

IAF Advisors
Energy Market Outlook
Kyle Cooper, (713) 722-7171, Kyle.Cooper@IAFAdvisors.com
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Price Action: Prices moved higher as the June futures contract added 15.8 cents (6.4.3%) to \$2.62.5 on a 22.0 cent range. The market moved again in response to a slightly lower than expected EIA storage report and to a lesser degree to concerns about a tropical storm in the GOM.

Price Outlook: **Despite the price increase, CFTC data indicated a rather substantial reduction in the net long speculative position. Both futures and total open interest rose across the complex as of June 19, the reference period. However, futures open interest did fall toward the end of the week.**

Weekly Storage: US working gas storage rose 62 BCF for the week ending June 15. Current inventory levels of 3,006 BCF now rise 652 BCF (27.75%) above last year while surpassing the 5 year average by 642 BCF (27.13%). **As a reference, the current inventory level already exceeds the peak level of 1995, 1996, 1997 and 2000.**

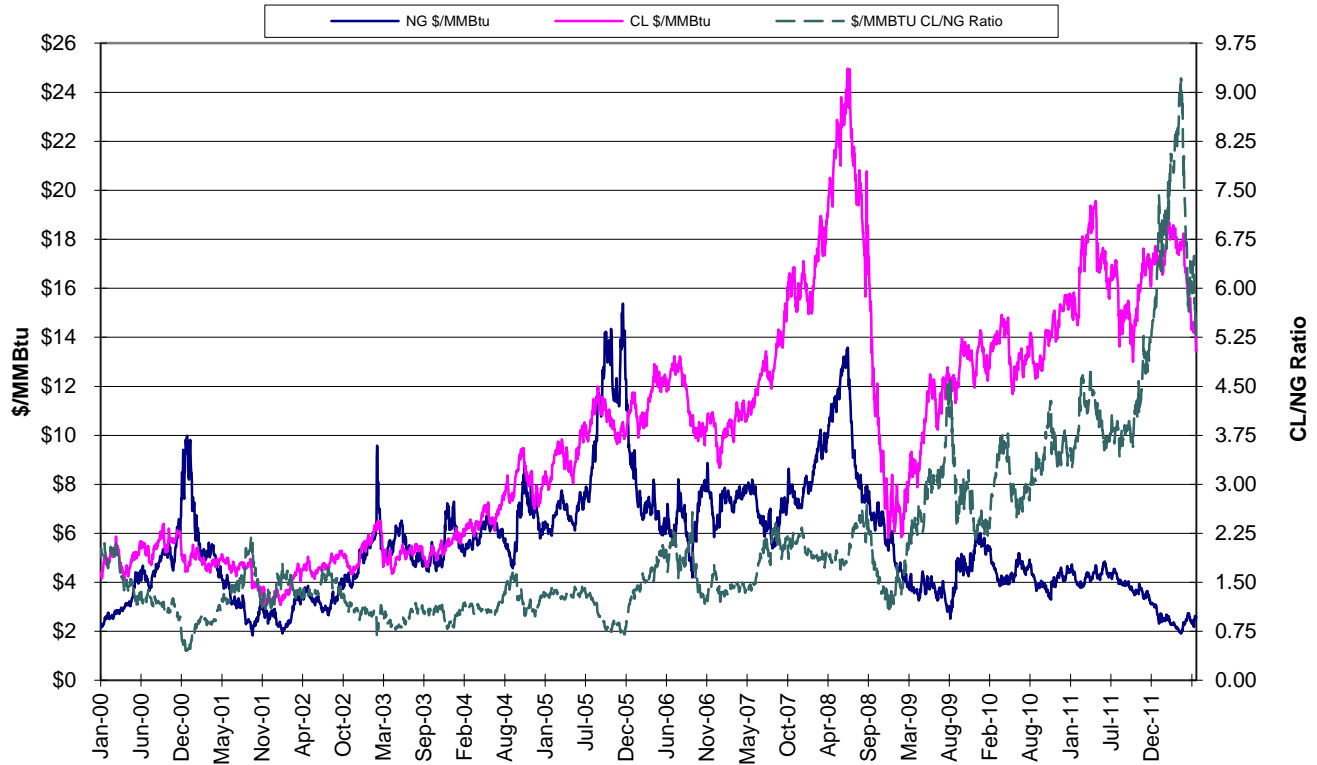
Storage Outlook: **This is easily the earliest that the 3 TCF level has been achieved. In 2009, the 3 TCF level was broached in late July. Thus, this year smashes that record by approximately 6 weeks. Storage levels will without doubt achieve new absolute record levels this year. However, the temperature adjusted supply/demand balance remains very bullish.**

Supply Trends: Total supply rose 0.6 BCF/D to 67.9 BCF/D. Higher US production and Canadian imports more than offset increased Mexican exports. The US Baker Hughes rig count slipped as increased oil activity was again offset by the natural gas reduction. Combined with a fall in Canada, the total North American rig count fell 15 to 2,204, 72 higher than last year. The YOY surplus is the smallest since February 2010. **The higher efficiency US horizontal rig count rose 3 and at 1,165 remains 84 higher YOY. The lower oil price may begin to more adversely affect the total rig count.**

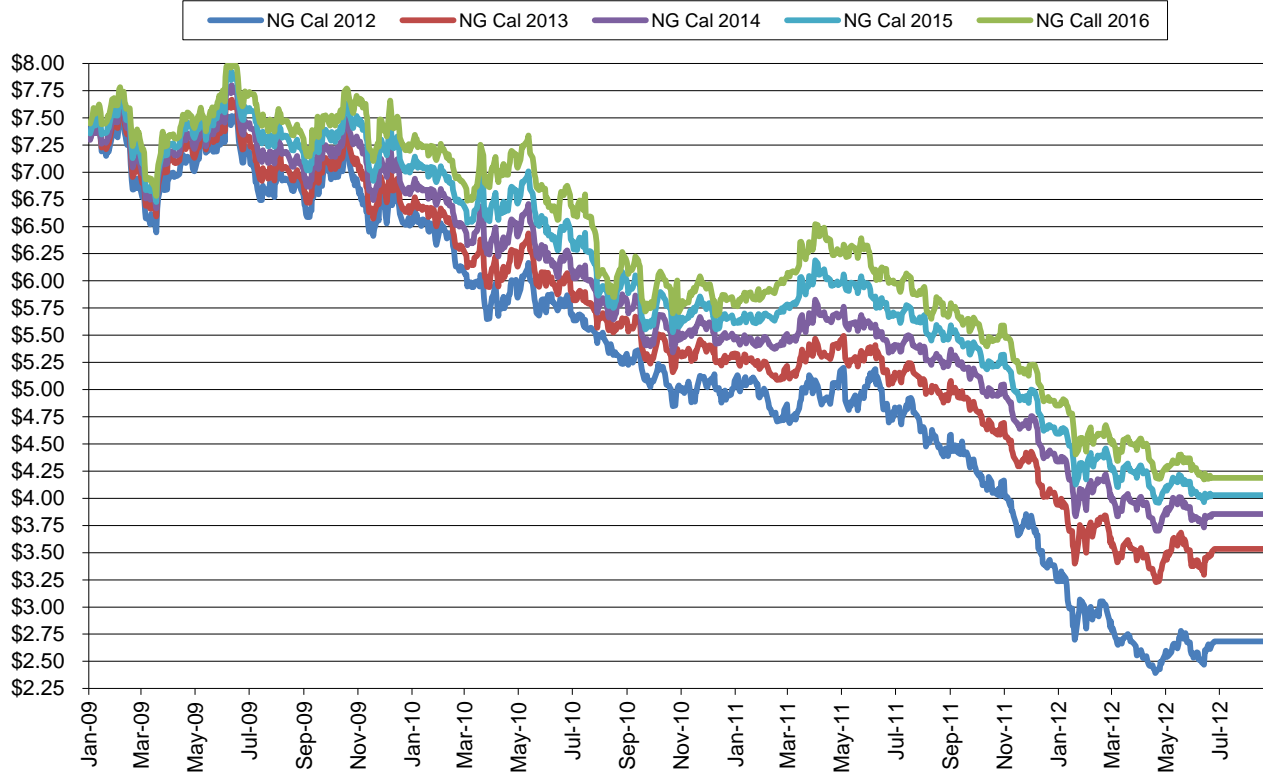
Demand Trends: Total demand rose 1.0 BCF/D to 57.8 BCF/D. Higher power demand overcame lower R&C and industrial demand. Electricity demand rose 4,787 gigawatt-hrs to 81,905 which trails last year by 111 (0.1%) and the 5 year average by 680 (0.8%). **Above normal temperatures will now be considered bullish as cooling requirements rise.**

Other Factors: Equity markets slipped as jobs and housing data continued to disappoint the market.

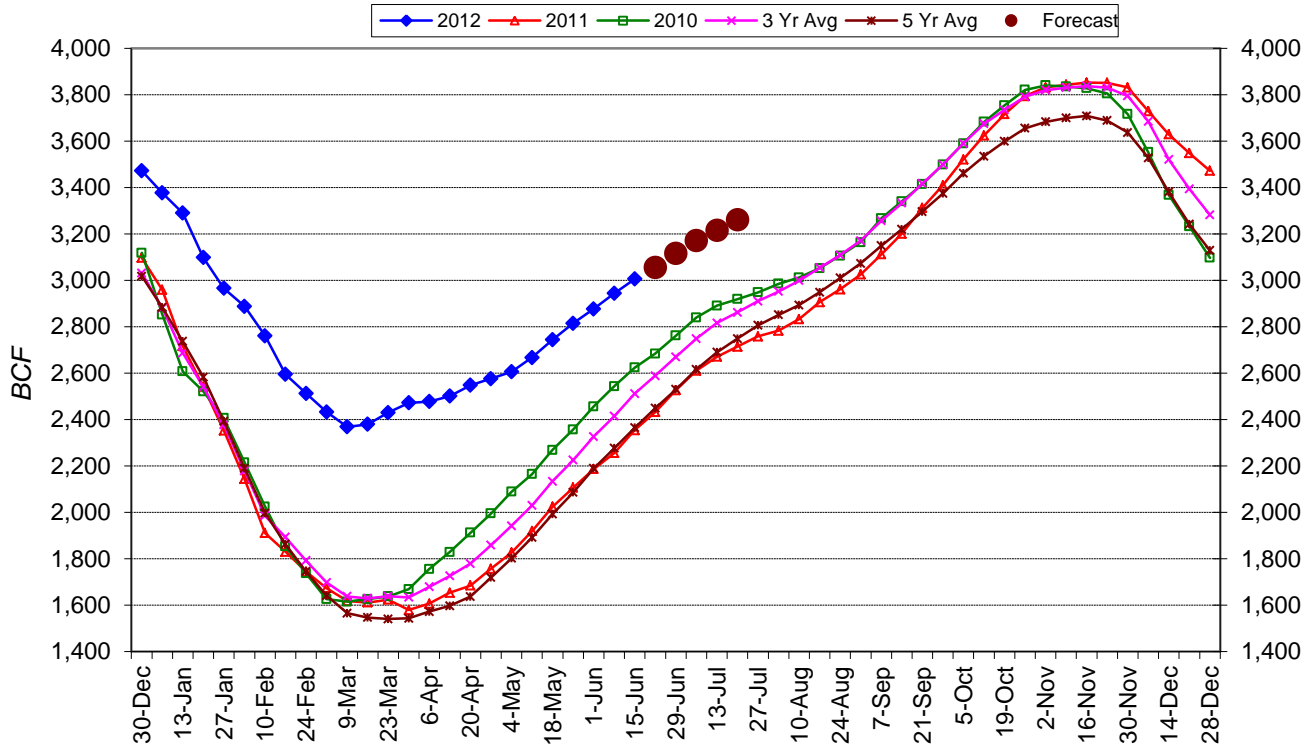
\$/MMBtu Ratio of NYMEX CL and NG



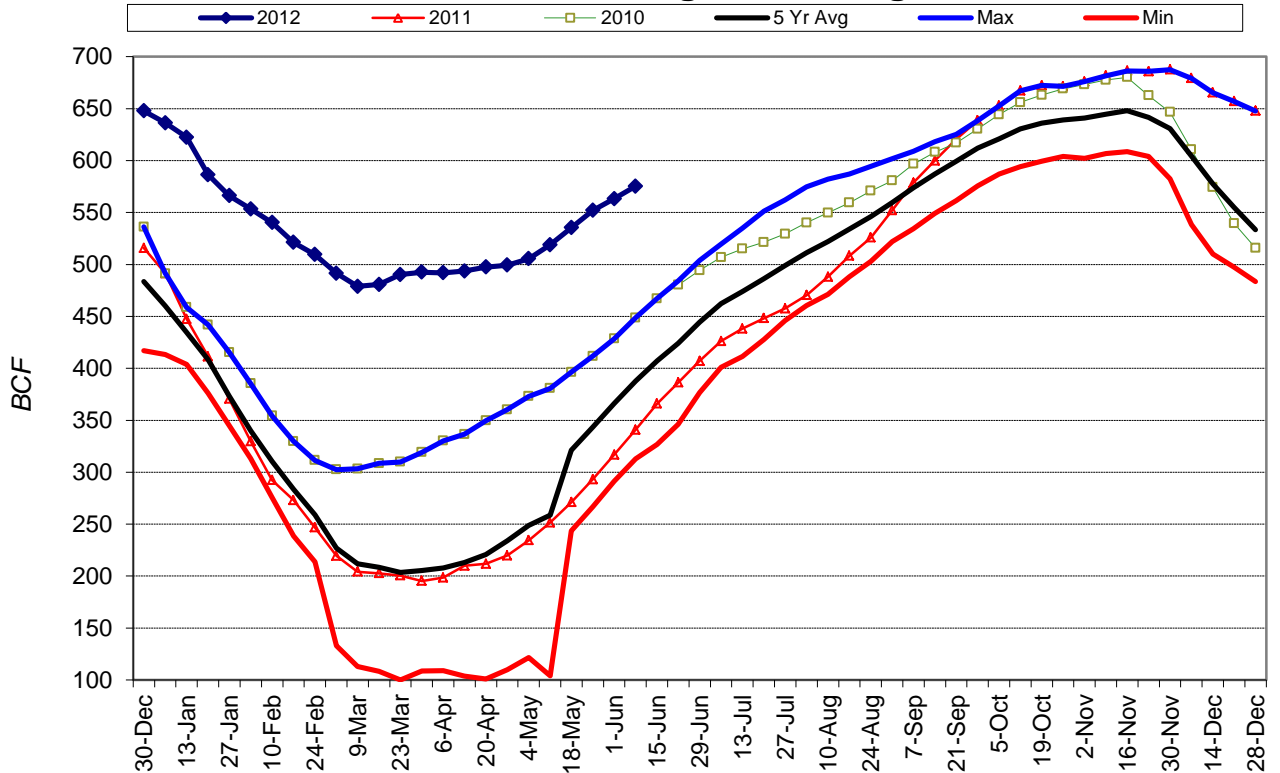
NYMEX Calendar Strips



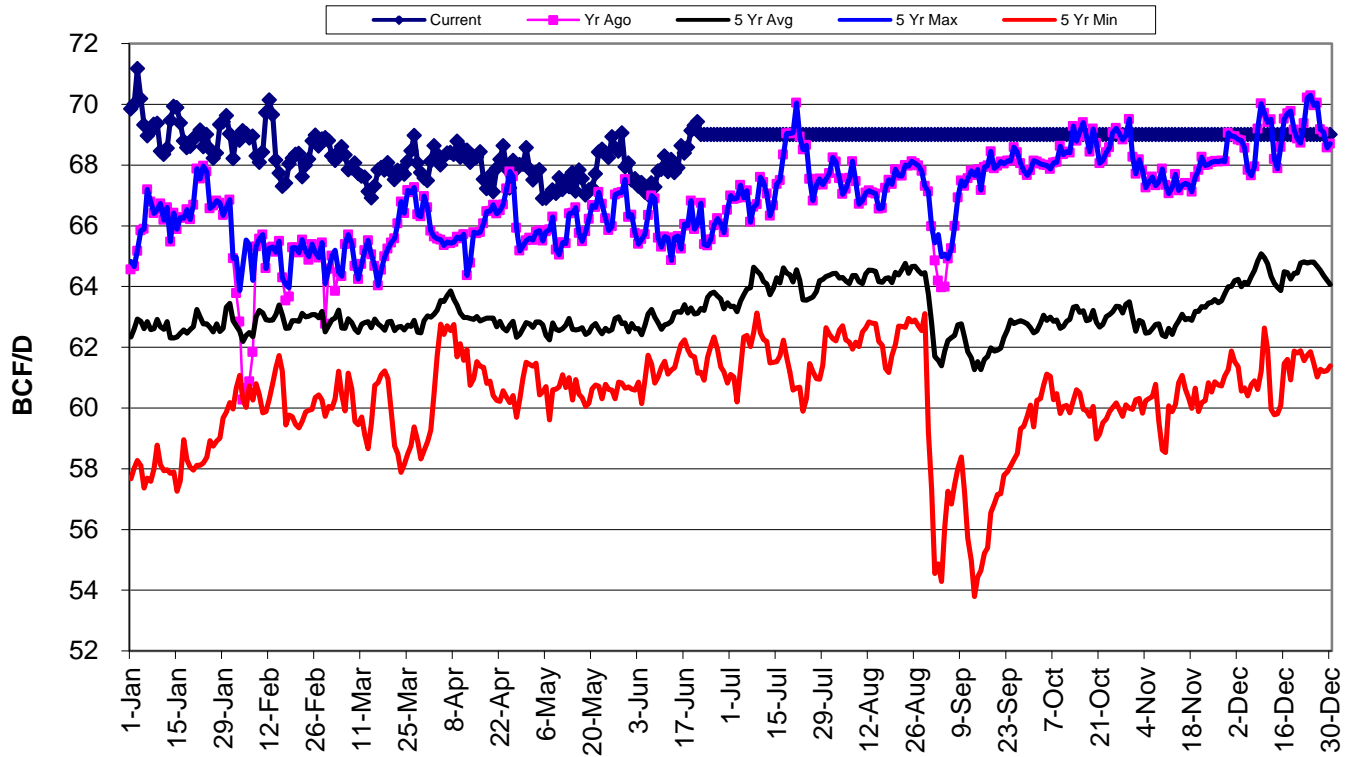
US Working Gas Storage - Source - EIA



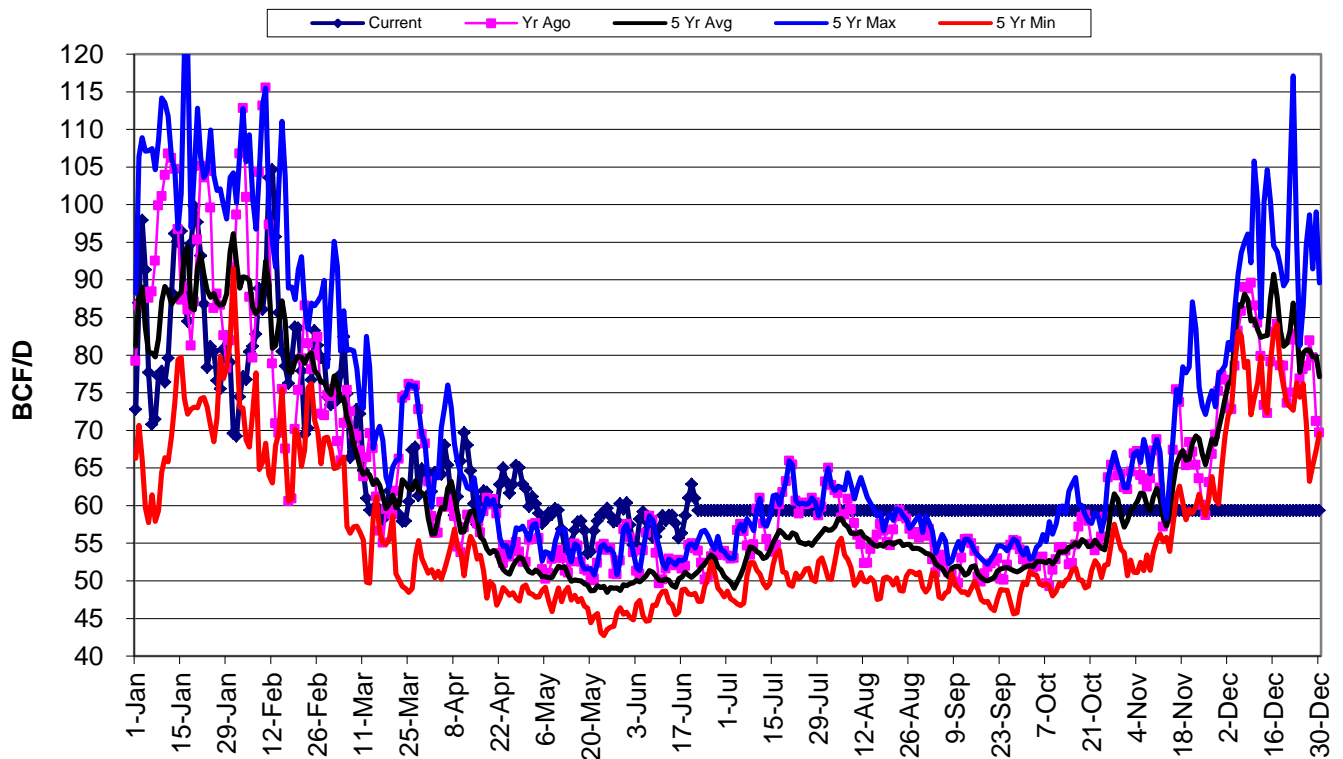
Canadian Working Gas Storage - Enerdata



Total US Supply



Total US Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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