# IAF Advisors
# Energy Market Outlook
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**Price Action:** Prices continued to rise with the December contract up 11.1 cents (2.9%) to $3.901 on a 22.3 cent range.

**Price Outlook:** **Prices did indeed establish a new weekly high despite moderating weather forecasts. Since 2000, 88 weeks have witnessed two weeks in a row of a new high with 50 of those instances establishing a 3rd consecutive new weekly high. With prices near the upper end of last week's price range, another new high would be the first inclination. However, weather forecasts have moderated and storage flows are considered bearish. To establish a new low requires a print below $3.71 and while that seems unlikely, further upward momentum is also unlikely with faltering fundamentals. Therefore, a rare inside week would not be surprising. CFTC data was not released due to the Thanksgiving Day Holiday.**

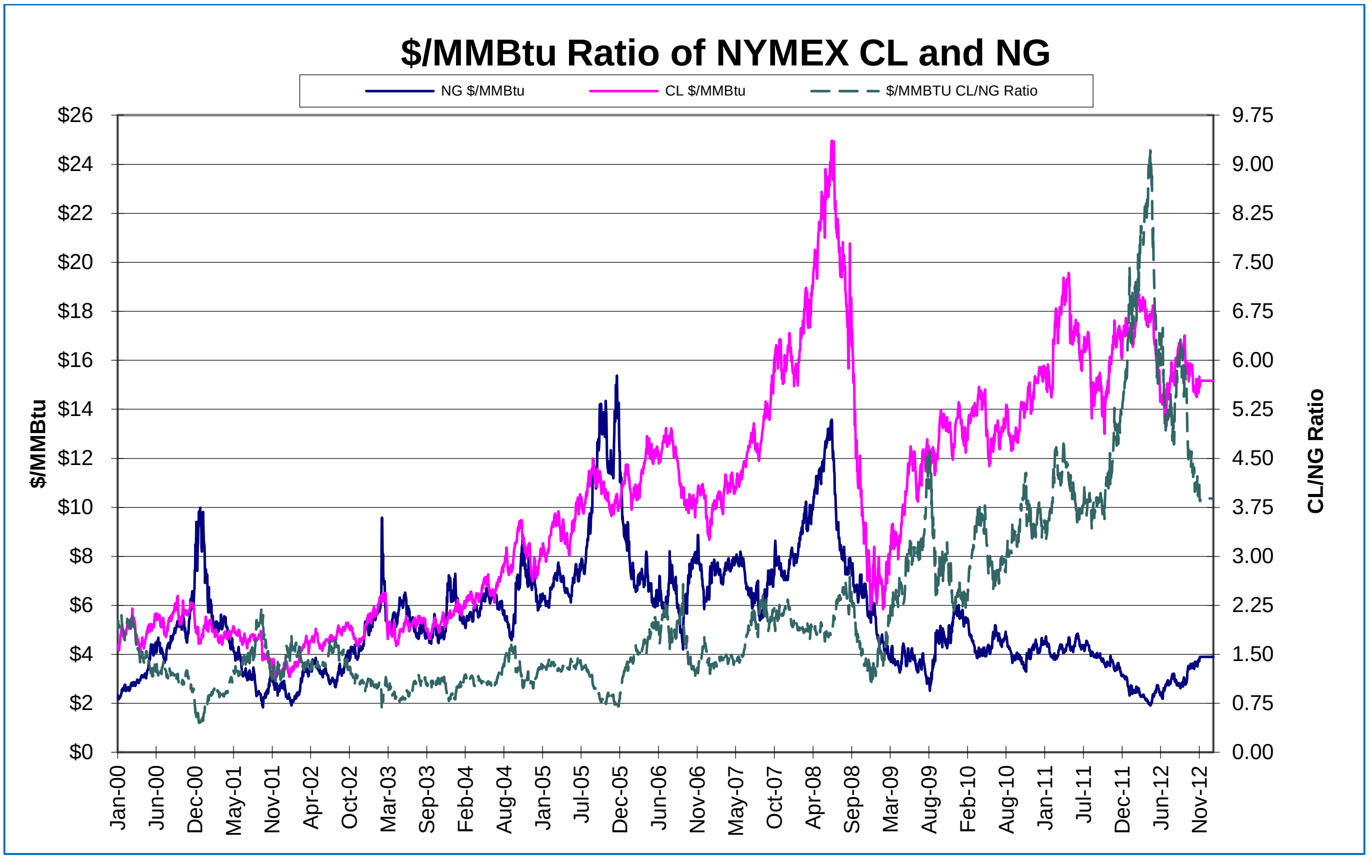
**Weekly Storage:** US working gas storage fell 38 BCF for the week ending November 16. Current inventory levels of 3,873 BCF now rise 21 BCF (0.5%) above last year while surpassing the 5 year average by 165 BCF (4.4%).

**Storage Outlook:** **The 38 BCF was accompanied by a 7 BCF revision of working to base gas. Therefore, total gas storage fell by 31 BCF. Revisions are not uncommon and from a supply/demand perspective, the 31 BCF is considered the weekly withdrawal. Still the YOY storage reduction has been a consistent bullish factor as the 893 BCF surplus as of March 30 will soon be a deficit. However, the temperature adjusted storage withdrawals are much less bullish and current March 31, 2013 projected storage levels remain very robust.**

**Supply Trends:** Total supply fell 0.5 BCF/D to 67.7 BCF/D. Lower US production and Canadian imports again more than offset a drop in Mexican exports to decrease total supply. The US Baker Hughes rig count rose 8 to 1,817 with a drop in oil activity more than offset by higher natural gas. The Baker Hughes natural gas rig count has risen for 2 consecutive weeks for the first time in nearly a year. While the US natural gas rig remains 437 below last year, this is the smallest YOY deficit since August. Canadian activity also rose and thus the total North American rig count rose by 11 to 2,204, which now trails last year by 280. **The higher efficiency US horizontal rig count rose 9 and at 1,114 falls 41 behind last year.**

**Demand Trends:** Total demand rose another 0.6 BCF/D to 69.9 BCF/D. Lower power demand was more than offset by increased R&C demand. Industrial demand was unchanged. Electricity demand rose 1,023 gigawatt-hrs to 71,524, which trails last year by 460 (0.6%) and the 5 year average by 271 (0.4%). **There continues to be evidence of a drop in temperature adjusted power demand, a quite bearish factor.**

**Other Factors:** The S&P 500 index rose on hopes about a compromise between Congressional leaders and the White House emerged to avoid the fiscal cliff.


$/MMBtu Ratio of NYMEX CL and NG
NG $/MMBtu
CL $/MMBtu
$/MMBTU CL/NG Ratio
$/MMBtu
CL/NG Ratio
$26
$24
$22
$20
$18
$16
$14
$12
$10
$8
$6
$4
$2
$0
9.75
9.00
8.25
7.50
6.75
6.00
5.25
4.50
3.75
3.00
2.25
1.50
0.75
0.00
Jan-00
Jun-00
Dec-00
May-01
Nov-01
Apr-02
Oct-02
Mar-03
Sep-03
Feb-04
Aug-04
Jan-05
Jul-05
Dec-05
Jun-06
Nov-06
May-07
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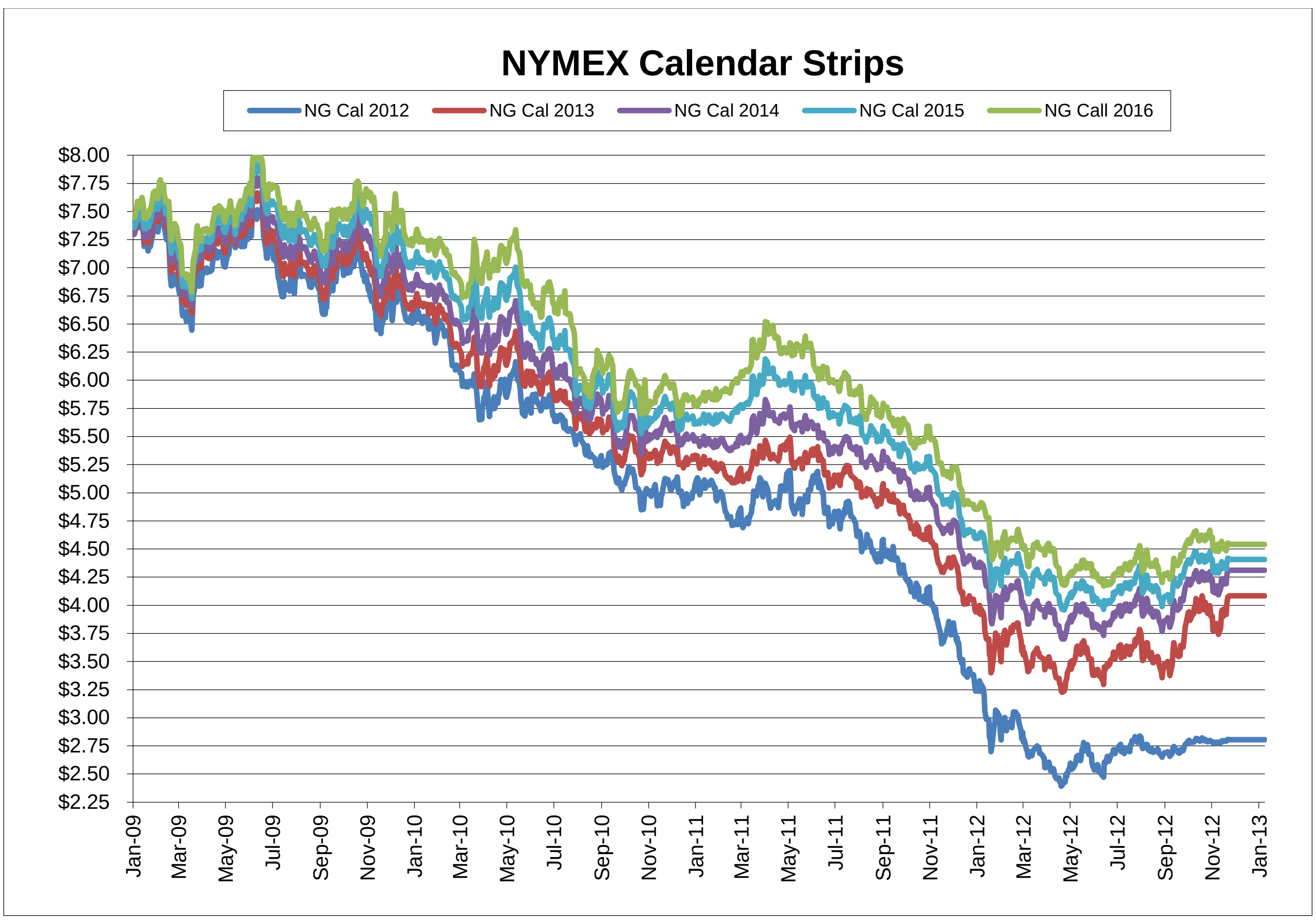
Feb-10
Aug-10
Jan-11
Jul-11
Dec-11
Jun-12
Nov-12


NYMEX Calendar Strips
NG Cal 2012
NG Cal 2013
NG Cal 2014
NG Cal 2015
NG Call 2016
$8.00
$7.75
$7.50
$7.25
$7.00
$6.75
$6.50
$6.25
$6.00
$5.75
$5.50
$5.25
$5.00
$4.75
$4.50
$4.25
$4.00
$3.75
$3.50
$3.25
$3.00
$2.75
$2.50
$2.25
Jan-09
Mar-09
May-09
Jul-09
Sep-09
Nov-09
Jan-10
Mar-10
May-10
Jul-10
Sep-10
Nov-10
Jan-11
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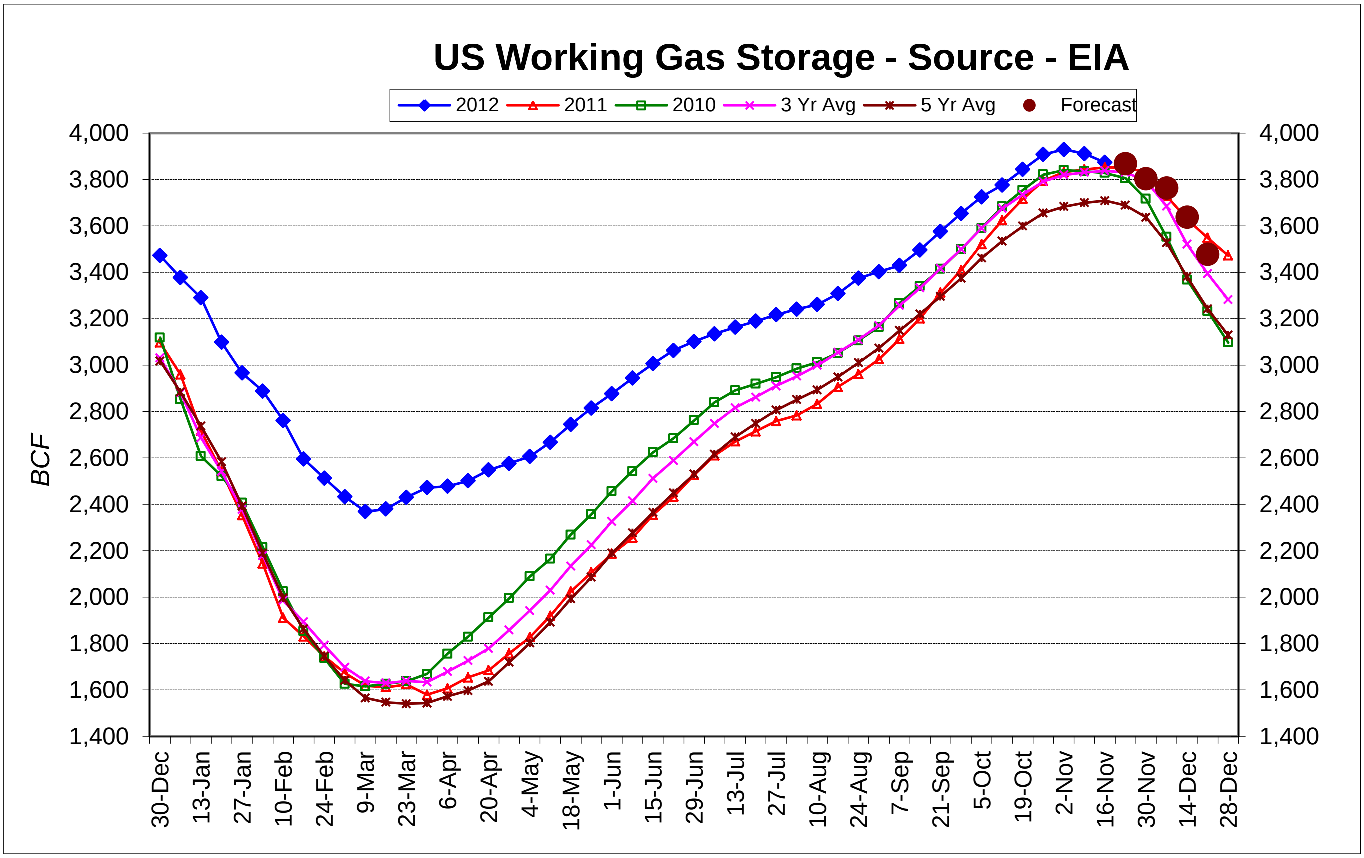
Sep-12
Nov-12
Jan-13



US Working Gas Storage - Source - EIA
2012
2011
2010
3 Yr Avg
5 Yr Avg
Forecast
BCF
4,000
3,800
3,600
3,400
3,200
3,000
2,800
2,600
2,400
2,200
2,000
1,800
1,600
1,400
30-Dec
13-Jan
27-Jan
10-Feb
24-Feb
9-Mar
23-Mar
6-Apr
20-Apr
4-May
18-May
1-Jun
15-Jun
29-Jun
13-Jul
27-Jul
10-Aug
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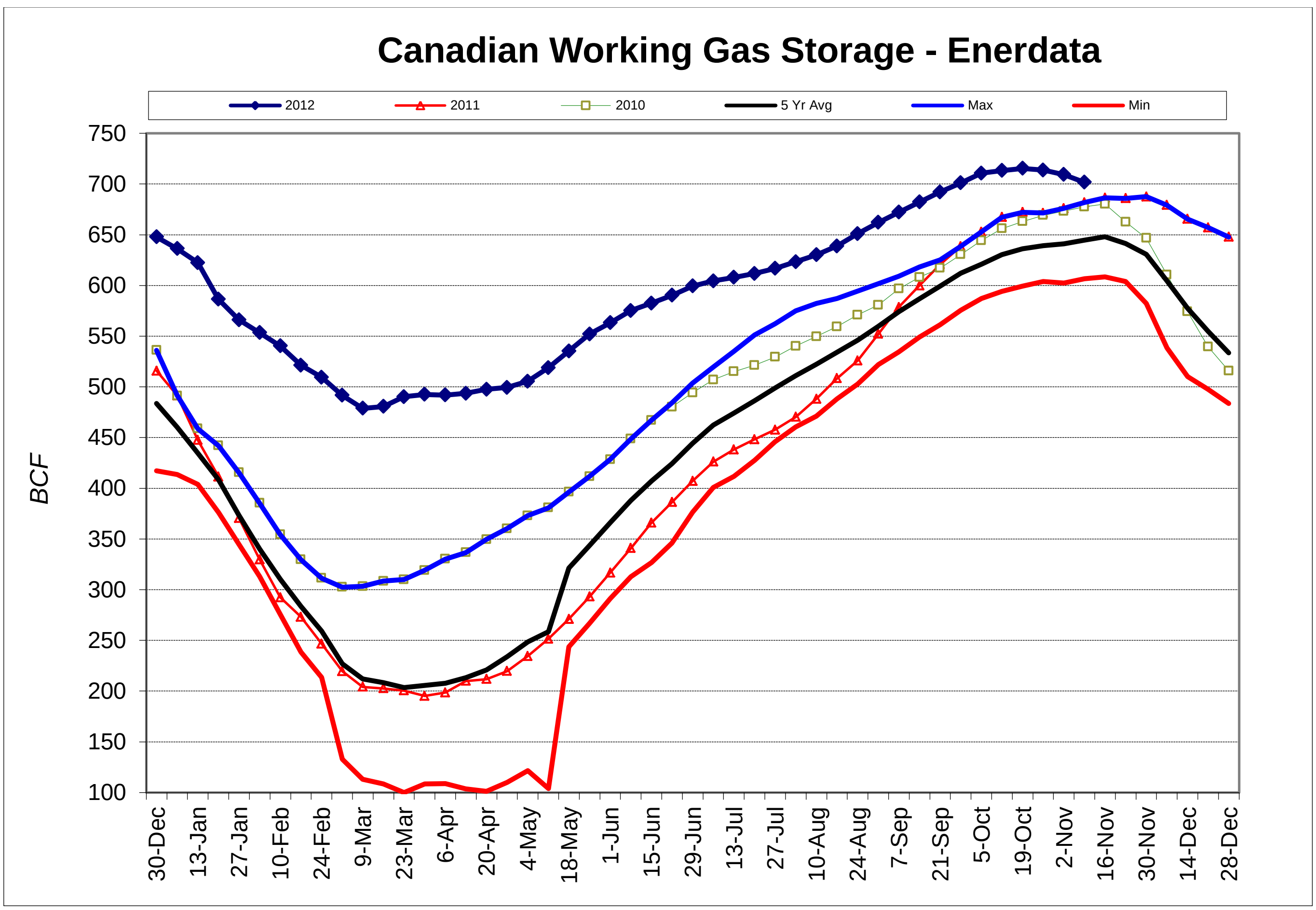
7-Sep
21-Sep
5-Oct
19-Oct
2-Nov
16-Nov
30-Nov
14-Dec
28-Dec

Canadian Working Gas Storage - Enerdata
2012
2011
2010
5 Yr Avg
Max
Min
BCF
750
700
650
600
550
500
450
400
350
300
250
200
150
100
30-Dec
13-Jan
27-Jan
10-Feb
24-Feb
9-Mar
23-Mar
6-Apr
20-Apr
4-May
18-May
1-Jun
15-Jun
29-Jun
13-Jul
27-Jul
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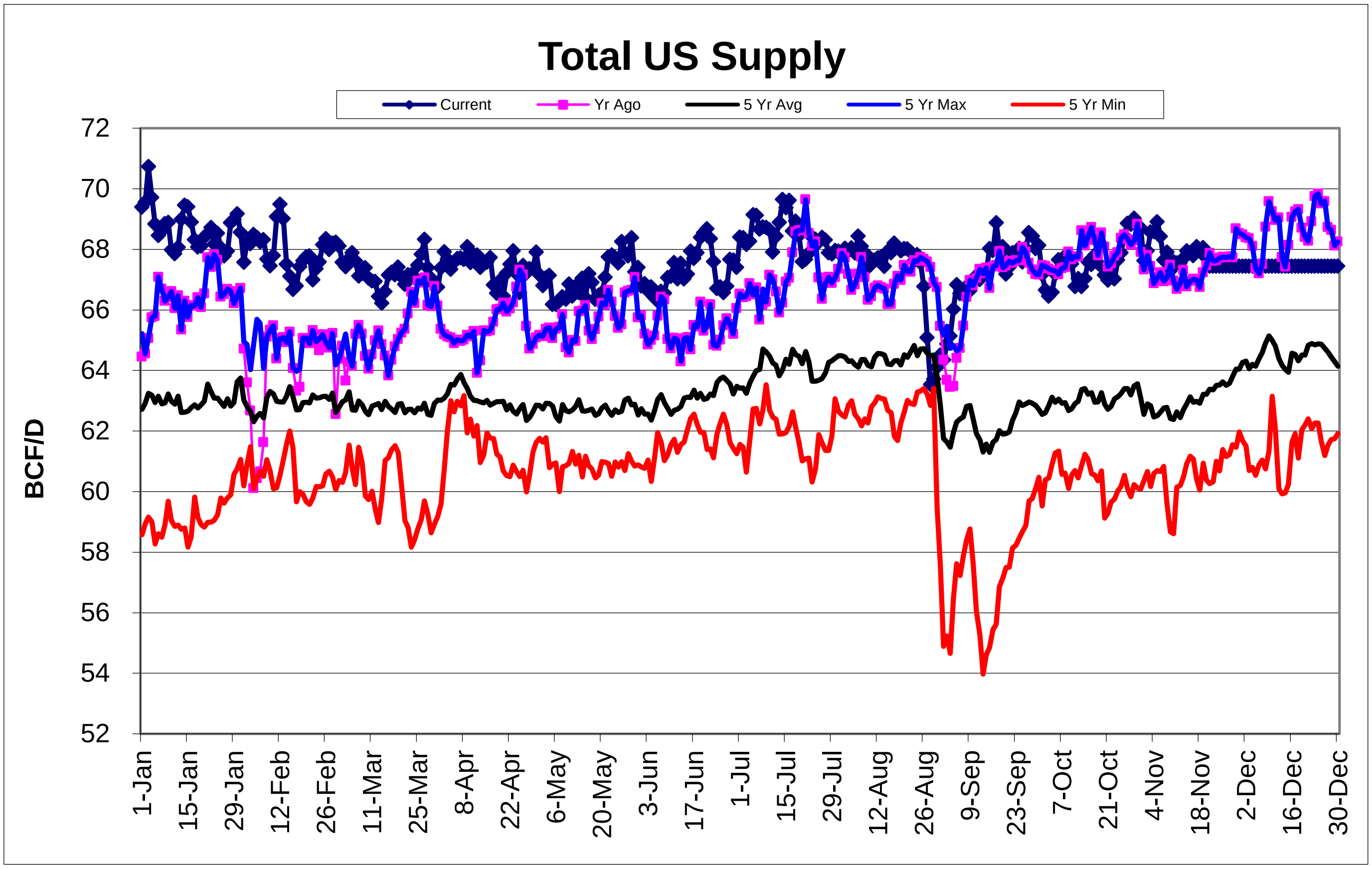
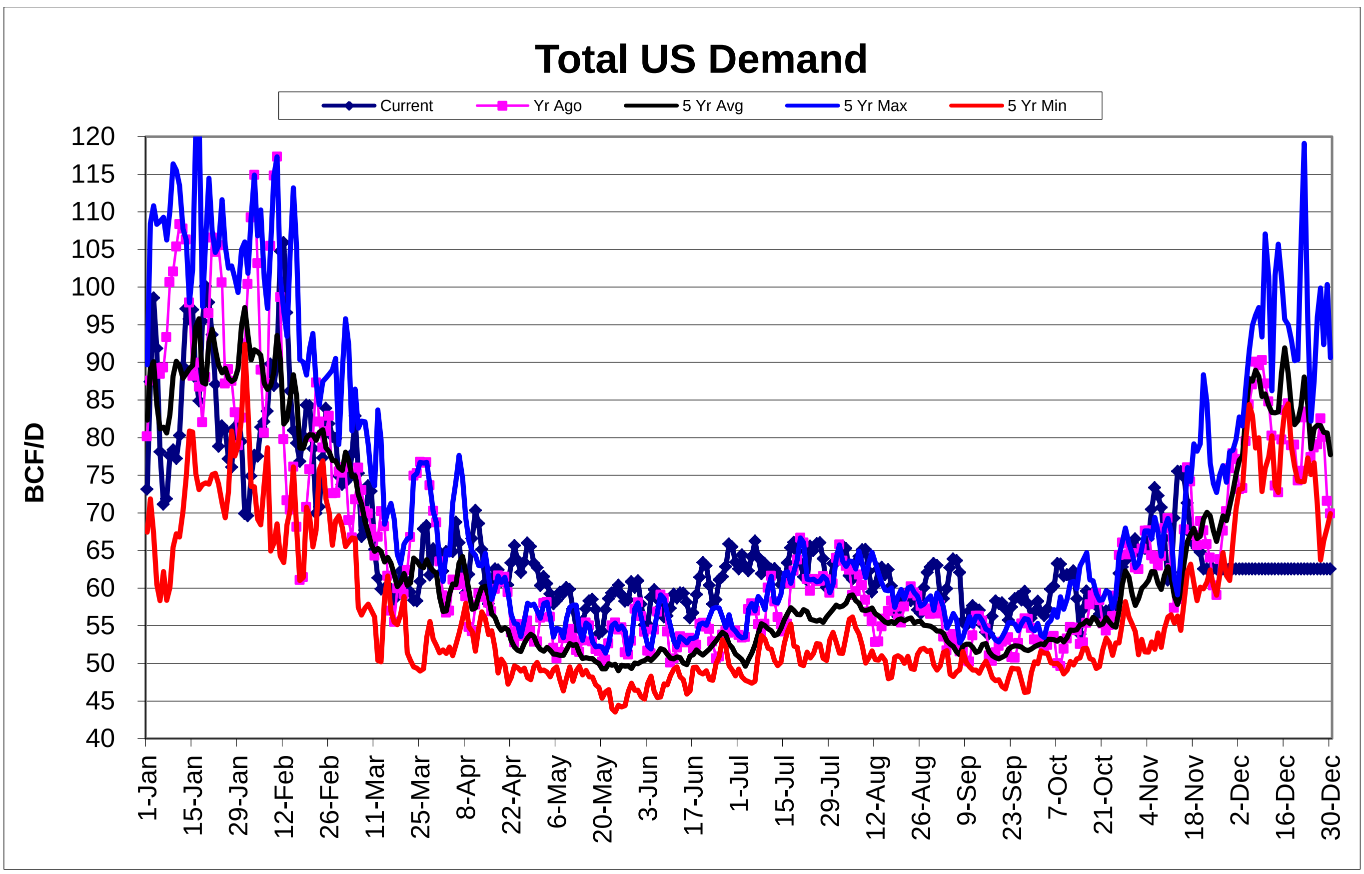
30-Nov
14-Dec
28-Dec




**ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**