

IAF Advisors  
Energy Market Outlook  
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**Price Action:** The market ended on a weak note as prices fell 12.2 cents (3.4%) to \$3.444 on a 23.4 cent range.

**Price Outlook:** The market did establish a new high early in the week, before turning bearish. Considering the weekly close, a new low is expected next week as a print of just \$3.41 will be required to establish a new weekly low. The winter is now well over half over when the 15 day is included and weather forecast influence will be waning. A cold February and March could still provide support, but the likelihood of a still high season ending storage level will probably restrain price advances in the coming weeks. The recent storage changes have been considered quite bullish on a temperature adjusted basis. However, last year witnessed very bullish temperature adjusted storage changes and thus at least from a year on year comparison storage changes are expected to be bearish in coming weeks. However, last year was extraordinarily bullish on a temperature adjusted basis, and thus the comparison to the 5 year average will likely still be bullish. Another week of data confirms a more bearish outlook from the power sector as burns have fallen on a temperature adjusted basis. The rise in speculative net length continued with the 2nd consecutive weekly increase. The net length is still well below those late 2012 levels and continued buying could easily support further price advances. However, momentum faded and futures open interest fell at the end of the week. Total open interest rose to 4.72 million contracts as of January 22. The price outlook remains slightly bearish.

**Weekly Storage:** US working gas storage fell 172 BCF for the week ending January 18. Current inventory levels of 2,996 BCF now fall 102 BCF (3.3%) below last year while surpassing the 5 year average by 327 BCF (12.3%).

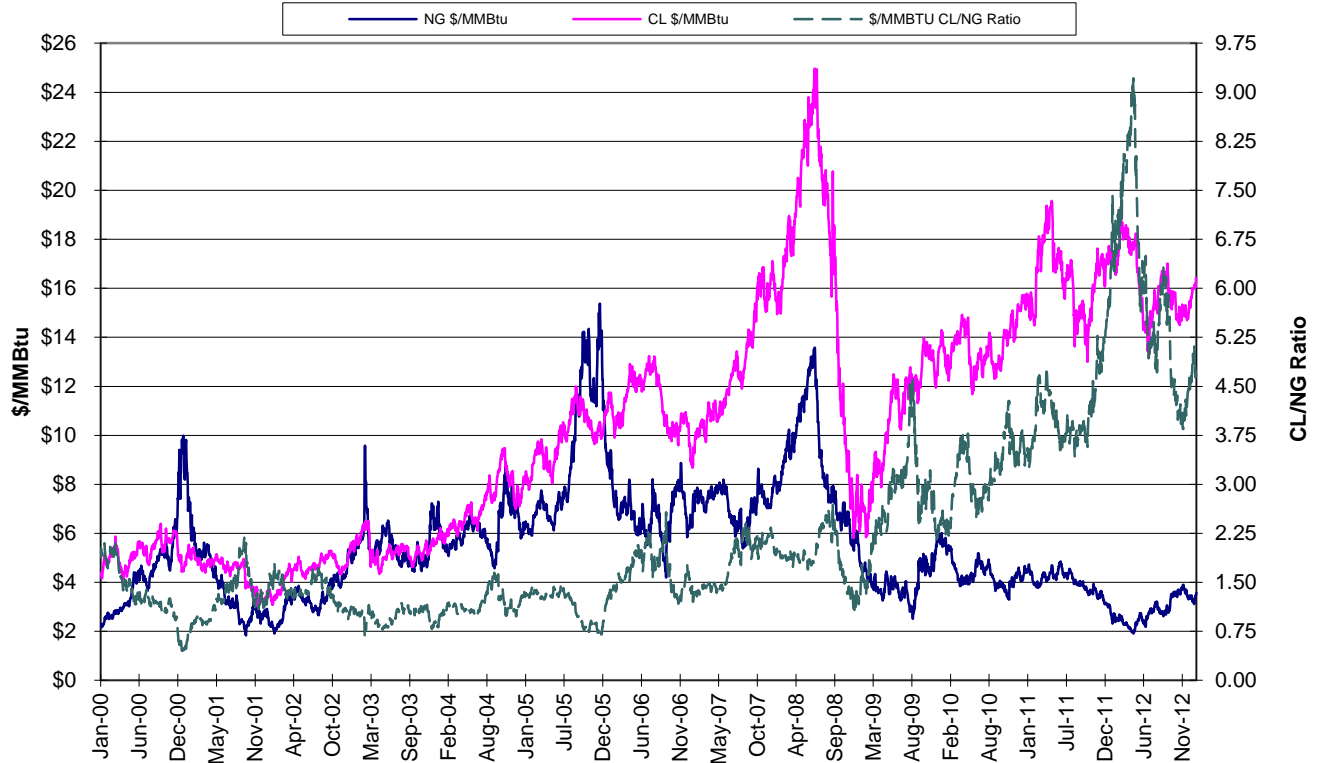
**Storage Outlook:** The large withdrawal on an absolute basis was actually small in comparison to last year and the 5 year average. Thus, the storage comparisons were slightly bearish as the deficit to last year was reduced while the surplus to the 5 year average increased. However, the storage comparisons should return to a bullish path as withdrawals exceed both last year and the 5 year average in coming weeks.

**Supply Trends:** Total supply fell 0.8 BCF/D to 66.6 BCF/D. US production fell with Canadian and LNG imports and Mexican exports all little changed. The US Baker Hughes rig count rose 4 to 1,753 as decreased oil activity was more than offset by natural gas. Canadian activity rose again and thus the total North American rig count increased by 24 to 2,374, which now trails last year by 316. The higher efficiency US horizontal rig count was unchanged and at 1,127 falls 58 behind last year.

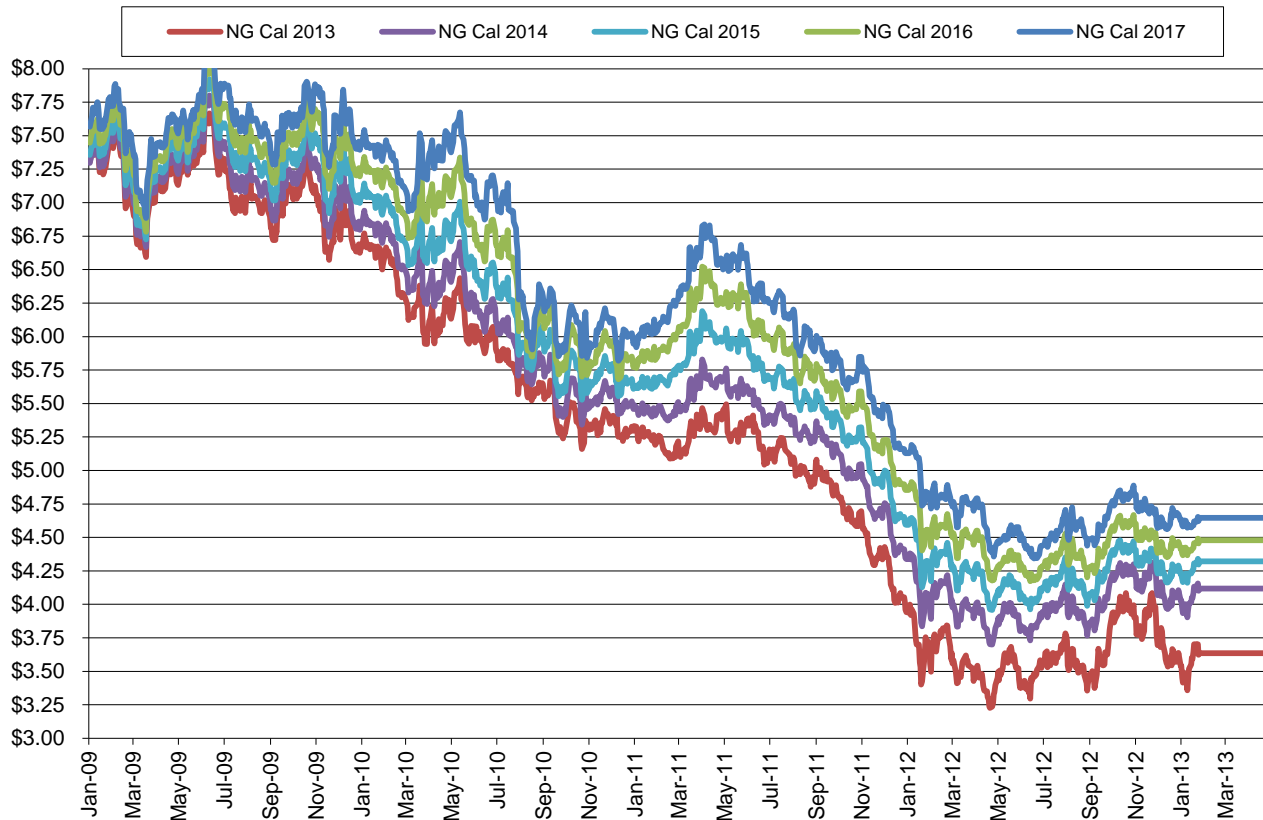
**Demand Trends:** Total demand rose 8.2 BCF/D to 91.0 BCF/D. Demand was higher across all sectors. Electricity demand rose 3,771 gigawatt-hrs to 79,508, which exceeds last year by 756 (1.0%) while trailing the 5 year average by 2,785 (3.4%). The winter is now well over half complete, especially when the 15 day forecast is included. Thus, it is considered highly likely that the peak demand for the 2012/13 winter has already been witnessed.

**Other Factors:** The S&P 500 continued to advance and closed above 1500. Seasonally adjusted jobless data was again supportive.

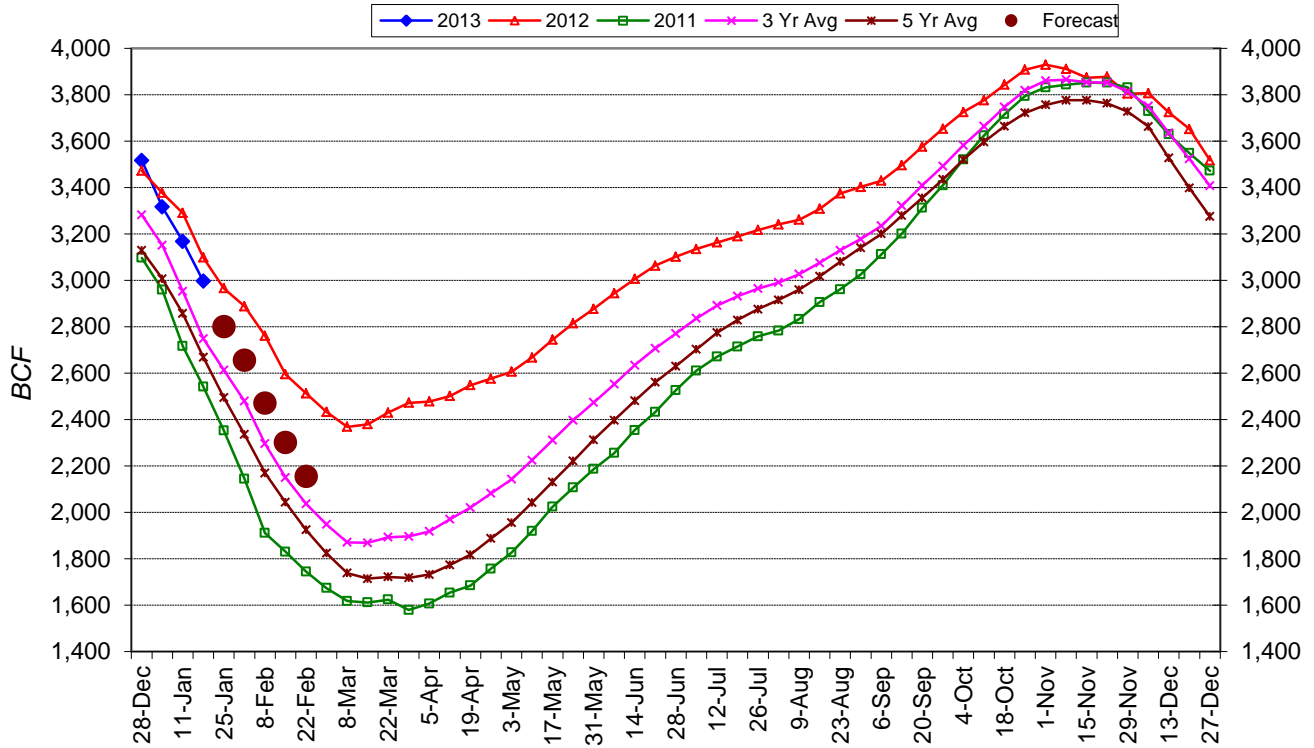
## \$/MMBtu Ratio of NYMEX CL and NG



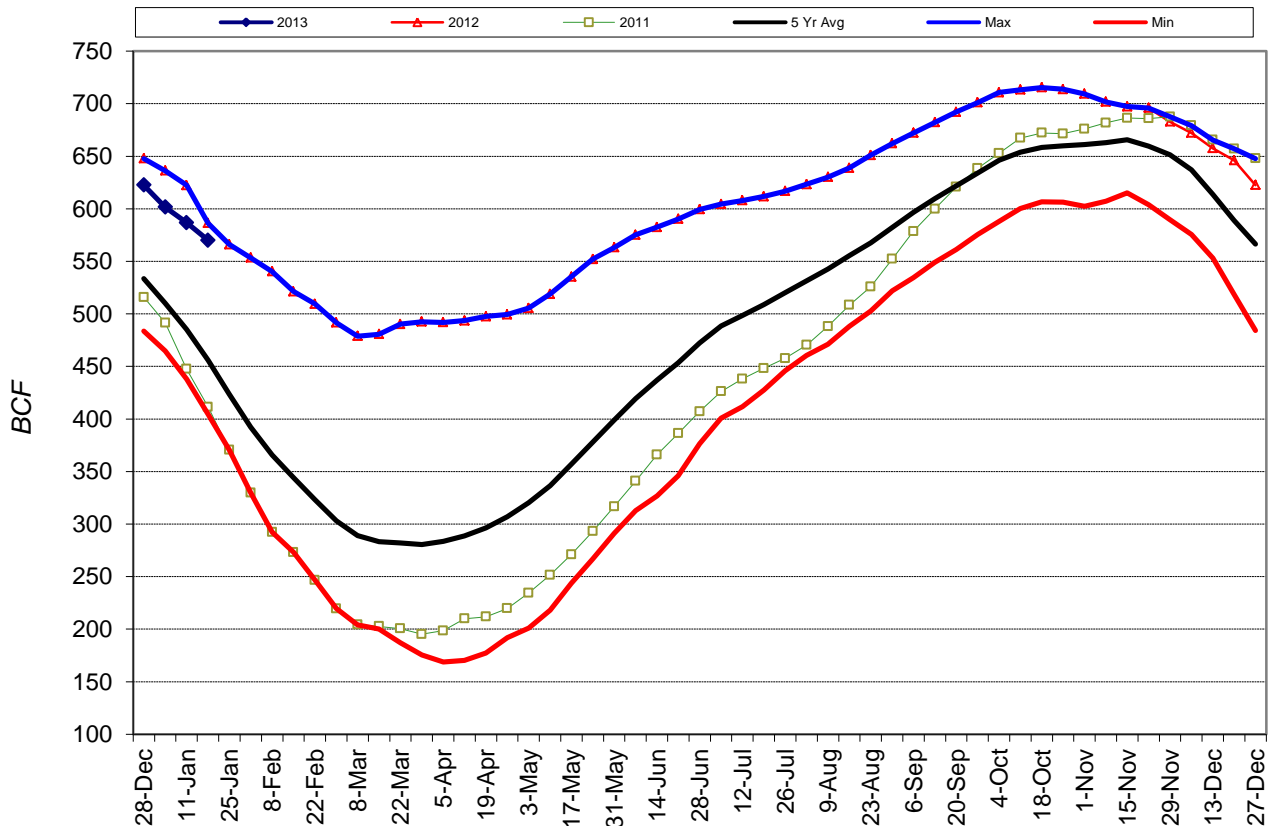
## NYMEX Calendar Strips



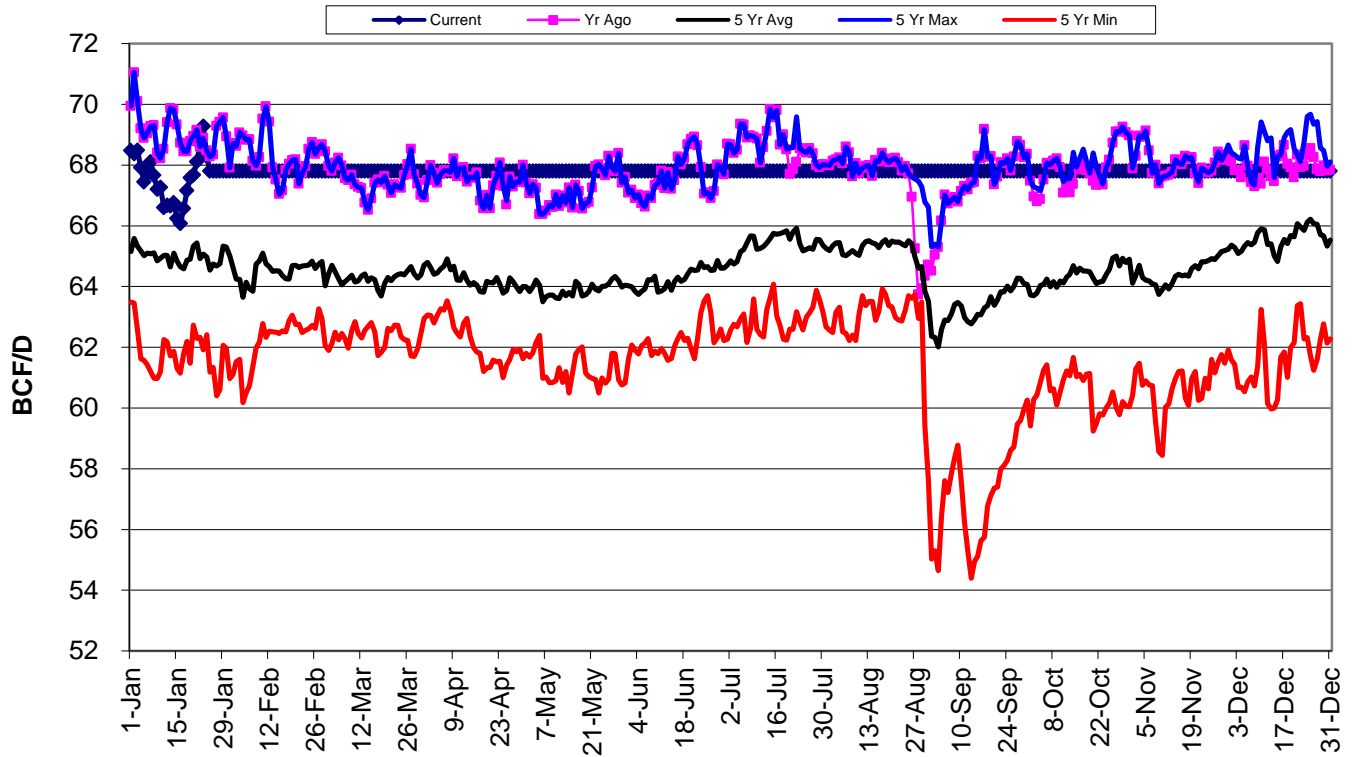
## US Working Gas Storage - Source - EIA



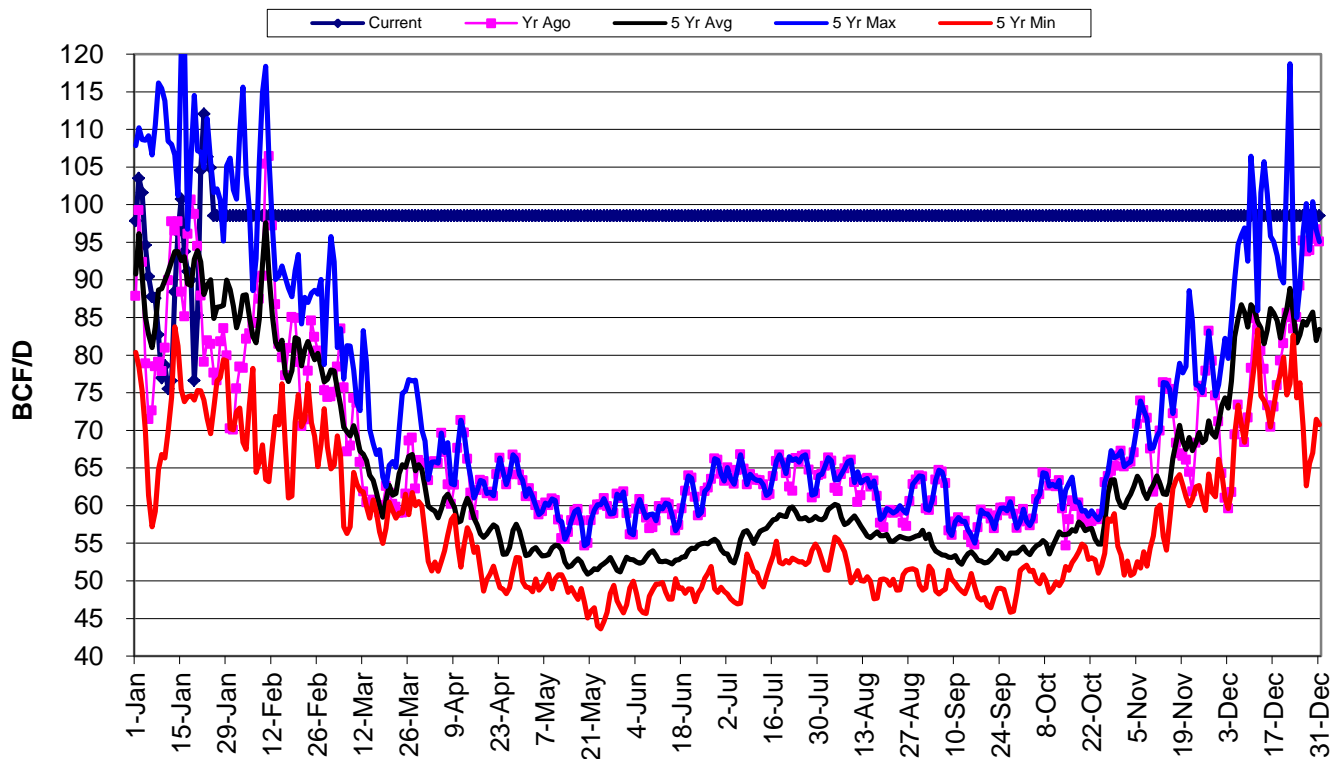
## Canadian Working Gas Storage - Enerdata



## Total US Supply



## Total US Demand



#### **ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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