

IAF Advisors
Energy Market Outlook
Kyle Cooper, (713) 722-7171, Kyle.Cooper@IAFAdvisors.com
March 8, 2013

Price Action: The market rose again and added 17.3 cents (5.0%) to \$3.629 on a 22.7 cent range.

Price Outlook: The market did not establish a weekly low as expected as cool forecasts and a much larger than expected withdrawal helped lift prices. Although the market has now risen 3 weeks in a row, this is not extreme for natural gas and with prices near the weekly high, a new high is expected. Although well known, the yearly storage deficit will be rising rapidly in the next few weeks. Although a simple year-on-year comparison is simplistic, it is a very influential market barometer and it is bullish. The rise in speculative net length continued with an impressive 8th consecutive weekly increase. This week witnessed another significant increase and the net speculative long position is approaching an all-time high. Total open interest rose to 4.74 as of March 5, which is well below the record open interest of 6.36 million and makes the net long position a rather sizable percentage of the open interest. Any pause in momentum or price drop may be amplified by the liquidation of recent net length. Open interest across the petroleum complex remains elevated.

Weekly Storage: US working gas storage fell 146 BCF for the week ending March 1. Current inventory levels of 2,083 BCF now fall 350 BCF (14.4%) below last year while surpassing the 5 year average by 259 BCF (14.2%).

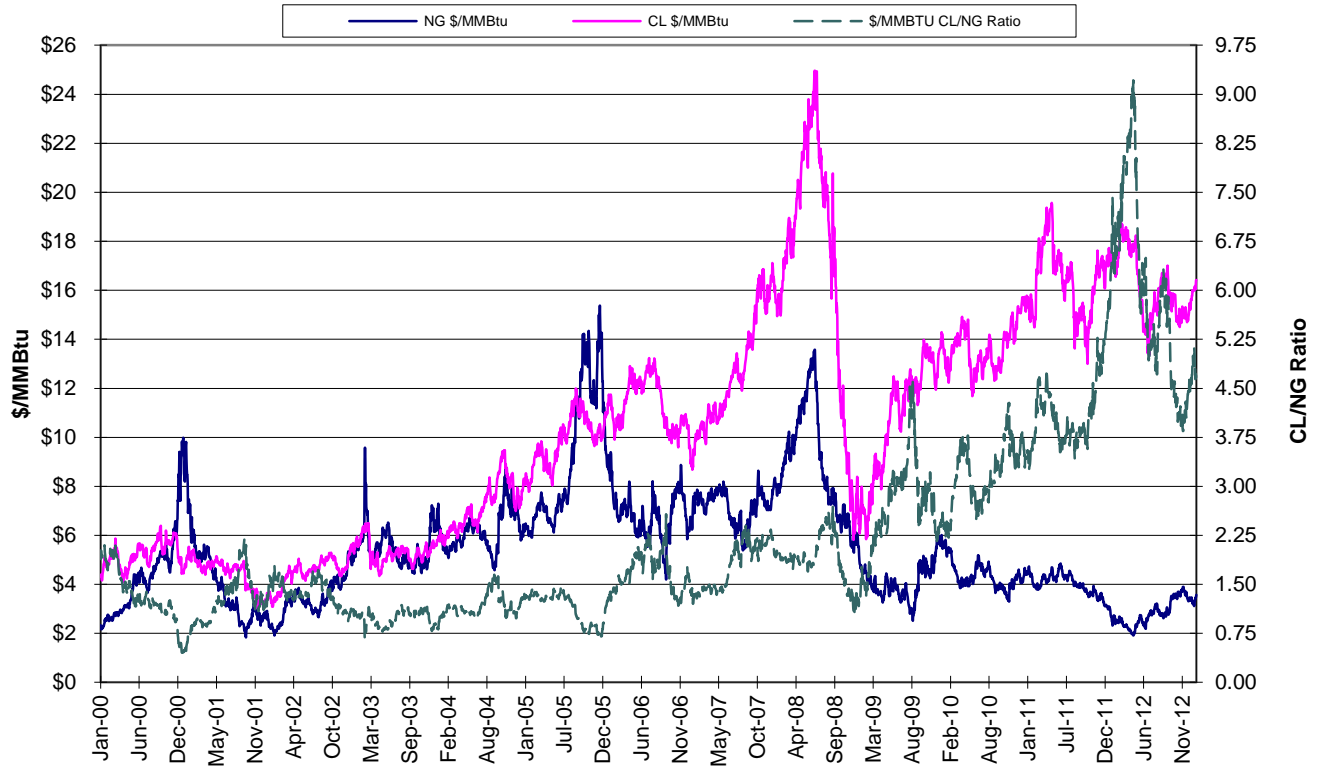
Storage Outlook: This next week's withdrawal will easily exceed last year's draw of (64) BCF and last year witnessed injections beginning with the comparable week of 3/15. While the March storage comparisons are well documented, April injections are projected to exceed last year and begin to reduce what will likely be a deficit near 650 BCF. While the storage deficit is certainly significant, it is expected to be slowly reduced throughout the injection season.

Supply Trends: Total supply was down 0.5 BCF/D at 67.9 BCF/D. A drop in US production was primarily responsible, but all sectors were lower. The US Baker Hughes rig count fell 5 to 1,752 with increased oil activity more than offset by a drop in natural gas. Canadian activity fell substantially and thus the total North American rig count decreased by 80 to 2,322, which now trails last year by 296. The higher efficiency US horizontal rig count fell 11 and at 1,130 falls 34 behind last year.

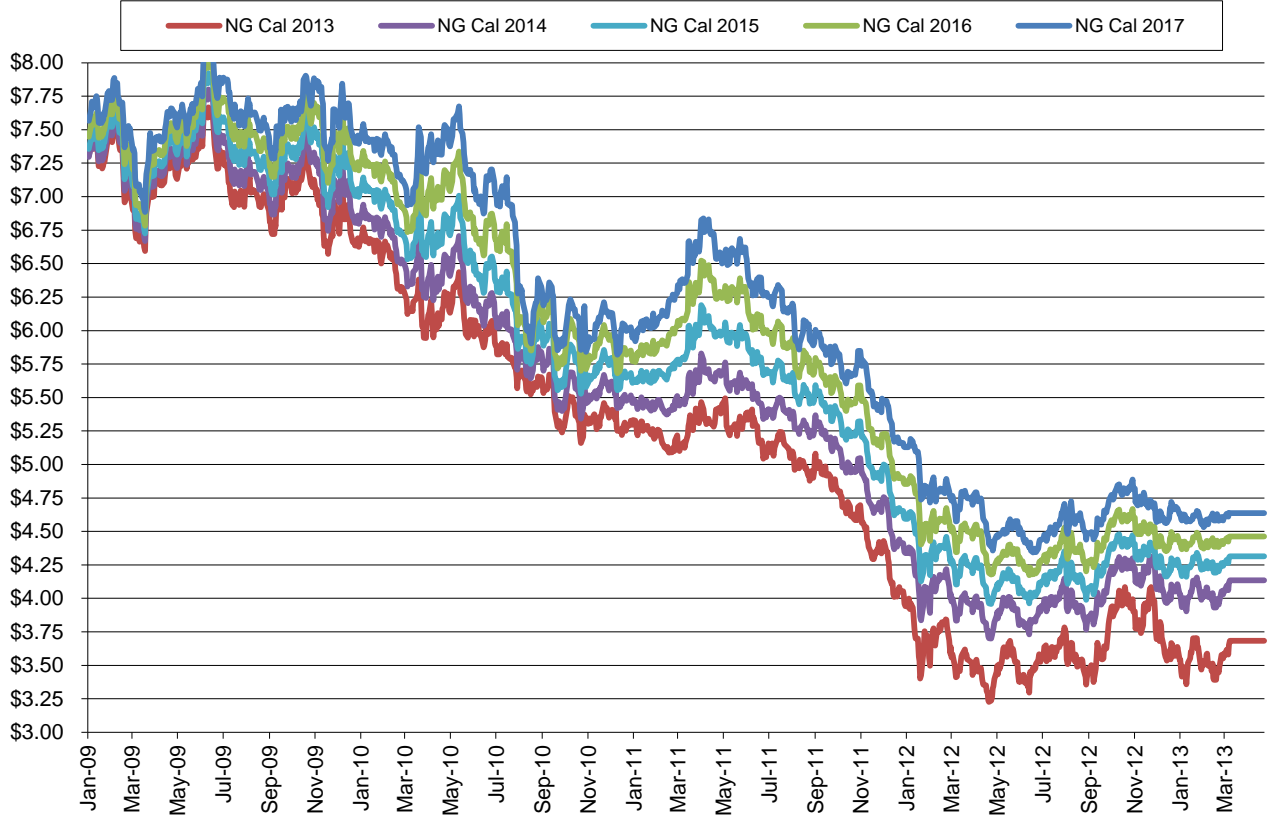
Demand Trends: Total demand fell 8.6 BCF/D to 85.0 BCF/D. All sectors recorded a decrease. R&C was down the most. Electricity demand fell 1,099 gigawatt-hrs to 76,000, which exceeds last year by 4,126 (5.7%) and the 5 year average by 1,303 (1.7%). Temperature adjusted demand seems to be falling, especially in the power sector. Total demand will begin to fall rapidly in coming weeks as temperatures climb with April demand projected to be well over 10 BCF/D less than March.

Other Factors: The S&P 500 continued its' 2013 climb as the US jobs report was considered very positive.

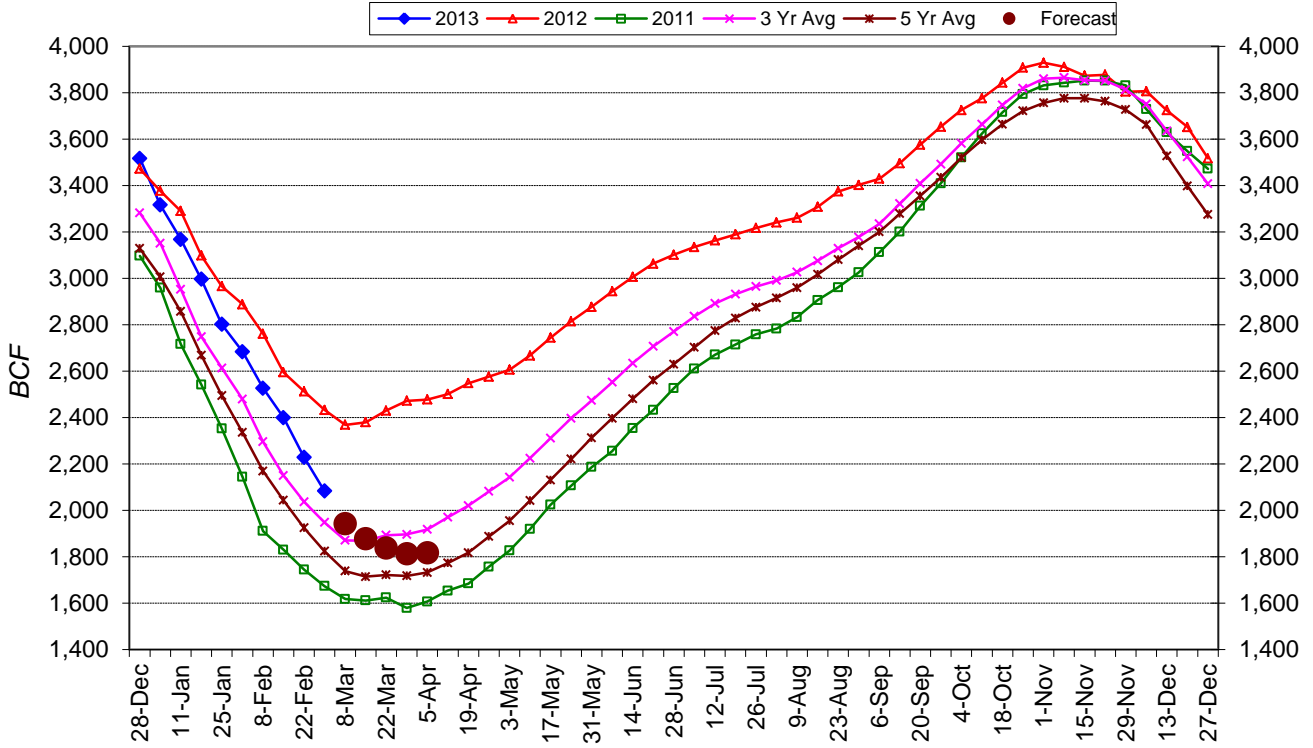
\$/MMBtu Ratio of NYMEX CL and NG



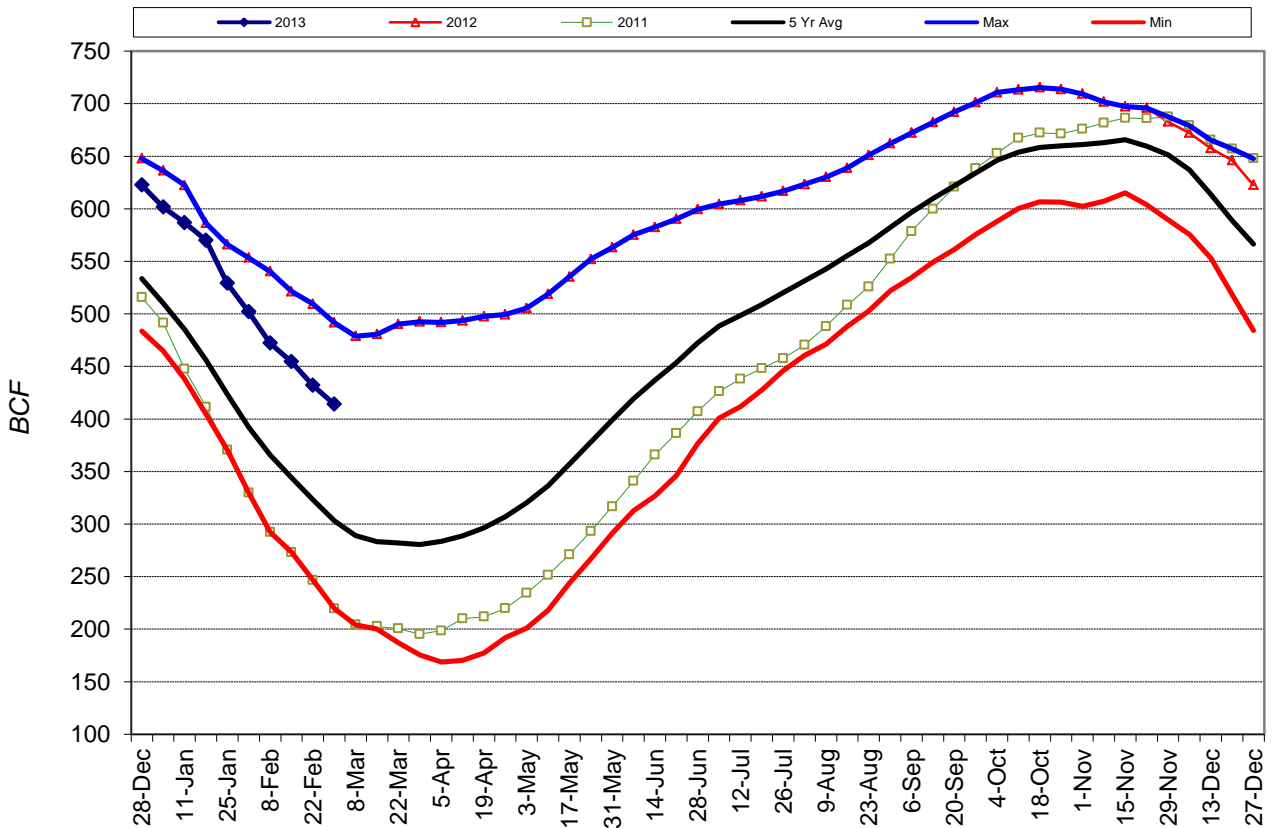
NYMEX Calendar Strips



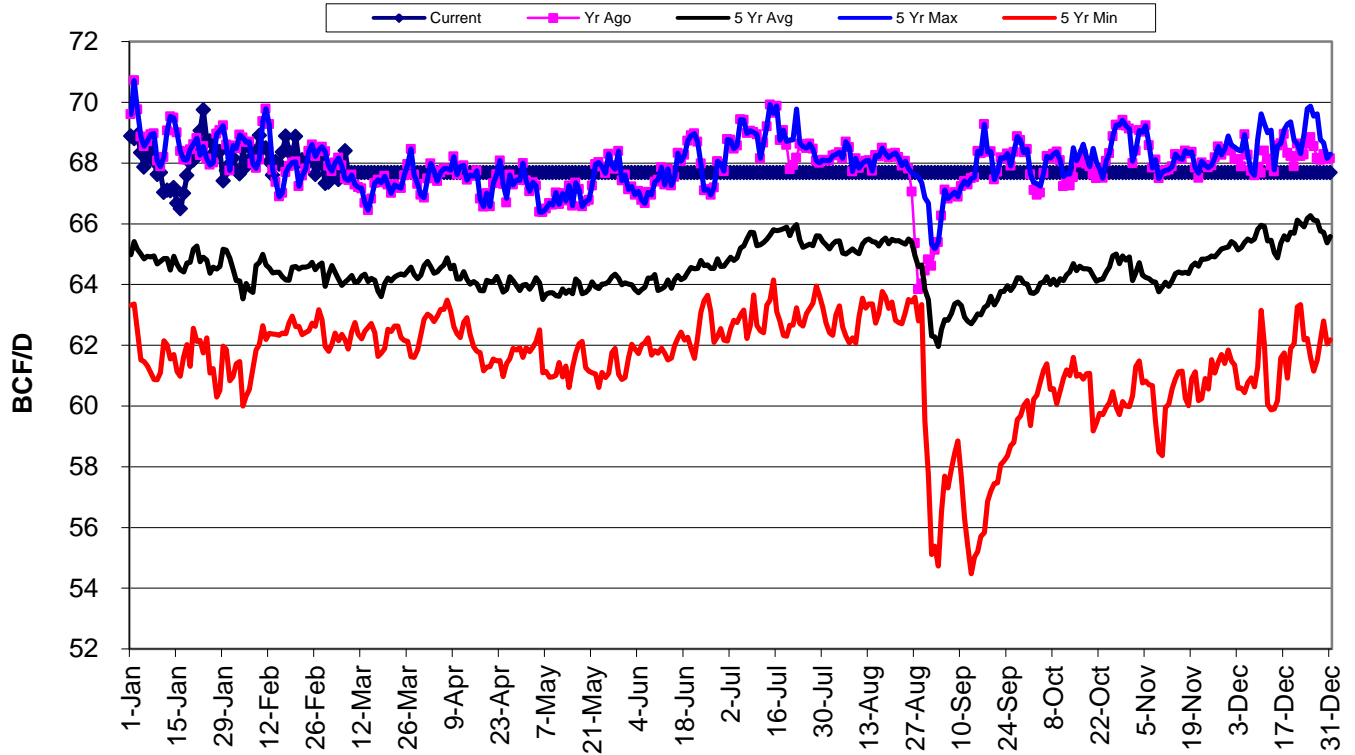
US Working Gas Storage - Source - EIA



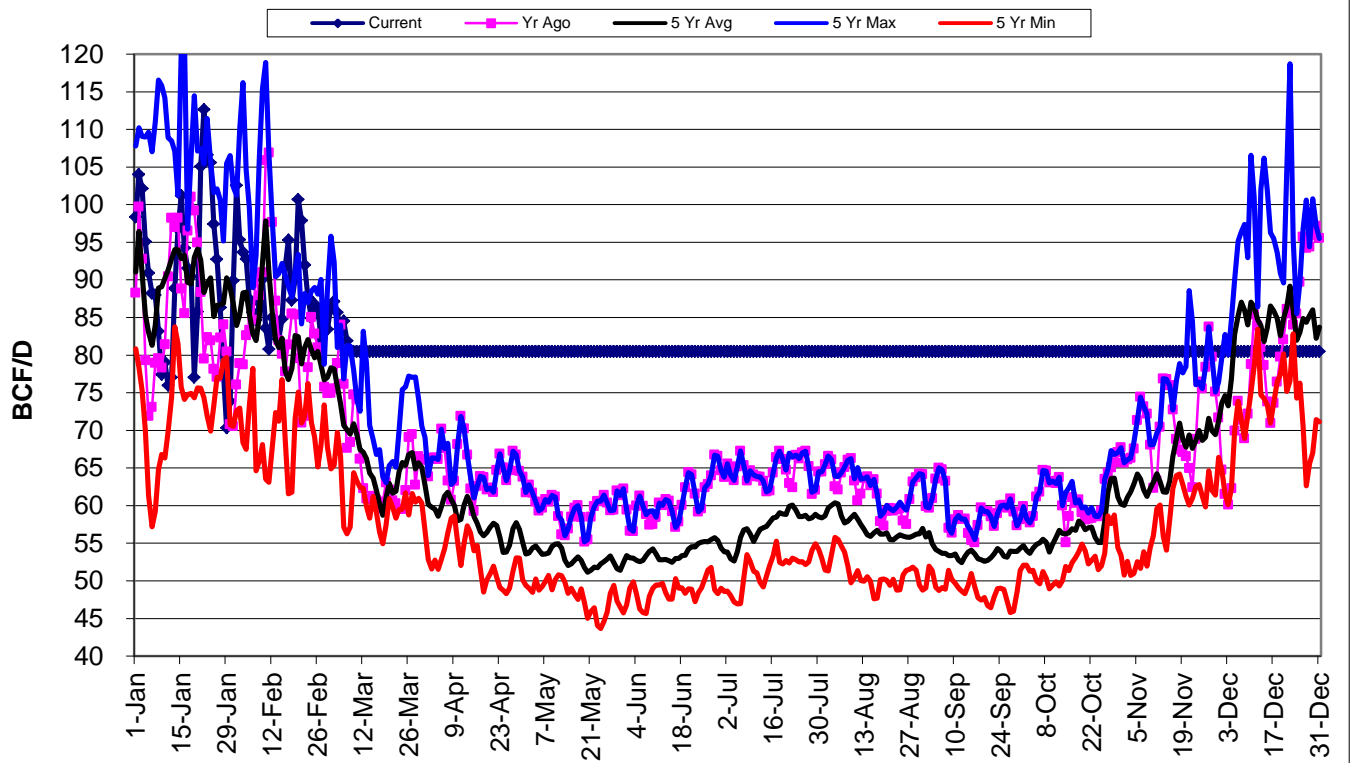
Canadian Working Gas Storage - Enerdata



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.