

IAF Advisors  
Energy Market Outlook  
Kyle Cooper, (713) 722-7171, Kyle.Cooper@IAFAdvisors.com  
February 1, 2013

**Price Action:** The market was again weaker as prices fell 14.3 cents (4.2%) to \$3.301 on an 18.9 cent range.

**Price Outlook:** The market did establish a new low for in the week. However, prices ended almost exactly in the middle of the weekly price range. With winter coming to an end, our bias is for a new weekly low, but that will still largely depend on weather forecasts. The influence of weather forecasts is diminishing and a test of \$3 is still considered possible in the coming weeks. Although mentioned many times, normal temperatures begin to rise rapidly. By February 15, our temperature index rises 1.34 degrees compared to February 1. By March first, it has increased by 4.04 degrees and by March 15, average temperatures have risen by 7.74 degrees compared to February 1. Residential and commercial demand will be falling rapidly in coming weeks. The rise in speculative net length continued with the 3rd consecutive weekly increase. The net length is now approaching, but still below those late 2012 levels and continued buying could easily support further price advances. However, total open interest fell to 4.63 million contracts as of January 29.

**Weekly Storage:** US working gas storage fell 194 BCF for the week ending January 25. Current inventory levels of 2,802 BCF now fall 164 BCF (5.5%) below last year while surpassing the 5 year average by 307 BCF (12.3%).

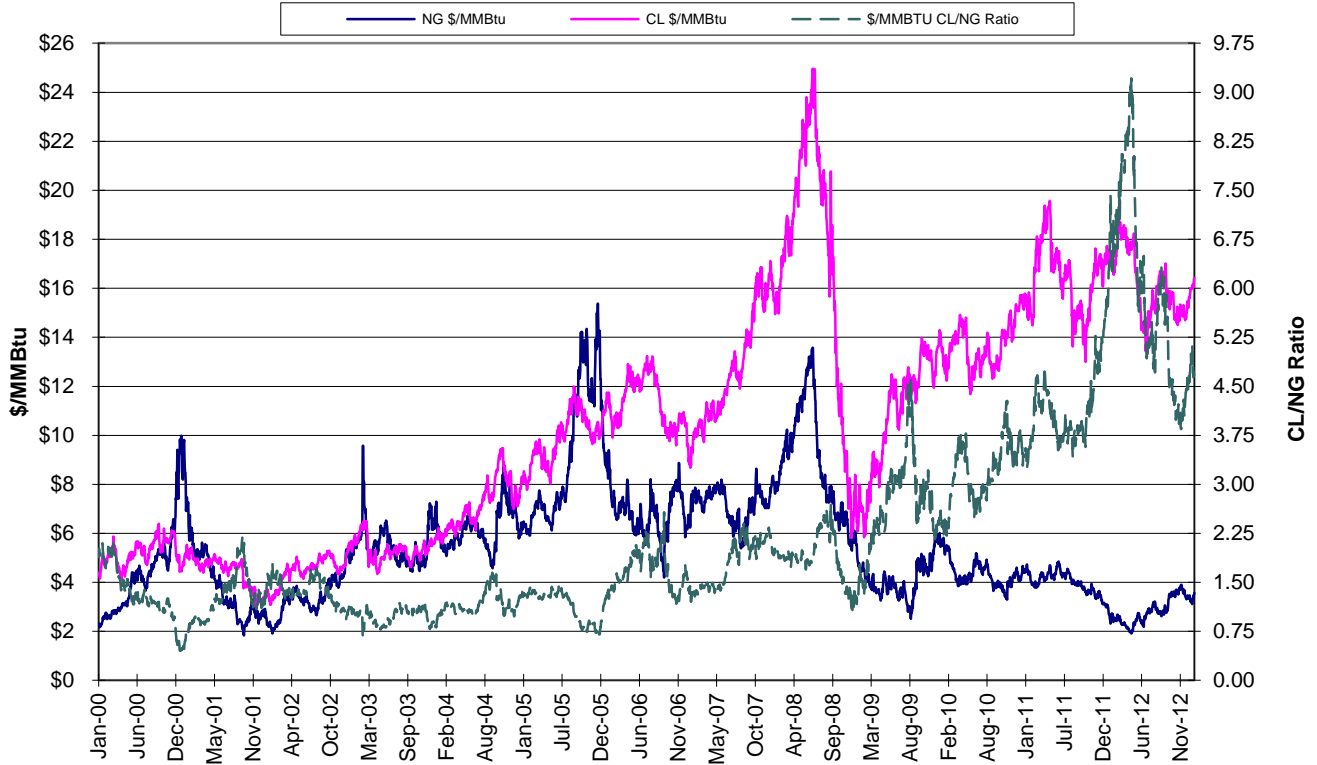
**Storage Outlook:** The withdrawal was quite a bit larger than both last year and the 5 year average, resulting in the bullish storage comparisons. Due to the very warm temperatures last year, the yearly storage comparisons are likely to remain bullish as the YOY storage deficit continues to grow. However, withdrawals are expected to remain near historical averages and the current 5 year average surplus is expected to remain largely intact on March 1.

**Supply Trends:** Total supply rose 1.7 BCF/D to 68.3 BCF/D. US production and Canadian imports both rose while LNG imports and Mexican exports were little changed. The US Baker Hughes rig count rose 11 to 1,764 as increased oil activity offset a natural gas decline. Canadian activity rose again and thus the total North American rig count increased by 15 to 2,389, which now trails last year by 318. The higher efficiency US horizontal rig count rose 9 and at 1,136 falls 38 behind last year.

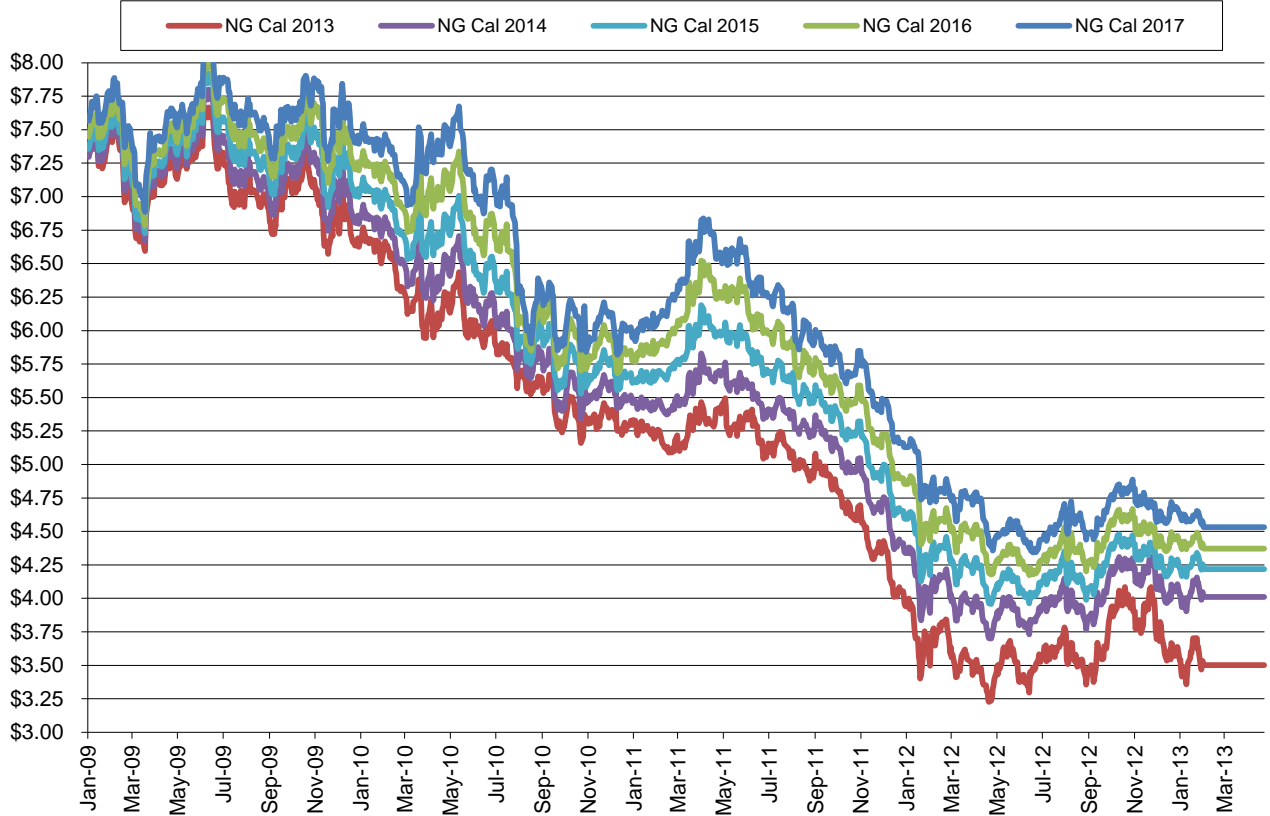
**Demand Trends:** Total demand rose 7.1 BCF/D to 98.1 BCF/D. Power demand fell while all others sectors were higher. Electricity demand rose 1,177 gigawatt-hrs to 80,685, which exceeds last year by 4,985 (6.6%) and the 5 year average by 555 (0.7%). The response of the physical market to price signals remains impressive with temperature adjusted power burn turning higher as prices dropped toward the \$3 level.

**Other Factors:** The S&P 500 continued to advance with as the jobless report was viewed bullishly. Although the January data was disappointing, revisions were very supportive.

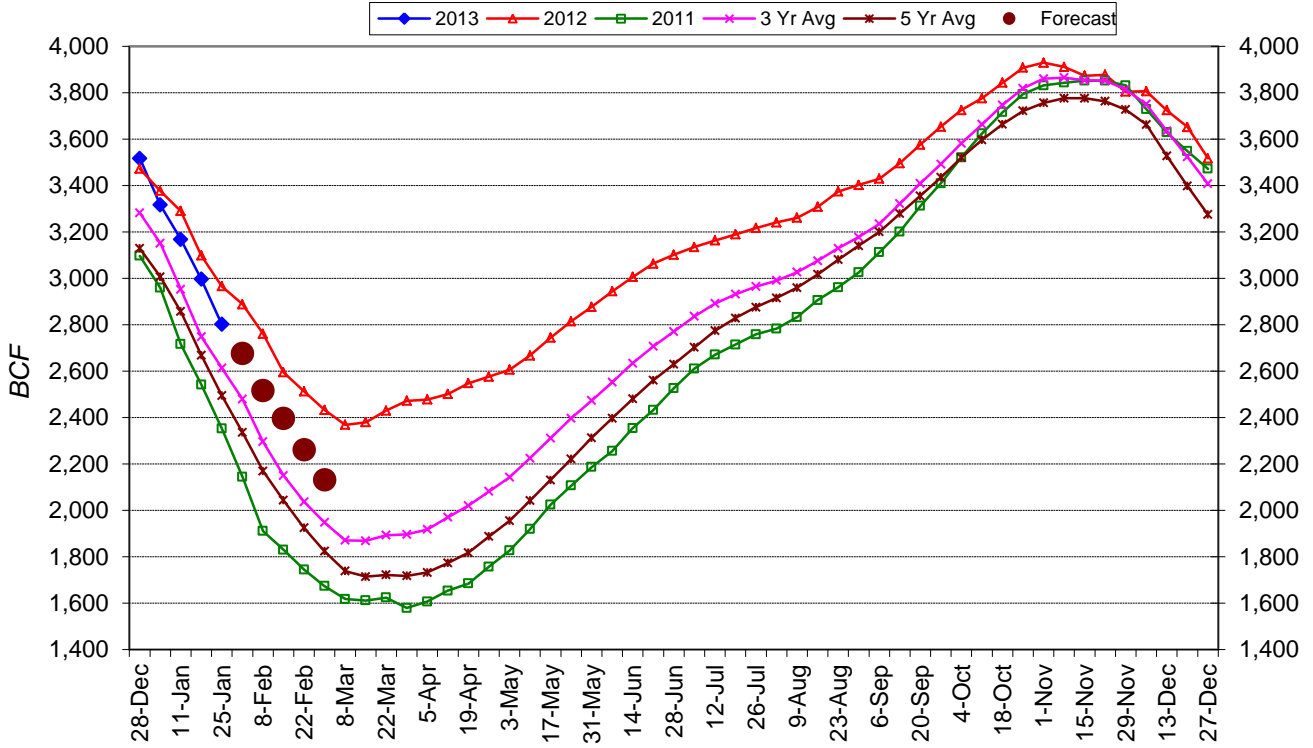
## \$/MMBtu Ratio of NYMEX CL and NG



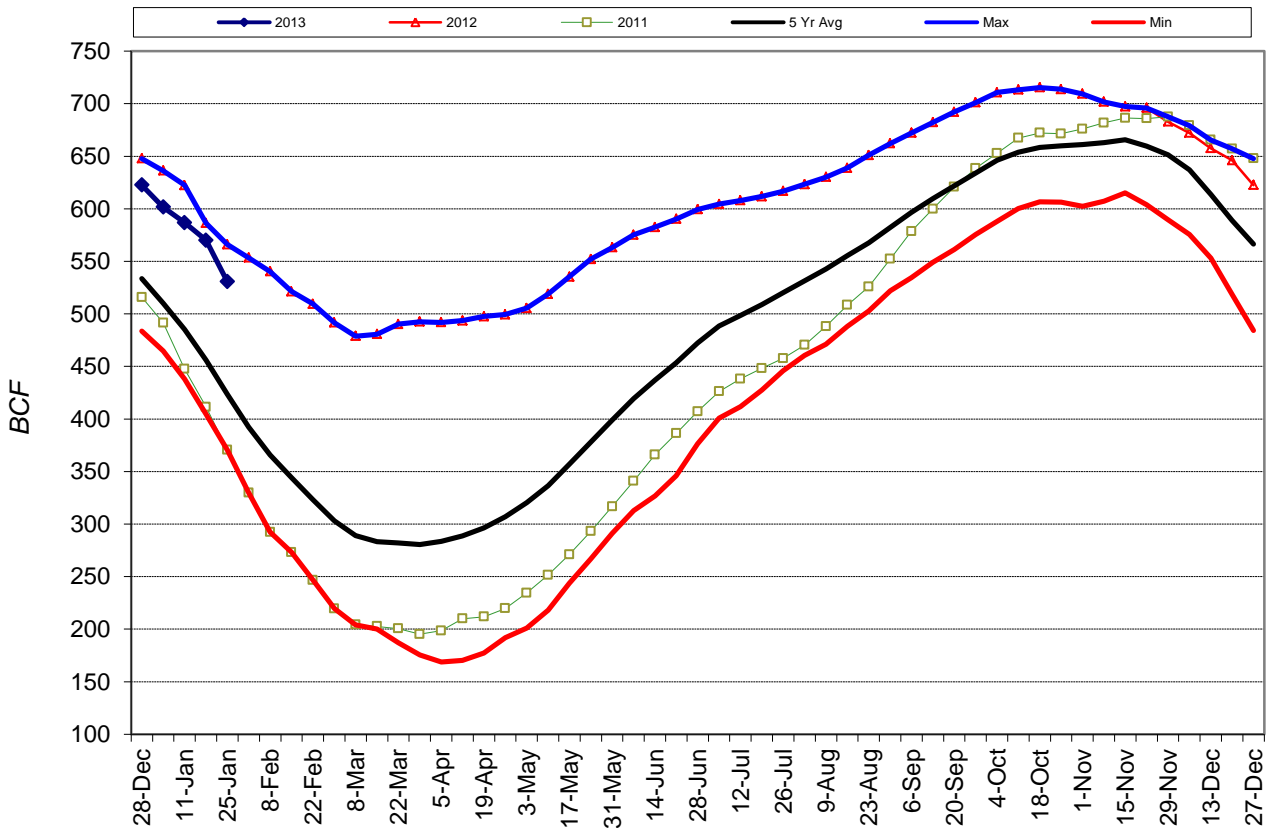
## NYMEX Calendar Strips



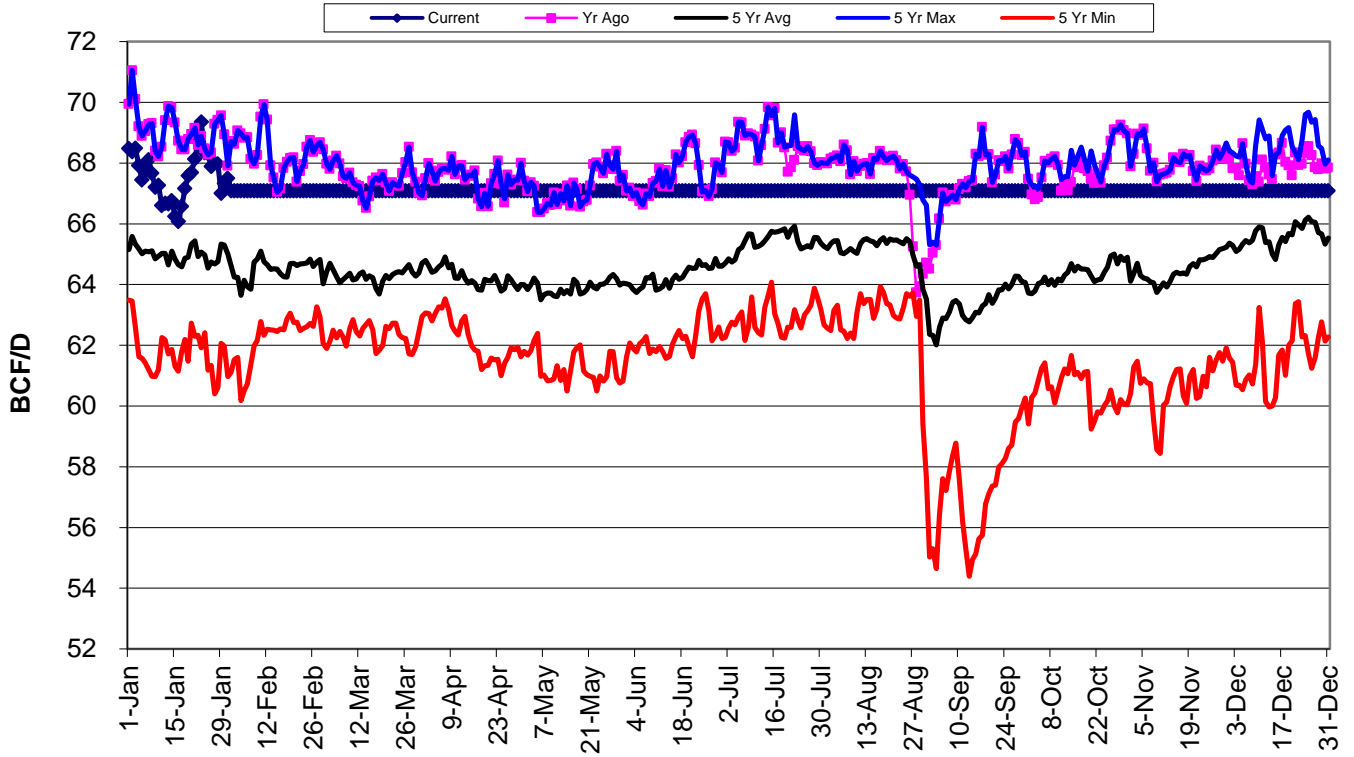
### US Working Gas Storage - Source - EIA



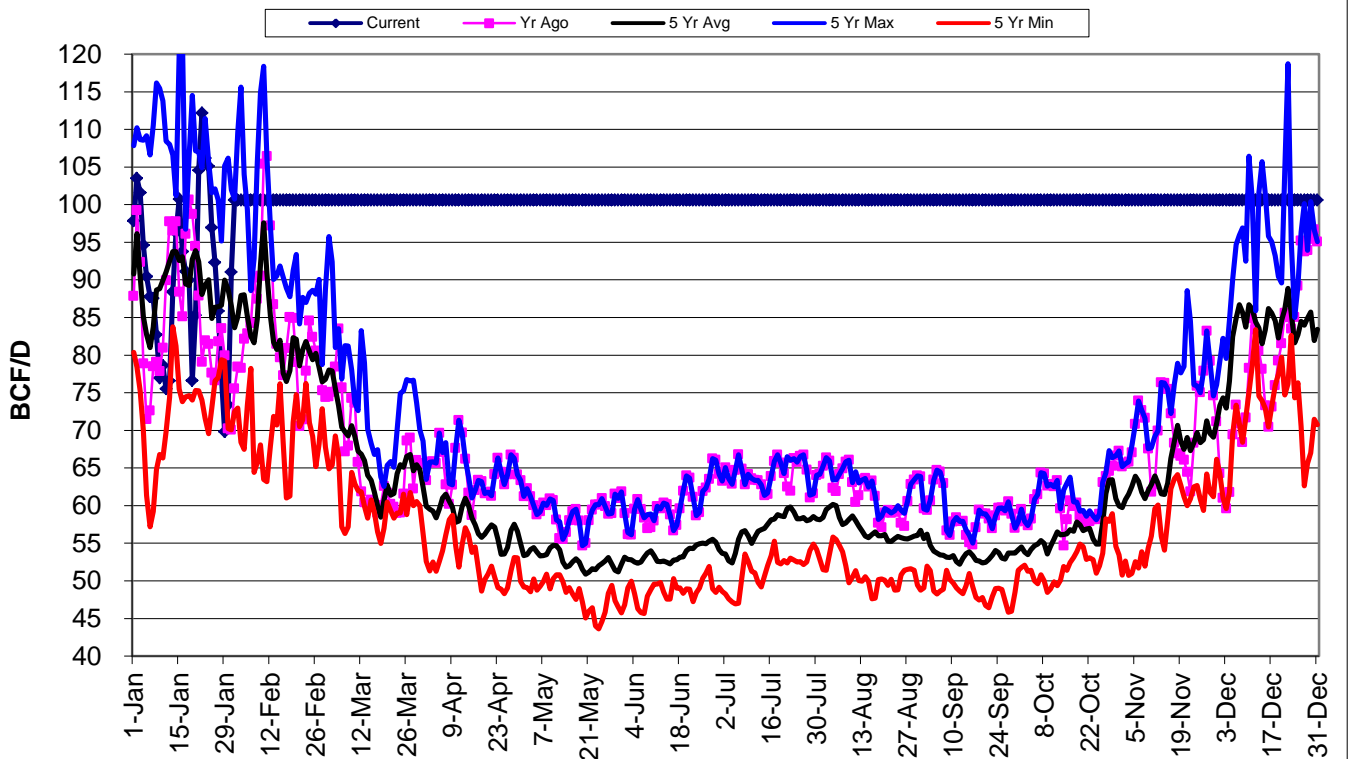
### Canadian Working Gas Storage - Enerdata



### Total US Supply



### Total US Demand



## ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

---

This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any commodity, futures contract, or option contract. Although any statements of fact in this report have been obtained from and are based upon sources that IAF Advisors believes to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. IAF Advisors, its officers and/or employees, may at any time have a long and/or short position in any commodity, futures contract, or option contract mentioned in this report. All opinions and estimates included in this report constitute IAF Advisors judgment as of the date of this report and are subject to change without notice.

---

© 2013 IAF Advisors.