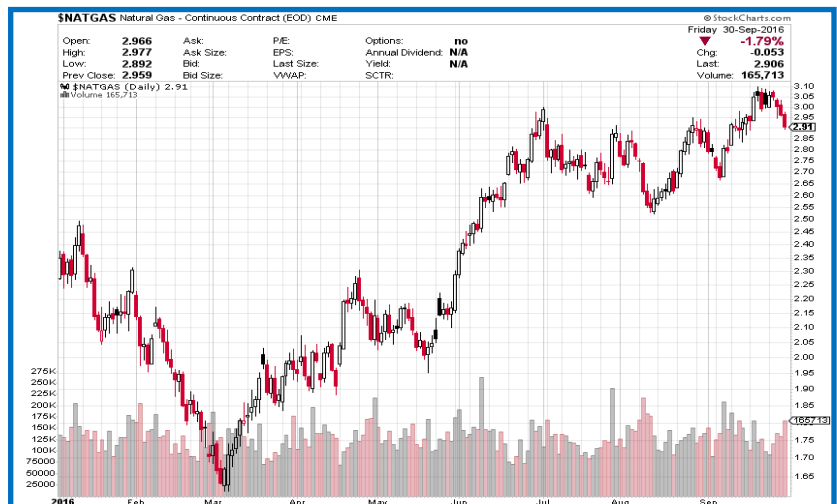
- OPEC surprise preliminary agreement in Algiers
- An extended hot summer pushed natural gas price above \$3 per mmbtu

### Looking Forward:

- OPEC decision should provide a floor on oil price
- Natural gas storage glut is gone and all eyes are on winter

### Investment Opportunities:

- With commodity prices stabilized, we should see capital gain opportunities with energy related equities
- The combination of winter and a fundamental re-balancing of supply/demand, natural gas should provide both short and long term investment opportunities



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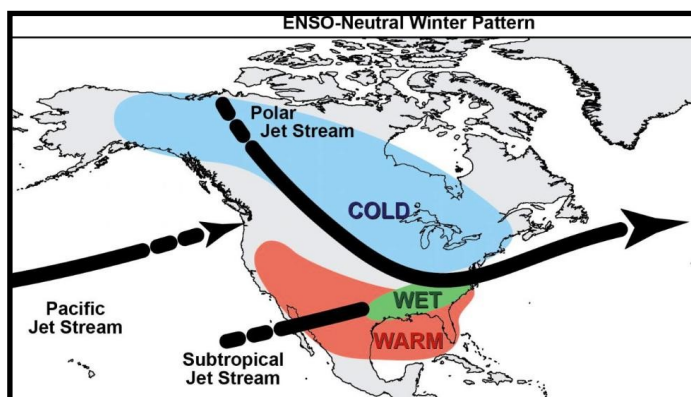
## Looking Forward

The Sept OPEC meeting decision should help set a floor on oil price from now until the official meeting in Nov. We might even get some supportive statement from meetings with non-OPEC producers, such as Russia, along the way.

Natural gas is likely to end the injection season near or below the 3.9 TCF level, bringing it back to within the normal range. Focus will turn to winter and the withdraw rate. Experts are still debating whether it is going to be a weak La Nina or ENSO type winter. Either one should result in a more normal winter compare to the exceptionally warm winter last year.

## Investment Opportunities

We continue to focus our investment strategy to profit from higher crude oil and natural gas prices and the related impacts to energy equities. The OPEC decision provide a floor to the oil price. We believe the supply & demand fundamental is changing with natural gas and will begin to push price higher. We are paying close attention to the production, consumption, storage level and weather forecast to capture this opportunity.



## Dear Eagle—Q&A

### What was the result of the Sept OPEC meeting?

OPEC held an informal meeting in Algiers from Sept 26 to 28. At the end, the cartel reached a preliminary agreement to curb oil production for the first time in eight years. The deal will limit output from OPEC countries to between 32.5M to 33M barrels per day. Specific quotas will be discussed and voted on during the next formal meeting on November 30th in Vienna.