

IAF Advisors  
Energy Market Outlook  
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**Price Action:** The market reversed course and added 13.8 cents (4.4%) to \$3.291 on a 20.2 cent range.

**Price Outlook:** The market came close, but did not establish a new weekly low. However, as is the historical case to not have inside weeks, the market established a new high at \$3.337. Although the end of winter is rapidly approaching, yearly storage comparisons in March will be very bullish and thus another new high next week is considered more likely. The market has found solid support in the low \$3 range and while an eventual test of that level is expected, it may still be a few weeks in the future. April storage comparisons are expected to be bearish again with injections all last year usually rather low and thus will be relatively easy to exceed. The rise in speculative net length continued with now the 6th consecutive weekly increase. Again, the rise was rather muted. However, the recent weakness has not stemmed the bullish sentiment and that is quite remarkable. Although winter is coming to an end, storage comparisons in March will likely be bullish and may provide support. Total open interest rose to 4.81 million contracts as of February 19 and open interest across the petroleum complex remains elevated.

**Weekly Storage:** US working gas storage fell 127 BCF for the week ending February 15. Current inventory levels of 2,400 BCF now fall 195 BCF (7.5%) below last year while surpassing the 5 year average by 357 BCF (17.5%).

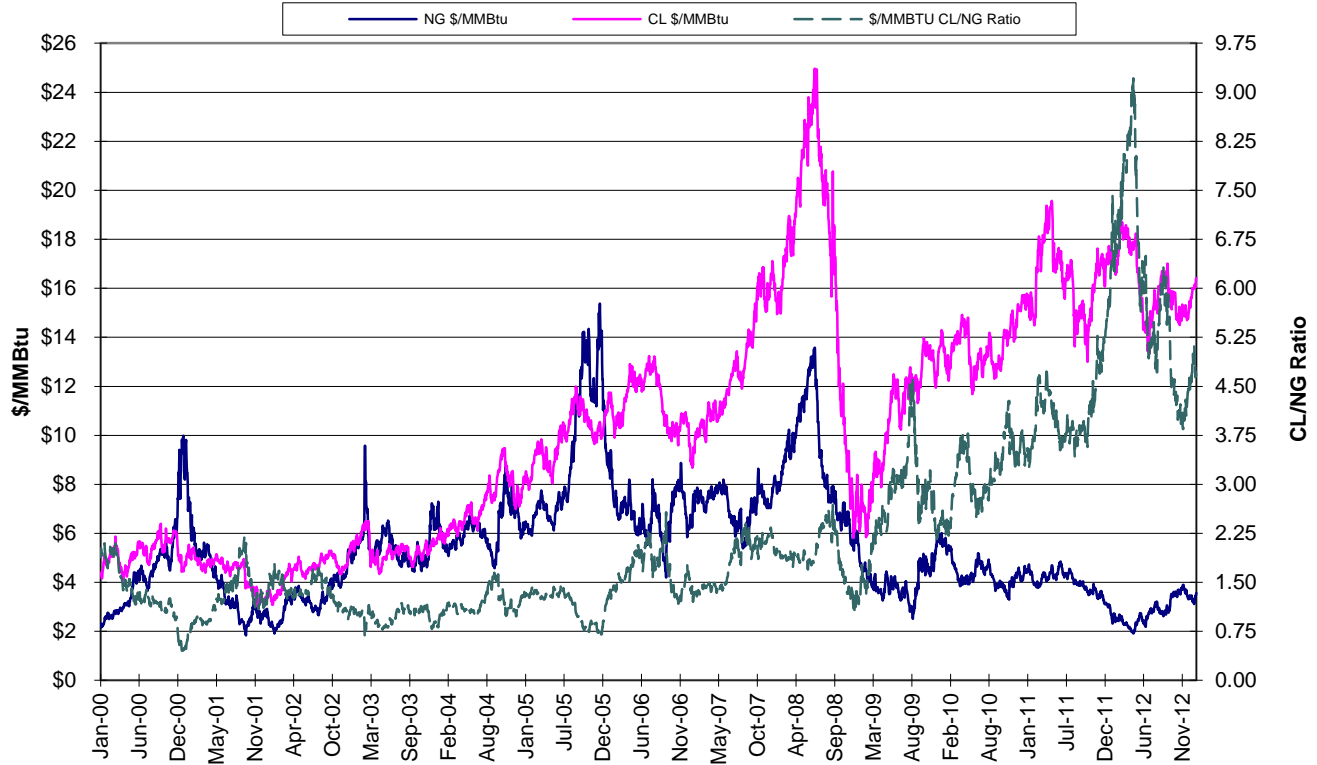
**Storage Outlook:** This week witnessed a reduction in the yearly storage deficit. However, that is likely the last reduction in the storage deficit until April as the incredible warmth of last March resulted in the only March net injection since data that dates back to 1985. In 2007, only 17 BCF was withdrawn and that is the next closest to a March injection. Last year the largest injection was just 80 BCF. Every year since 2001 has witnessed at least one triple digit injection.

**Supply Trends:** Total supply was up 0.1 BCF/D at 68.2 BCF/D with US production rising and offsetting slightly lower Canadian imports and higher Mexican exports. The US Baker Hughes rig count fell 1 to 1,761 with decreased oil activity offsetting a rise in natural gas. Canadian activity rose again and thus the total North American rig count increased by 10 to 2,423, which now trails last year by 259. The higher efficiency US horizontal rig count rose 1 and at 1,140 falls 25 behind last year.

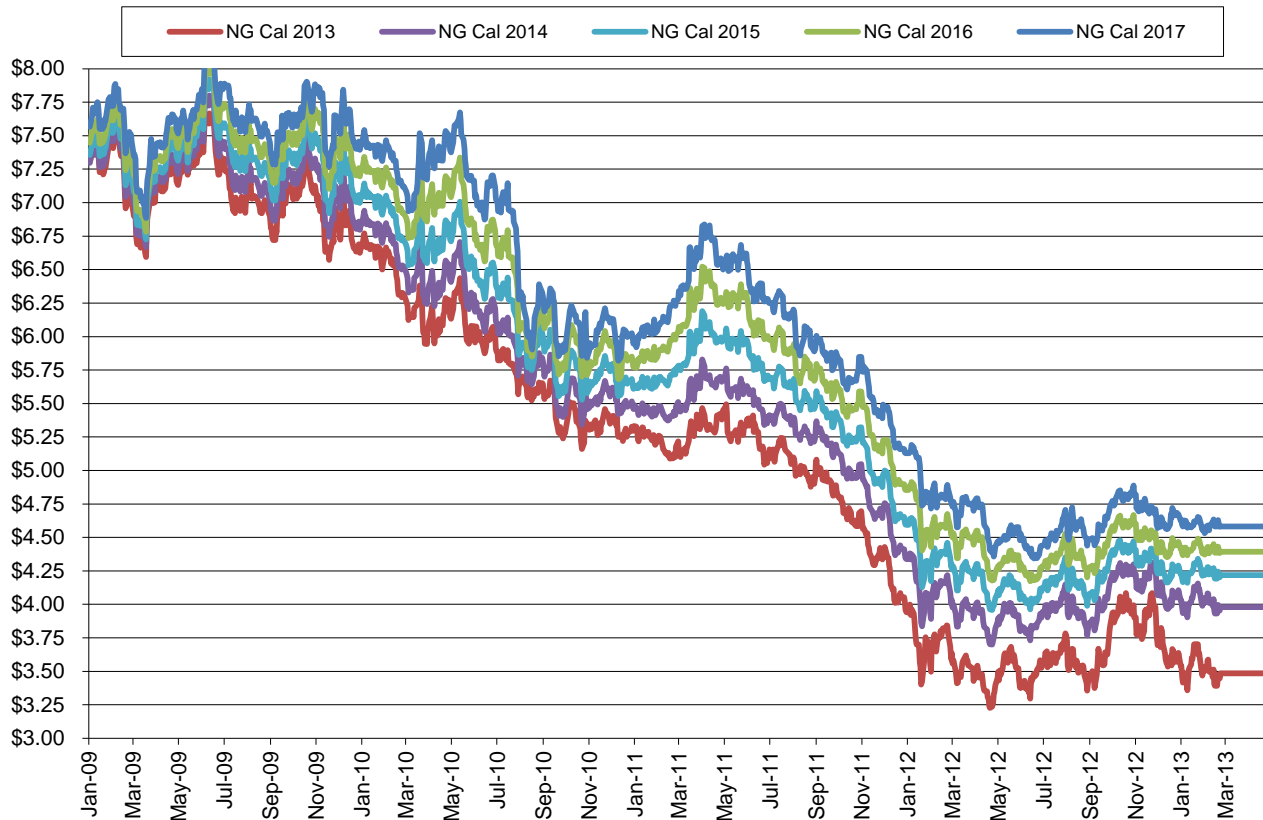
**Demand Trends:** Total demand fell 5.1 BCF/D to 84.4 BCF/D. Power consumption was higher while other sectors were lower. Electricity demand rose 133 gigawatt-hrs to 75,580, which trails last year by 1,074 (1.4%) and the 5 year average by 1,196 (1.6%). Total demand will begin to fall rapidly in coming weeks as temperatures climb.

**Other Factors:** The S&P 500 fell for the first week in 2013, but the drop was marginal and the week ended on a strong note.

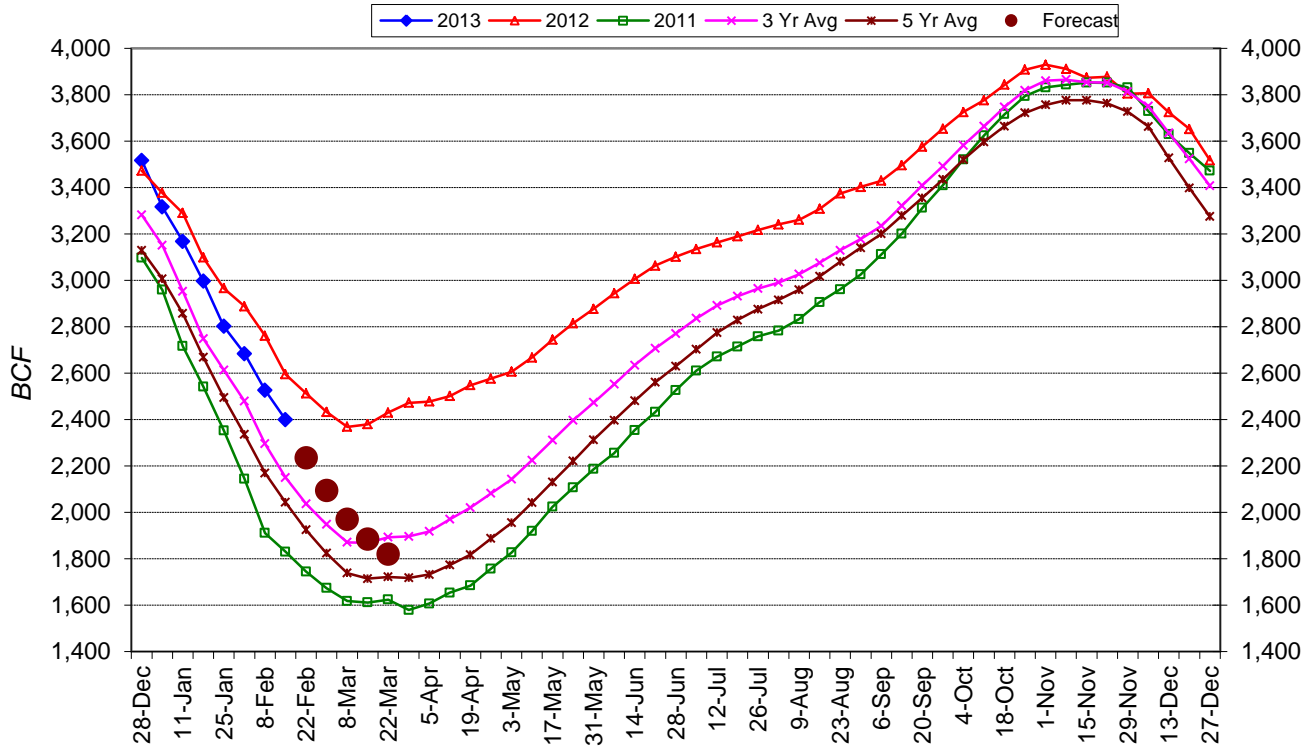
## \$/MMBtu Ratio of NYMEX CL and NG



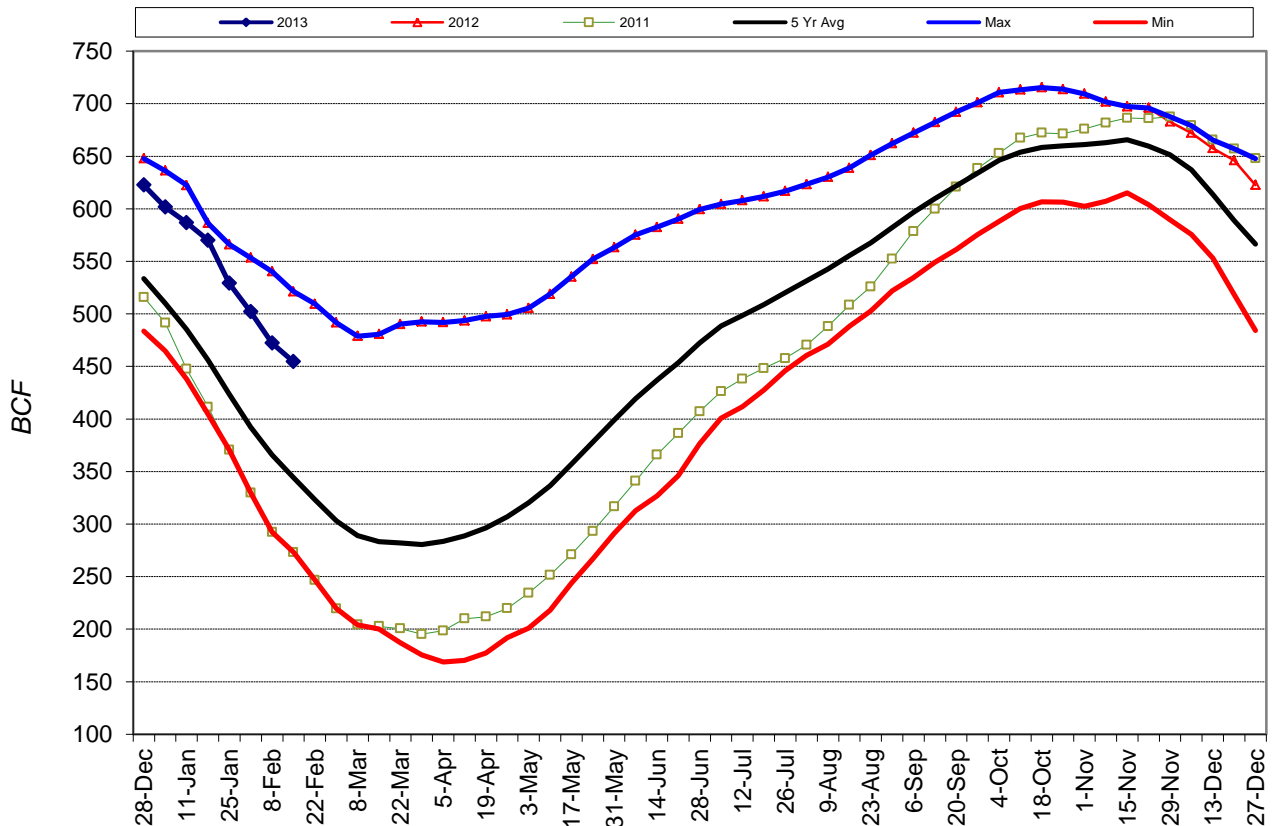
## NYMEX Calendar Strips



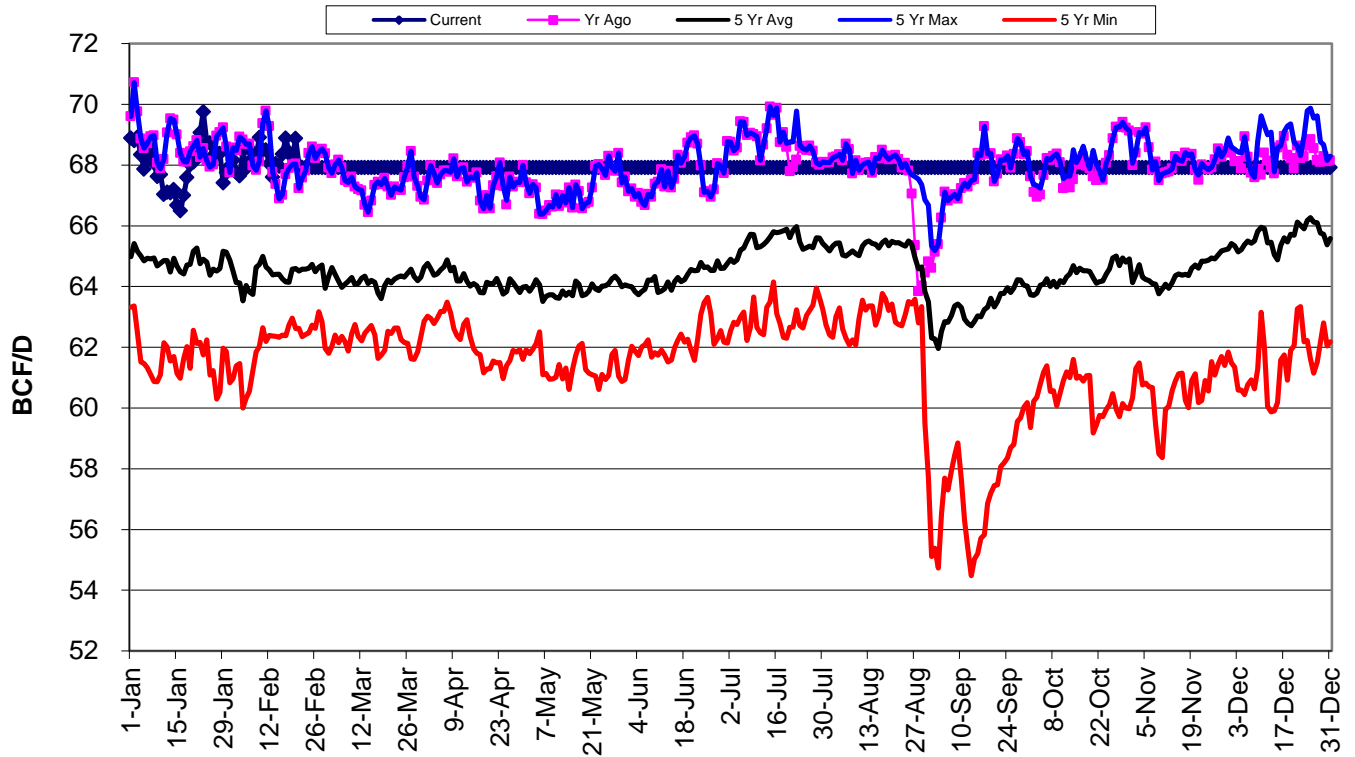
## US Working Gas Storage - Source - EIA



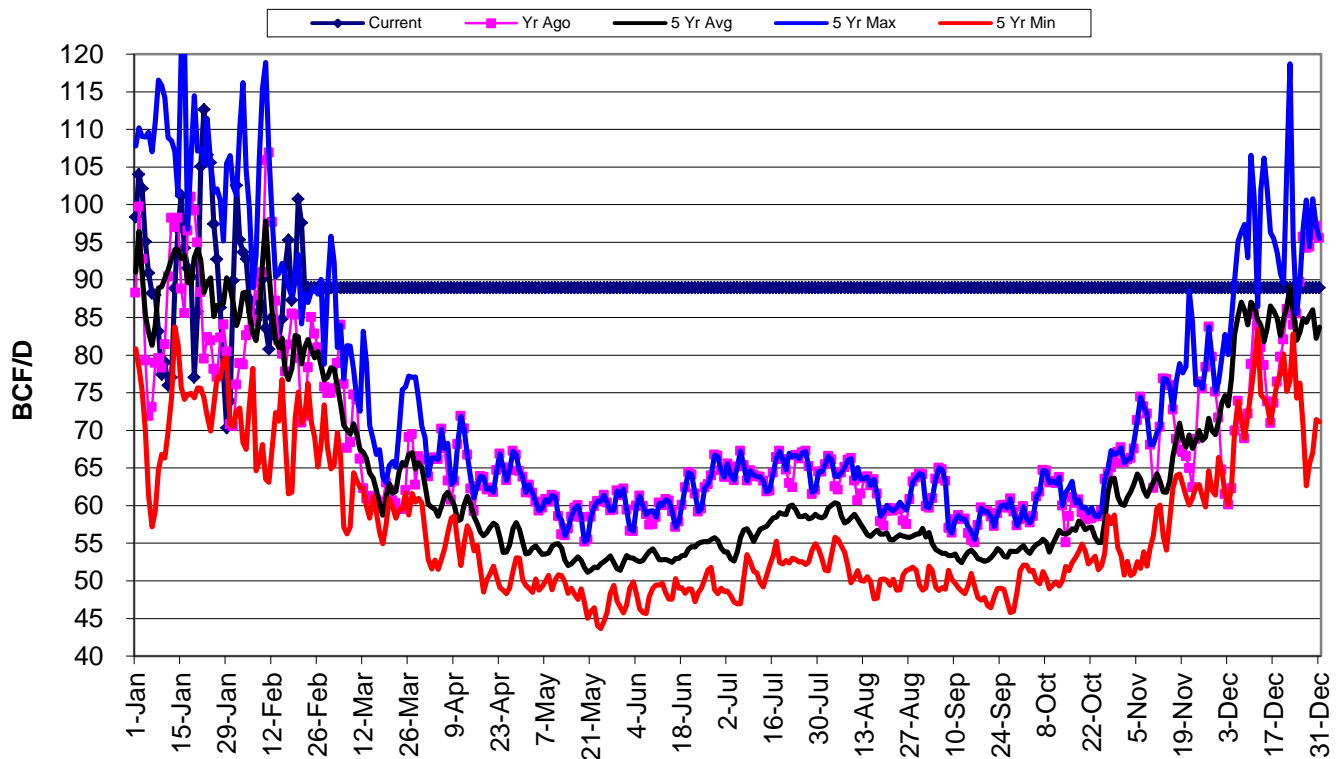
## Canadian Working Gas Storage - Enerdata



## Total US Supply



## Total US Demand



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

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