

IAF Advisors  
Energy Market Outlook  
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**Price Action:** Prices fell despite a low injection as moderating temperatures and little infrastructure damage weighed on the market. Prices fell 11.7 cents (4.2%) to \$2.682 on a 22.2 cent range.

**Price Outlook:** The string of new weekly lows was broken at exactly 5 weeks. Although the next storage injection is again projected to be rather small, there appears to be minimal infrastructure damage and although supply has returned more slowly than anticipated, still record inventories remain quite bearish. Very soon, above normal temperatures, especially in northern locations, should be viewed bearishly. With storm related supply losses likely to return and pipeline expansions in the Northeast slated to begin operations in the next few months, warm temperatures could lead to injections well into November. CFTC data indicated a rather dramatic reduction in the speculative net long position. Total net length has been reduced by over 80,000 contracts since late July. Total open interest dropped below 5.0 million contracts for the first time since December 2011. Still, further long liquidation could lead to more price weakness in coming weeks.

**Weekly Storage:** US working gas storage rose 28 BCF for the week ending August 31. Current inventory levels of 3,402 BCF now rise 377 BCF (12.5%) above last year while surpassing the 5 year average by 329 BCF (10.7%).

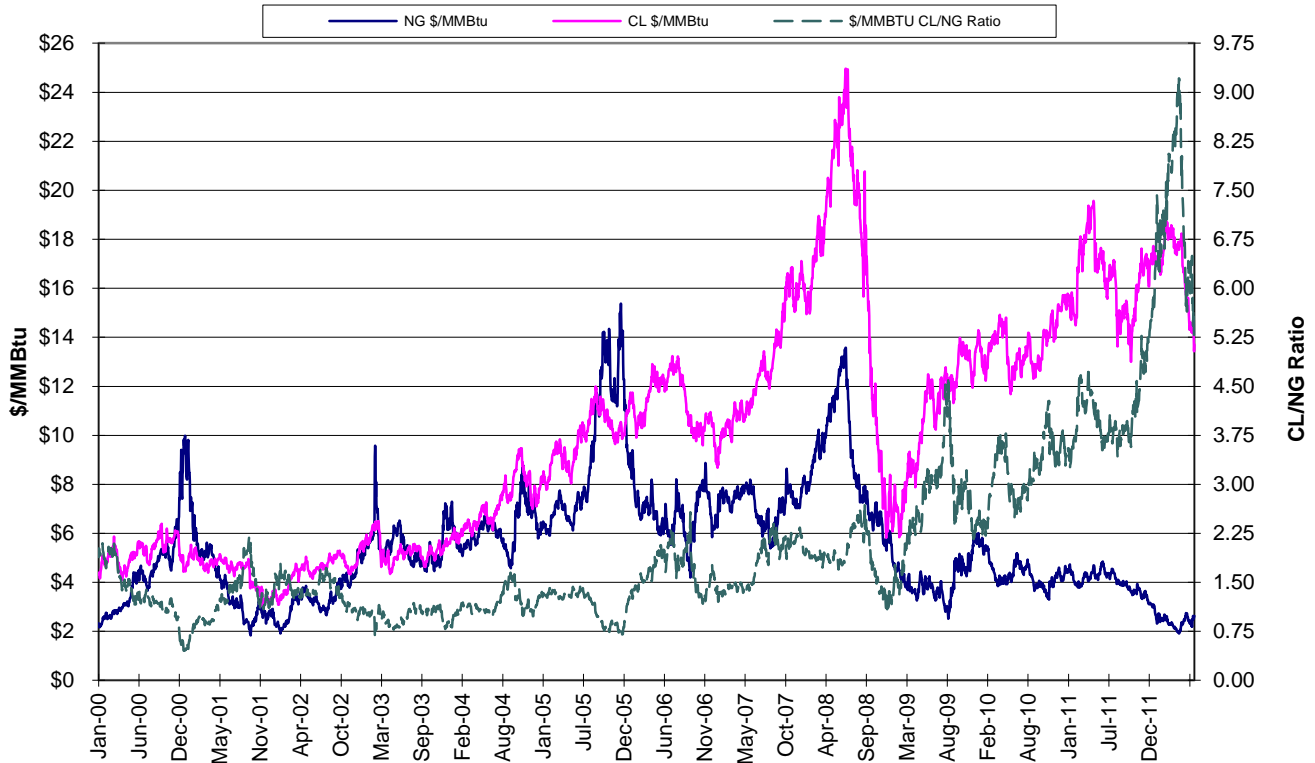
**Storage Outlook:** To put the current inventory in historical context, storage levels already exceed the peak levels achieved in every year before 2006, except for 1990. Inventories are also on track to establish a new absolute peak, surpassing last year's 3,852 BCF. Absolute inventory levels remain a very bearish market factor.

**Supply Trends:** Total supply fell 2.9 BCF/D to 65.6 BCF/D. Increased Canadian imports were overwhelmed by storm related losses. The US Baker Hughes rig count reported lower oil and natural gas activity. Although Canadian activity picked up and largely offset the US drop, the total North American rig count fell 1 and at 2,209 now trails last year by 264. The higher efficiency US horizontal rig count fell 14 and at 1,135 remains just 1 higher YOY.

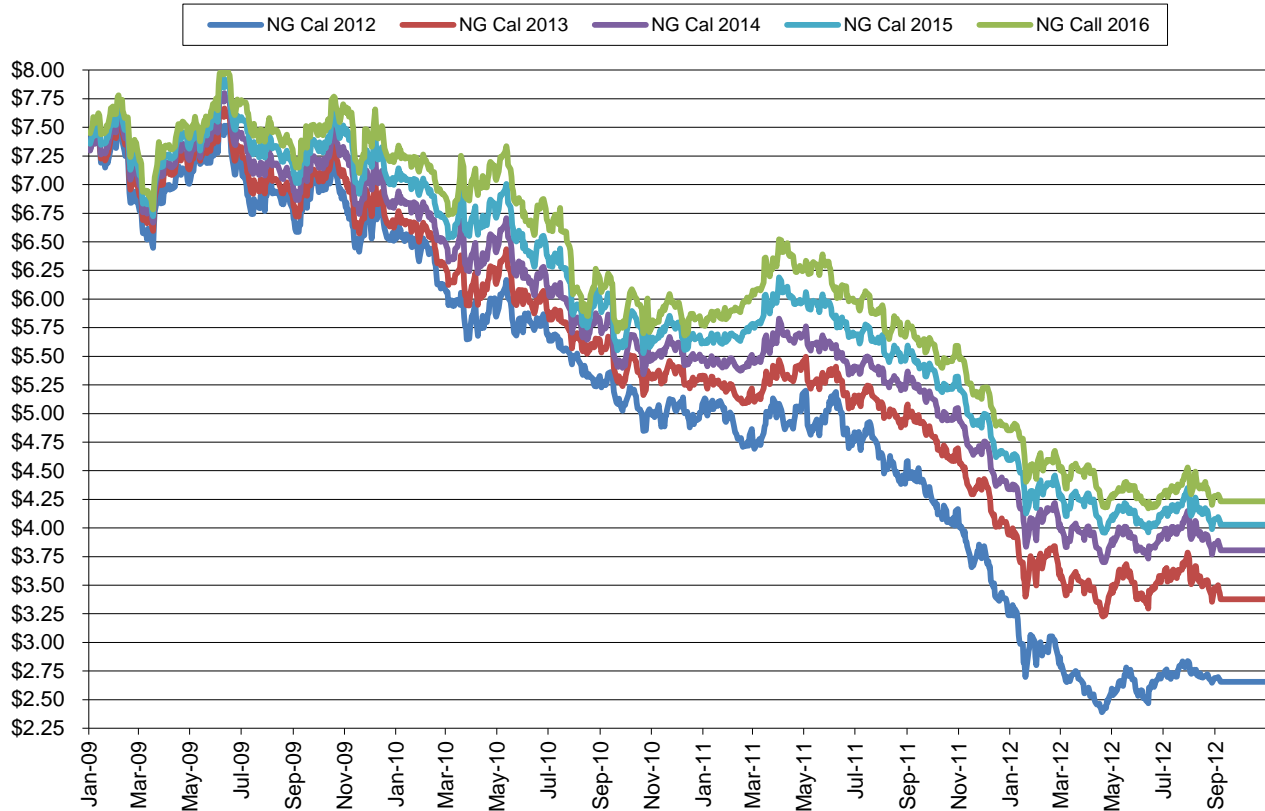
**Demand Trends:** Total demand rose 2.8 BCF/D to 60.5 BCF/D. Higher power demand more than offset lower R&C consumption. Industrial demand was unchanged. Electricity demand rose 4,651 gigawatt-hrs to 87,007 which trails last year by 768 (0.9%) and the 5 year average by 110 (0.1%). Above normal temperatures in Northern locations will soon become bearish, while they remain bullish in the South.

**Other Factors:** The S&P 500 index surged as a weak jobs report raised hopes of more Fed easing. However, the underlying anemic economic recovery is not bullish of true physical demand.

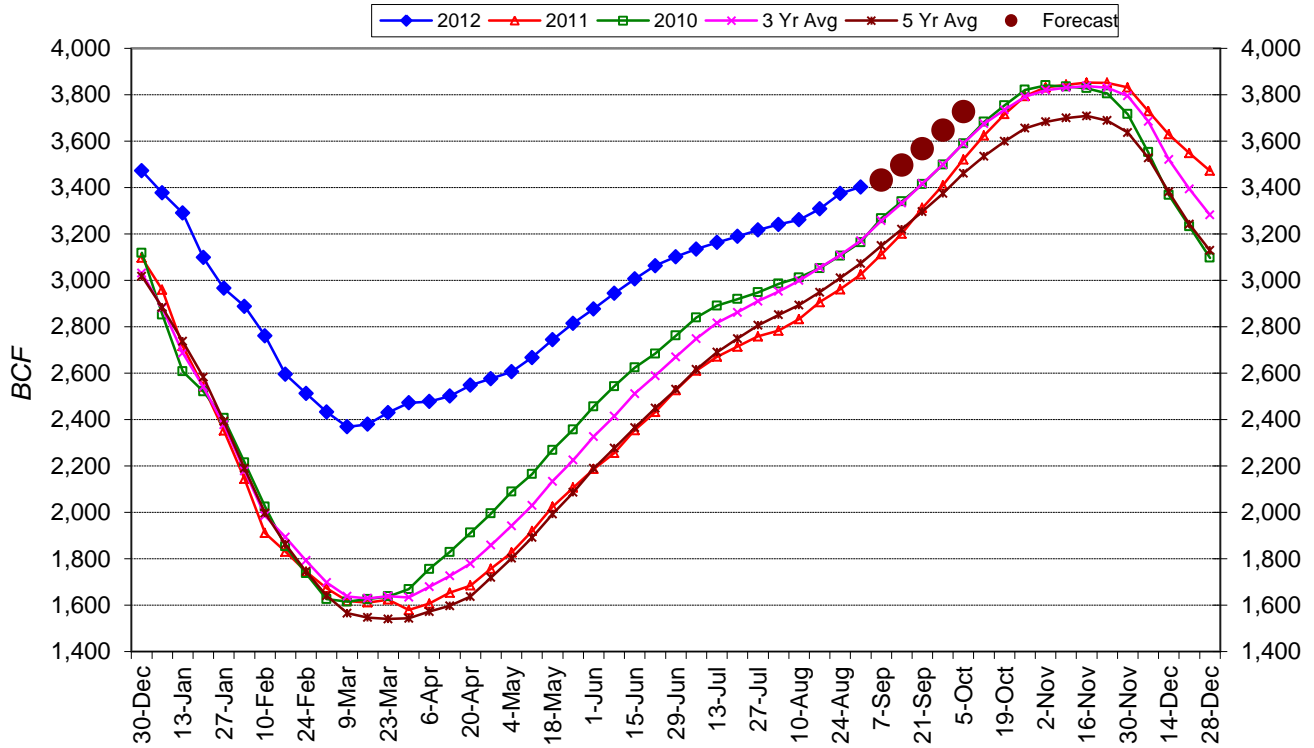
## \$/MMBtu Ratio of NYMEX CL and NG



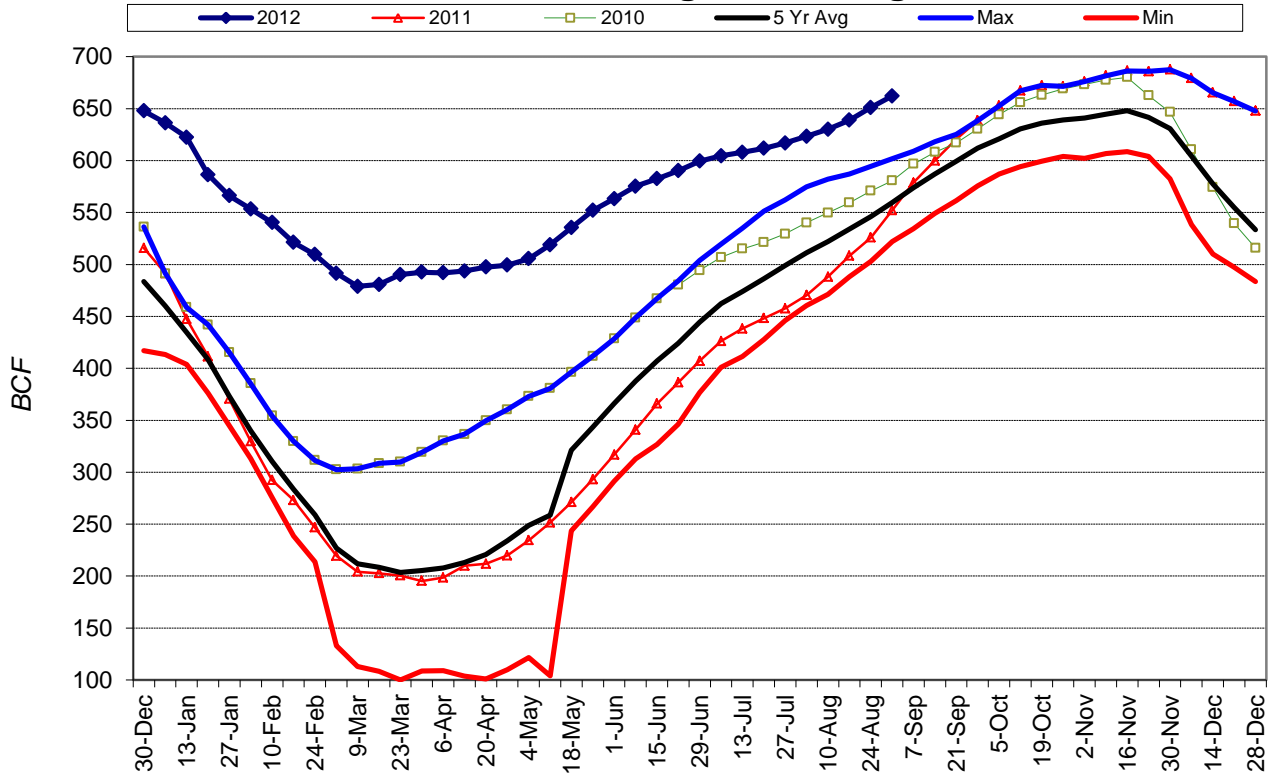
## NYMEX Calendar Strips



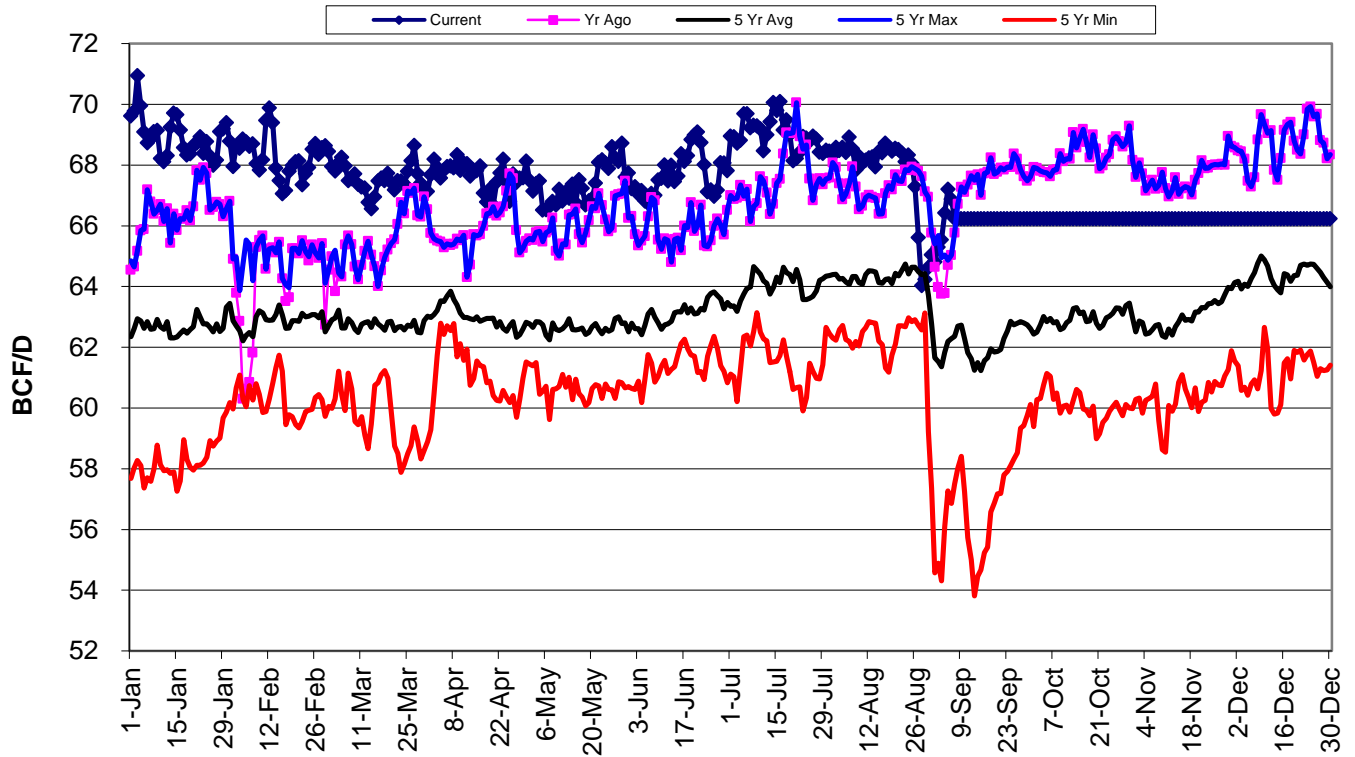
## US Working Gas Storage - Source - EIA



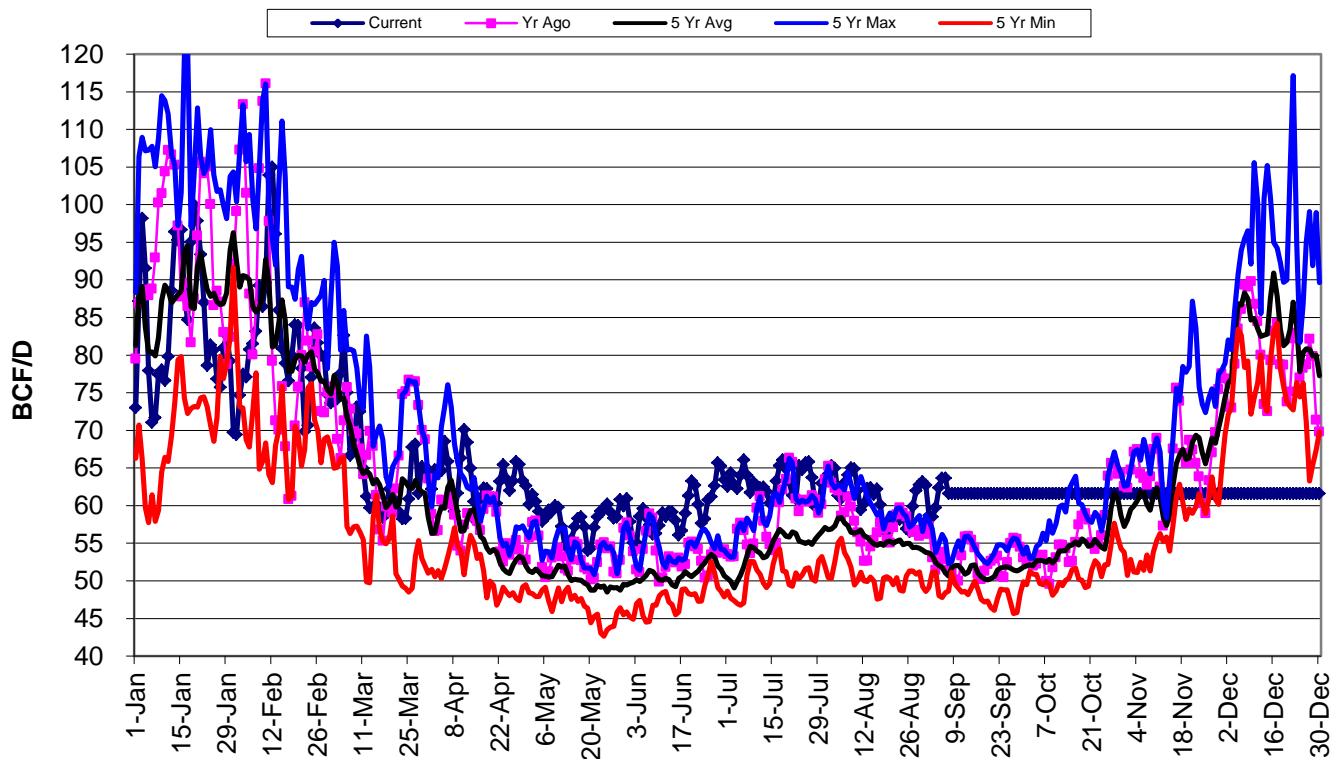
## Canadian Working Gas Storage - Enerdata



## Total US Supply



## Total US Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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