

IAF Advisors
Energy Market Outlook
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Price Action: Prices continued to rise, adding another 9.7 cents (2.4%) to \$4.222 on a 26.0 cent range.

Price Outlook: The market has now risen 8 weeks in a row. This market is getting extended with only 4 instances since 2000 of a market that advanced 8 weeks in a row. Only twice has the market risen exactly 9 weeks in a row. The record 14 weeks was established in 2008 and that is the only time the market advanced more than 9 weeks in a row. The market will need 4.2 cents to establish a new high and considering the still cool forecasts, another new high is considered likely. While the 2008 record currently seems safe with expected large builds beginning soon, the storage deficit is a very supportive factor that cannot be dismissed. The rise in speculative net length continued and has now reached 13 weeks. The consecutive days of increasing open interest took a one day pause before resuming the uptrend and establishing yet more new open interest records. Total open interest rose to 5.56 million as of April 9, which is well below the record open interest of 6.36 million and leaves the net long position as a percentage of open interest incredibly elevated. The increasing participation is expected to result in heightened volatility. It is our opinion that this market will remain well supported until a path to 3,800 BCF by November is in view. Our expectation is that does not develop until late April at the earliest or more realistically until May. Thus, prices are likely to remain well supported until that time.

Weekly Storage: US working gas storage fell 14 BCF for the week ending April 5. Current inventory levels of 1,673 BCF now fall 805 BCF (32.5%) below last year and 59 BCF (3.4%) behind the 5 year average.

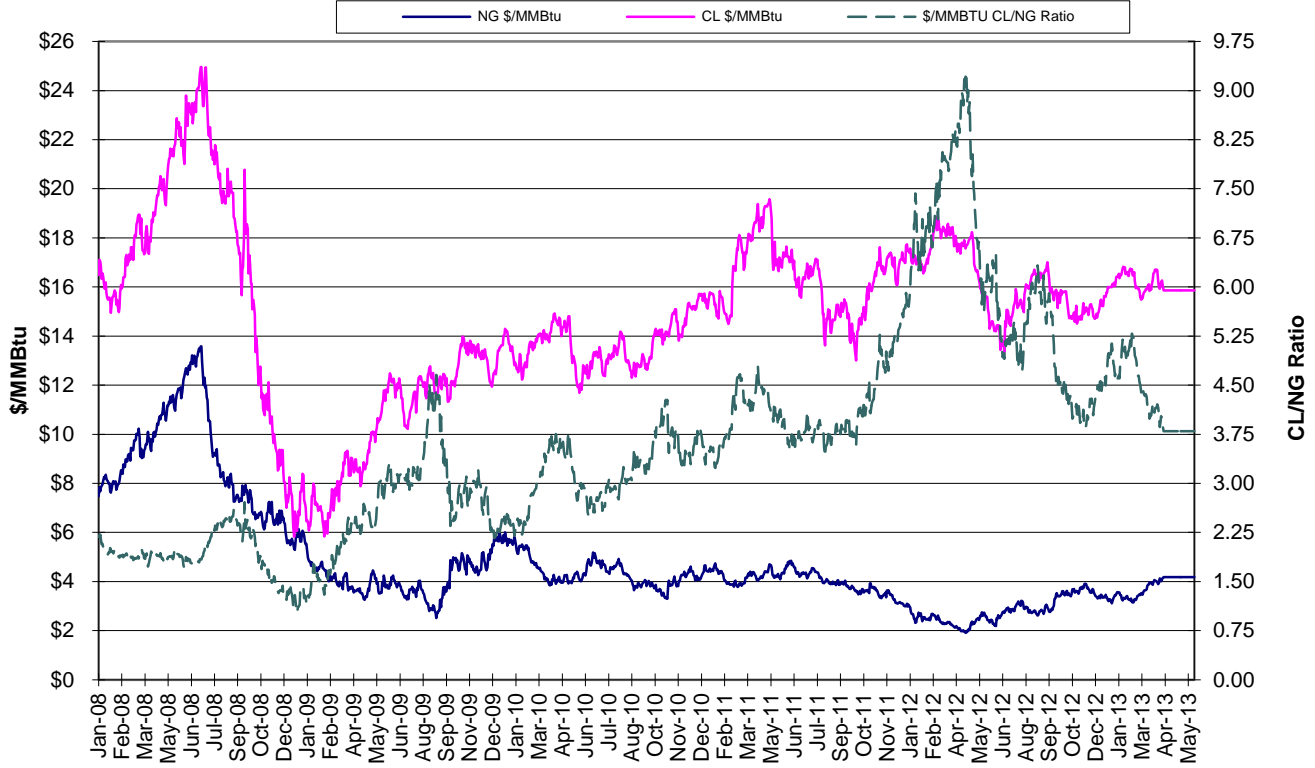
Storage Outlook: The story for 2013, just like 2012 except in a complete 180 degree reversal, is the yearly storage comparison. The daunting storage deficit, while we believe at the maximum and to be reduced in coming weeks, will remain very supportive. Until the storage deficit is reduced more significantly, prices are likely to remain supported.

Supply Trends: Total supply rose 0.5 BCF/D to 68.2 BCF/D. Higher US production was responsible with the other factors little changed. The US Baker Hughes rig count rose 33 to 1,771 with both oil and natural gas activity rising. Canadian activity fell again, a normal seasonal occurrence. Thus the total North American rig count decreased by 17 to 1,927, which now trails last year by 187. **The higher efficiency US horizontal rig count rose 18 and at 1,102 falls 43 behind last year.**

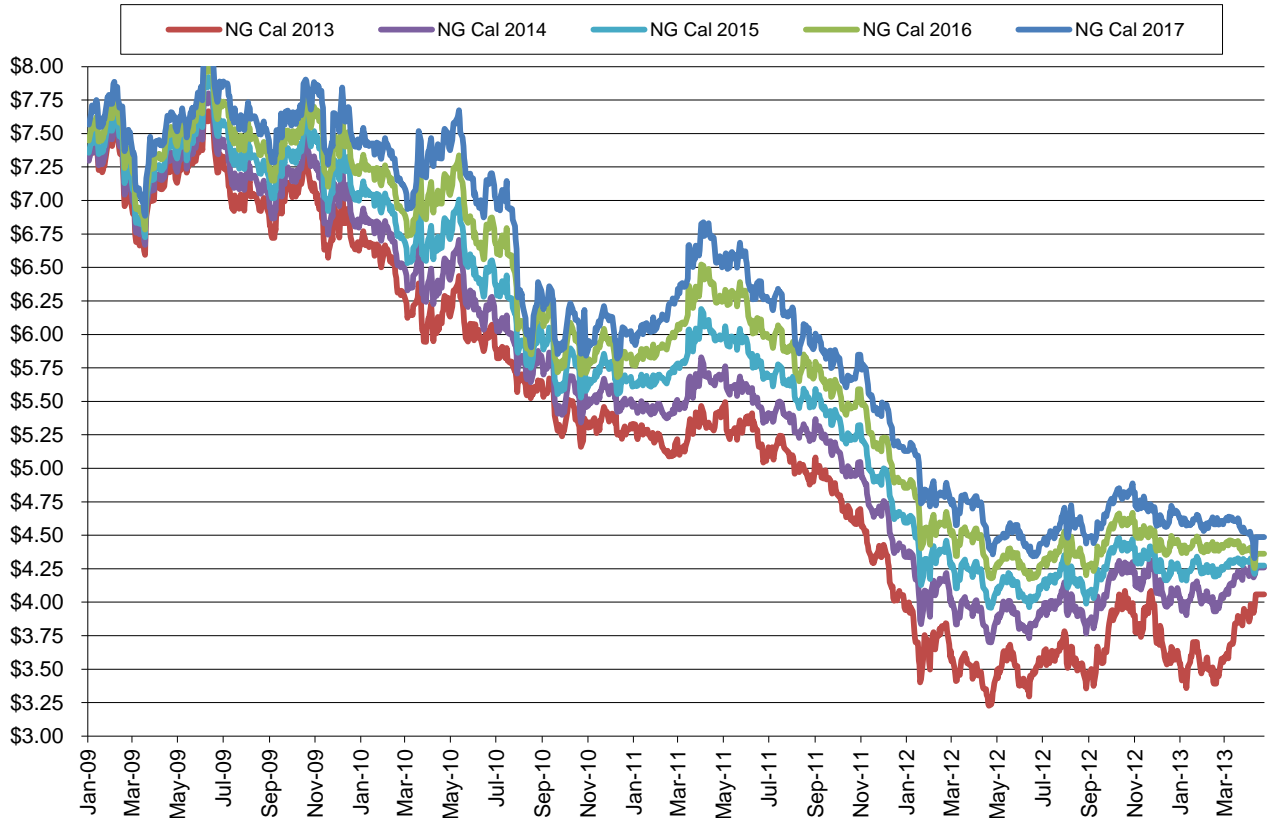
Demand Trends: Total demand fell 8.4 BCF/D to 69.1 BCF/D. All sectors were lower as temperatures moderated. Electricity demand fell 2,570 gigawatt-hrs to 69,269, which trails year by 69 (0.1%) and the 5 year average by 153 (0.2%). **There is increasing evidence of temperature adjusted demand loss and April flows are indicating a response to the \$4 level.**

Other Factors: The S&P 500 rose as expectations of continued easy monetary policy remains supportive.

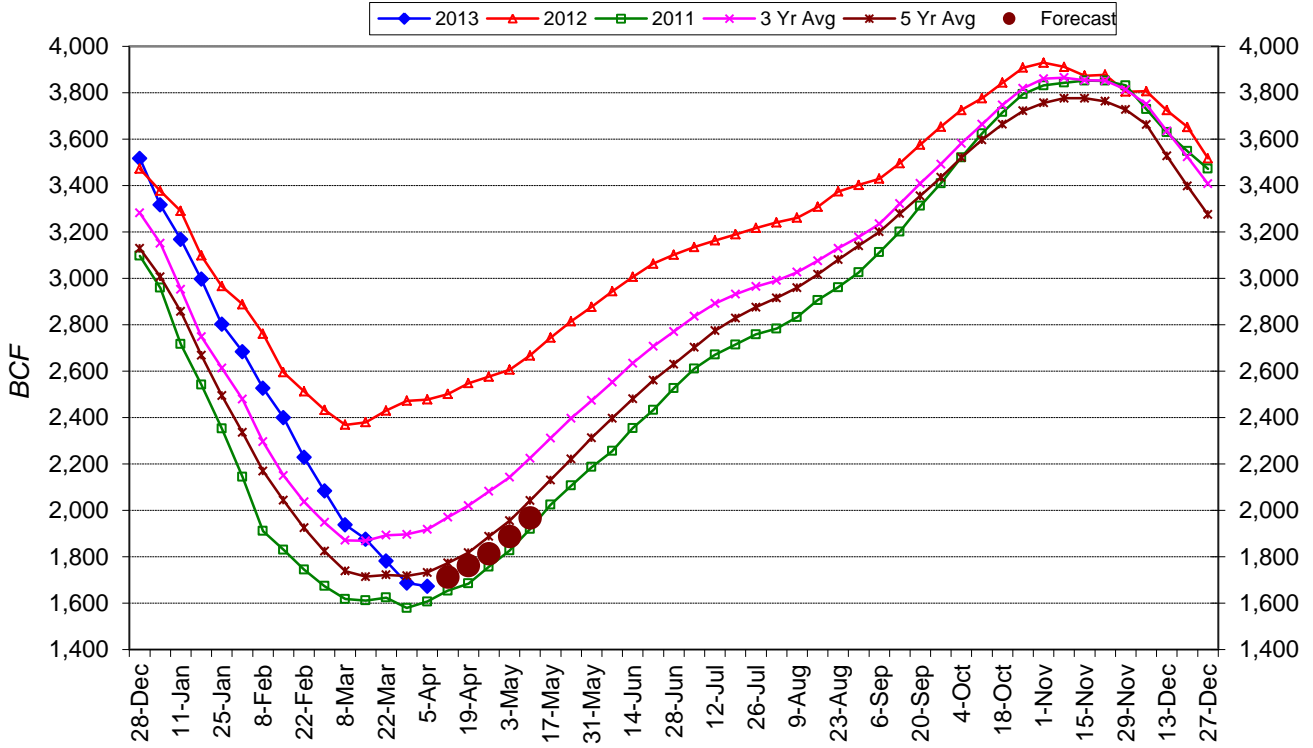
\$/MMBtu Ratio of NYMEX CL and NG



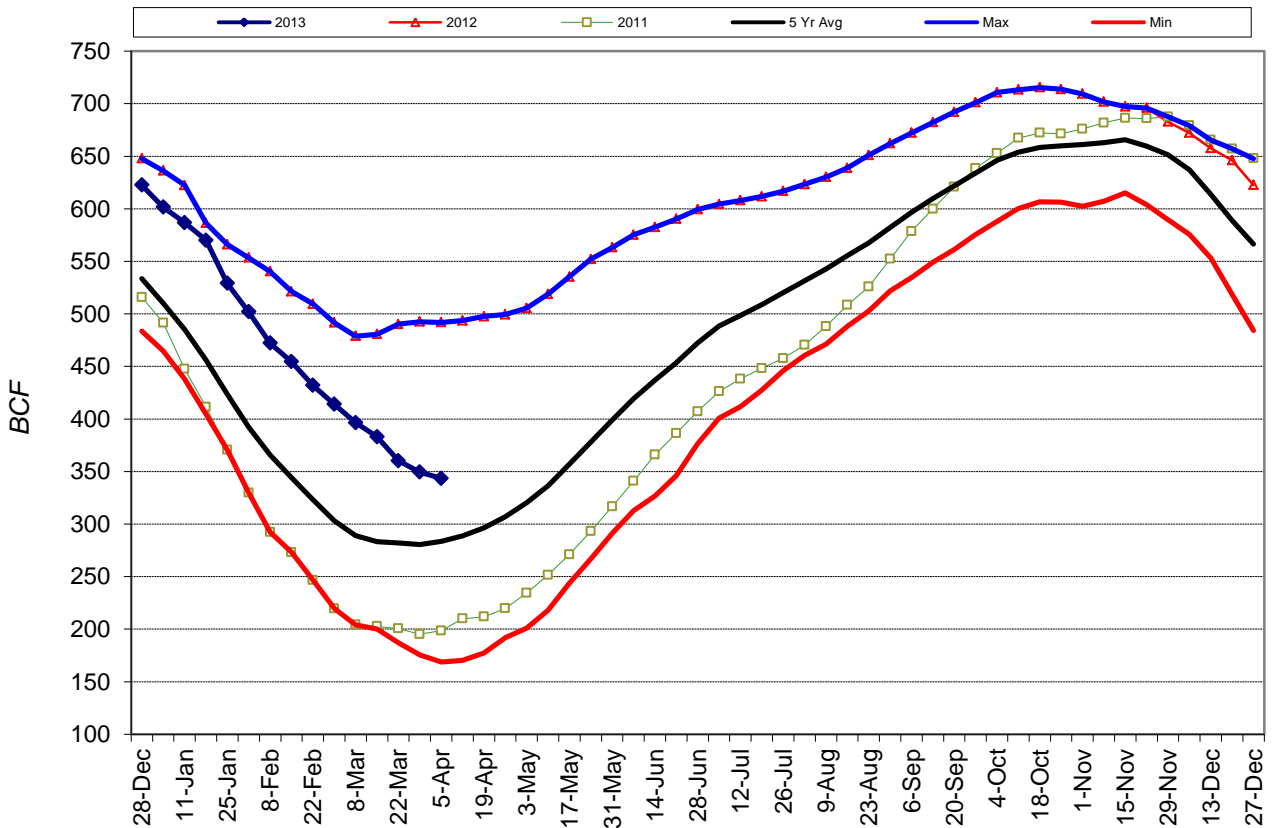
NYMEX Calendar Strips



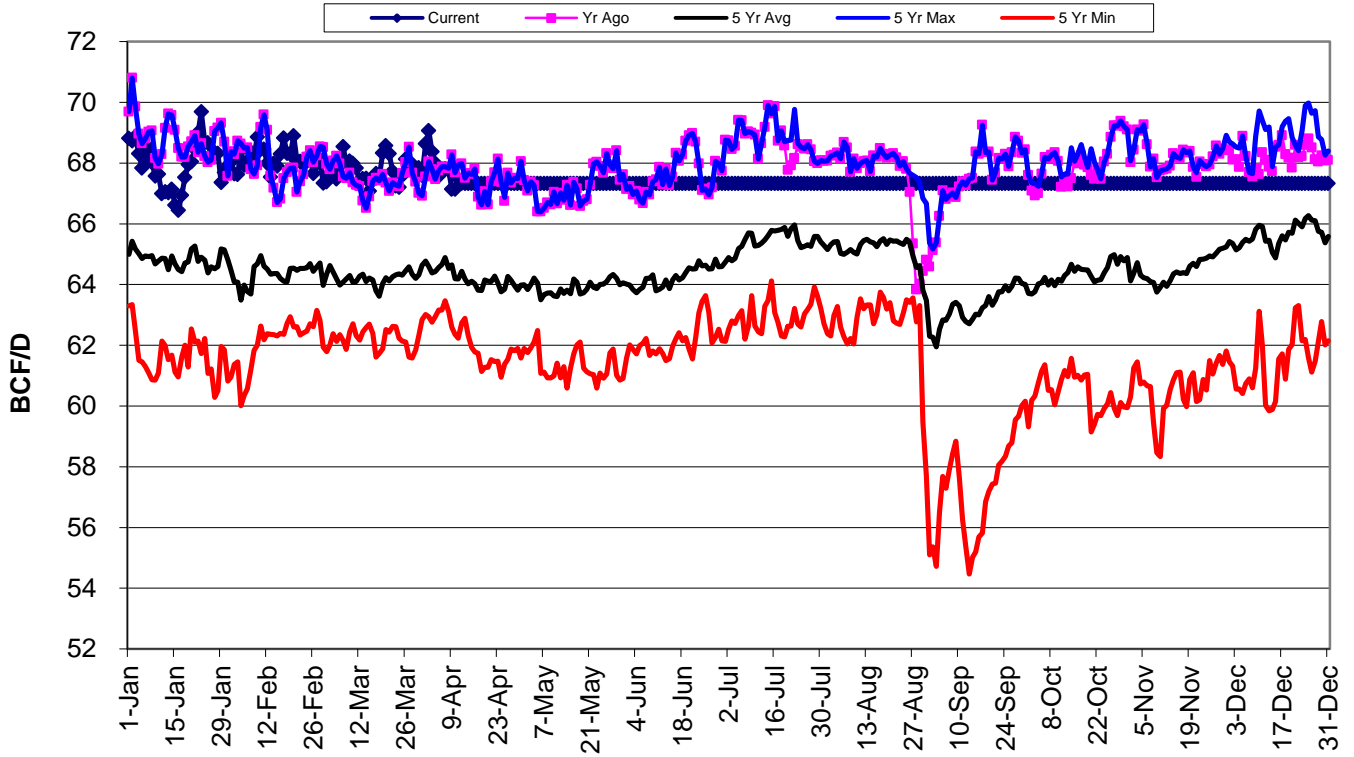
US Working Gas Storage - Source - EIA



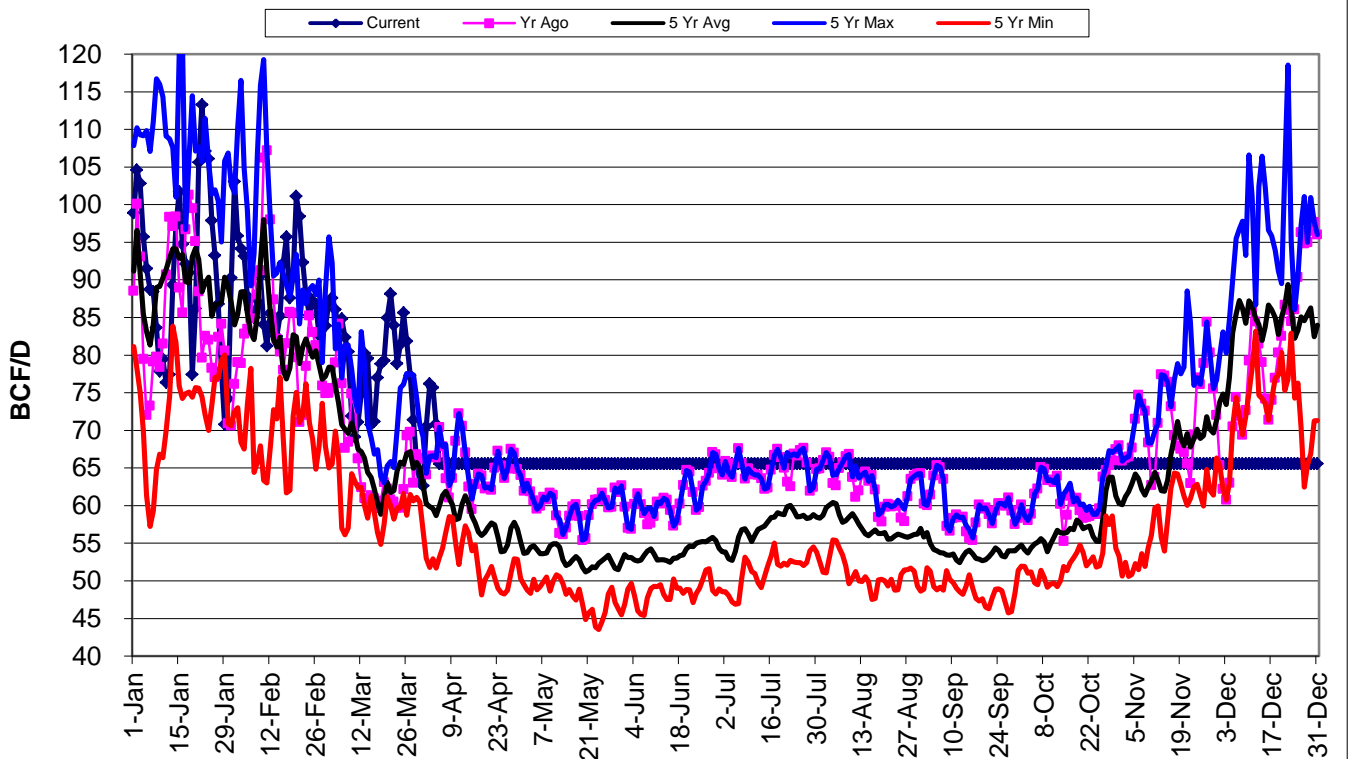
Canadian Working Gas Storage - Enerdata



Total US Supply



Total US Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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