

IAF Advisors
Energy Market Outlook
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August 23, 2013

Price Action: September futures rose 11.7 cents (3.5%) to \$3.485 on another well below average 17.7 cent range.

Price Outlook: The market continued to maintain its' historical tendency by moving either higher or lower and not experiencing an inside week. Although we had a slight bias to a new low, bullish weather forecasts and a below expected storage injection lifted prices. With a weak close and moderating temperatures, the same view holds from last week with a slight bias to a new low rather than another high. The reduction in the CFTC net speculative long position was abated with a minimal increase. The net long position is still quite sizable. Across the complex, total open interest rose to 5.08 million as of August 20. CME open interest fell to 1.35 million contracts as of August 23. This is the lowest level of open interest since March 19, 2013. The current speculative position leaves plenty of room for more buying, or renewed selling interest.

Weekly Storage: US working gas storage rose 57 bcf for the week ending August 16. Current inventory levels of 3,063 bcf now fall 245 bcf (7.4%) below last year and now rise 46 bcf (1.5%) above the 5 year average.

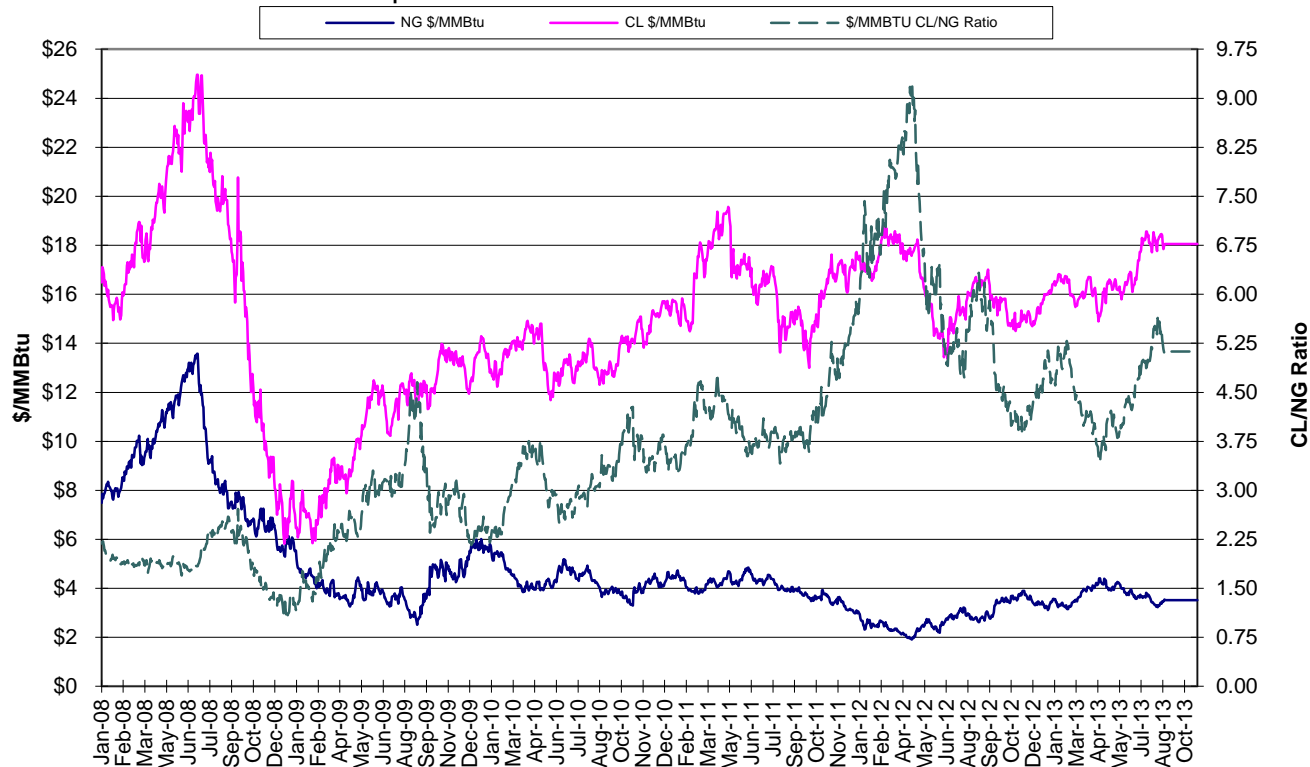
Storage Outlook: Peak storage levels remain on track to reach approximately 3,900 bcf. Mother Nature remains the primary driver of storage changes and it should be noted that while not forecast, 2006 experienced two October withdrawals and November and December 2000 were extremely cold. To a market that has become conditioned to bearish weekly storage comparisons, early cold could prove to be an interesting market development.

Supply Trends: Total supply was unchanged at 68.4 bcf/d. Rising Canadian imports offset lower US production. Mexican exports and LNG imports were unchanged. The US Baker Hughes rig count slipped 15 with both oil and natural gas falling. Canadian activity rose 25. Thus the total North American rig count expanded by 10 to 2,159 which now trails last year by 73. This remains the smallest YOY deficit since July 2012. The higher efficiency US horizontal rig count fell 2 to 1,075 and falls 84 behind last year.

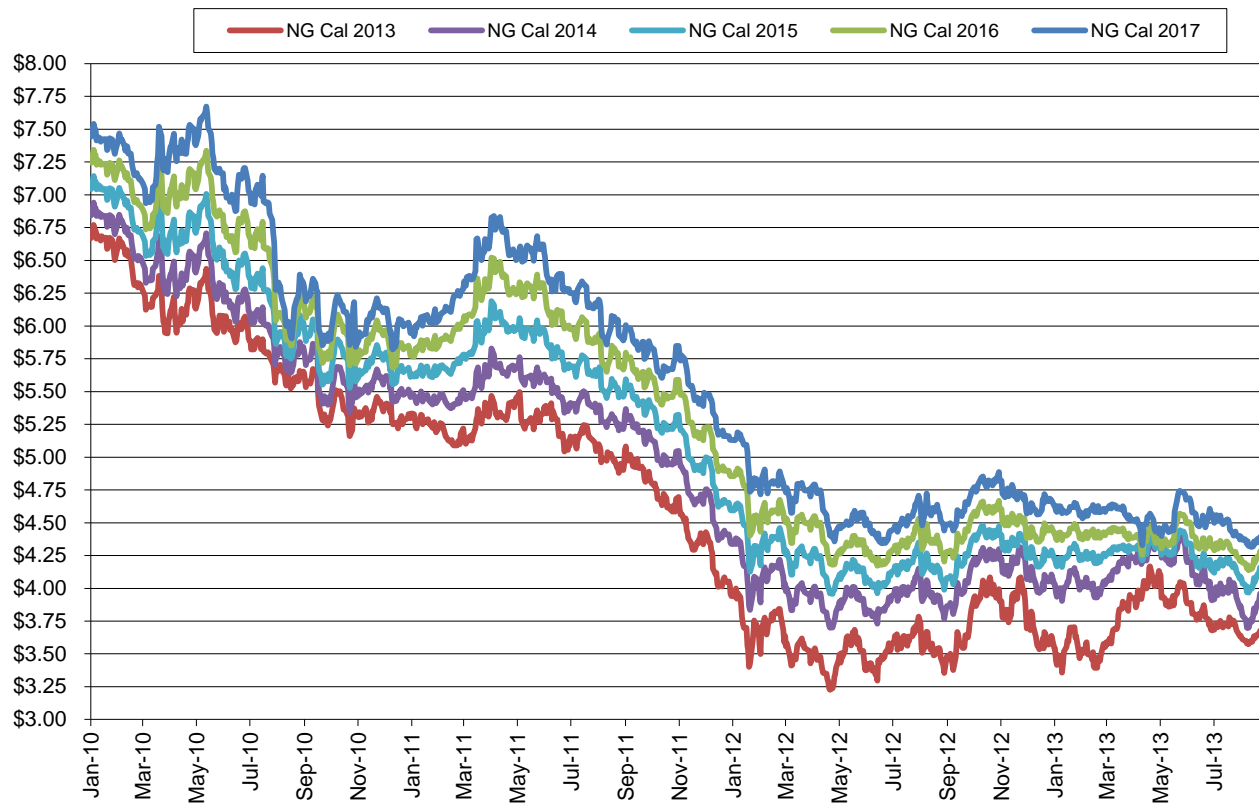
Demand Trends: Total demand fell 0.2 bcf/d to 58.7 bcf/d. R&C demand rose while power consumption slipped. Industrial demand was unchanged. Electricity demand fell 4,086 gigawatt-hrs to 81,888, which trails last year by 4,528 (5.2%) and the 5 year average by 6,799 (7.7%). Sun angles are falling rapidly and days are getting shorter. In northern climes, below normal temperatures, especially for overnight lows, are now considered bullish at the back end of the 11-15 day forecast. For the Southern tier cities, above normal temperatures are still considered bullish until early to mid-October. Electricity demand continues to remain rather weak with June total electricity demand down 1.5% according to the EIA Monthly Report. Coal demand rose 5.6% while natural gas fired generation plummeted 14.7%. The other category, which includes renewables, rose at a 14.3% YOY pace and is an impressive 16.7% higher YTD.

Other Factors: The S&P 500 halted the recent slide and was higher on the week. Economic data was considered positive overall.

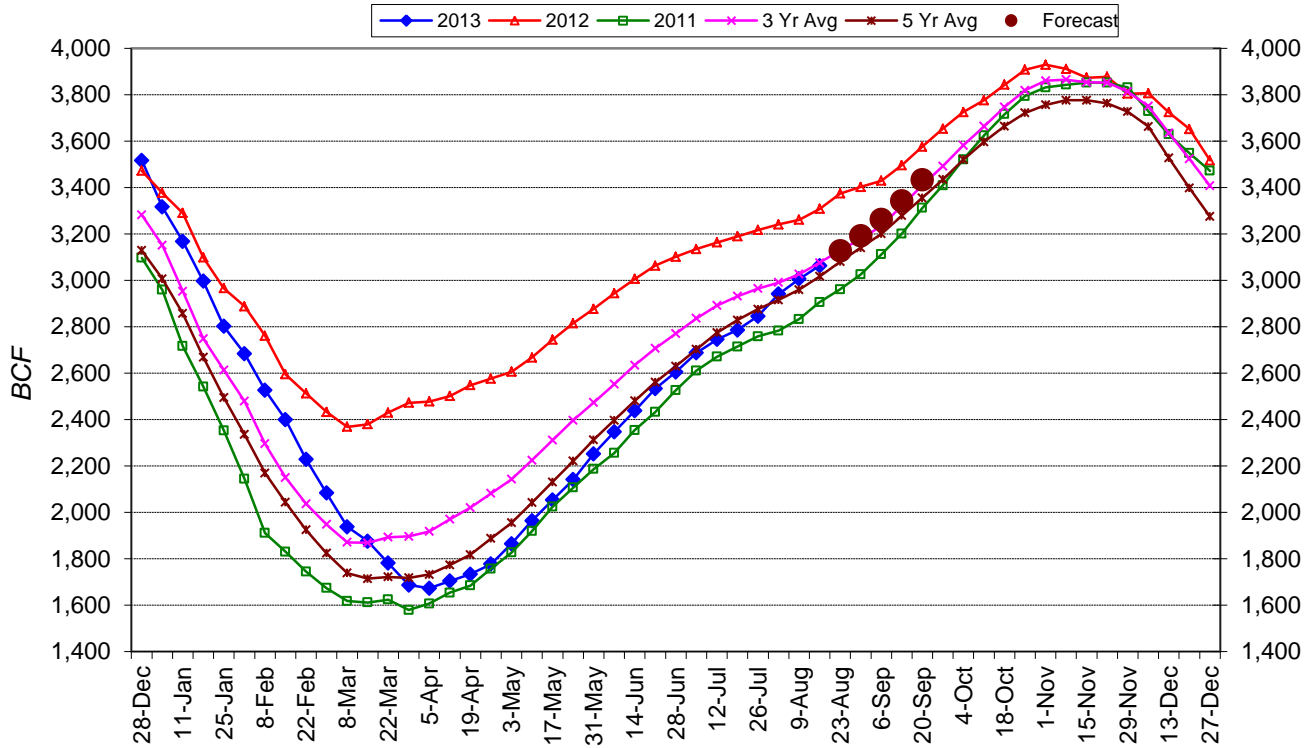
\$/MMBtu Ratio of NYMEX CL and NG



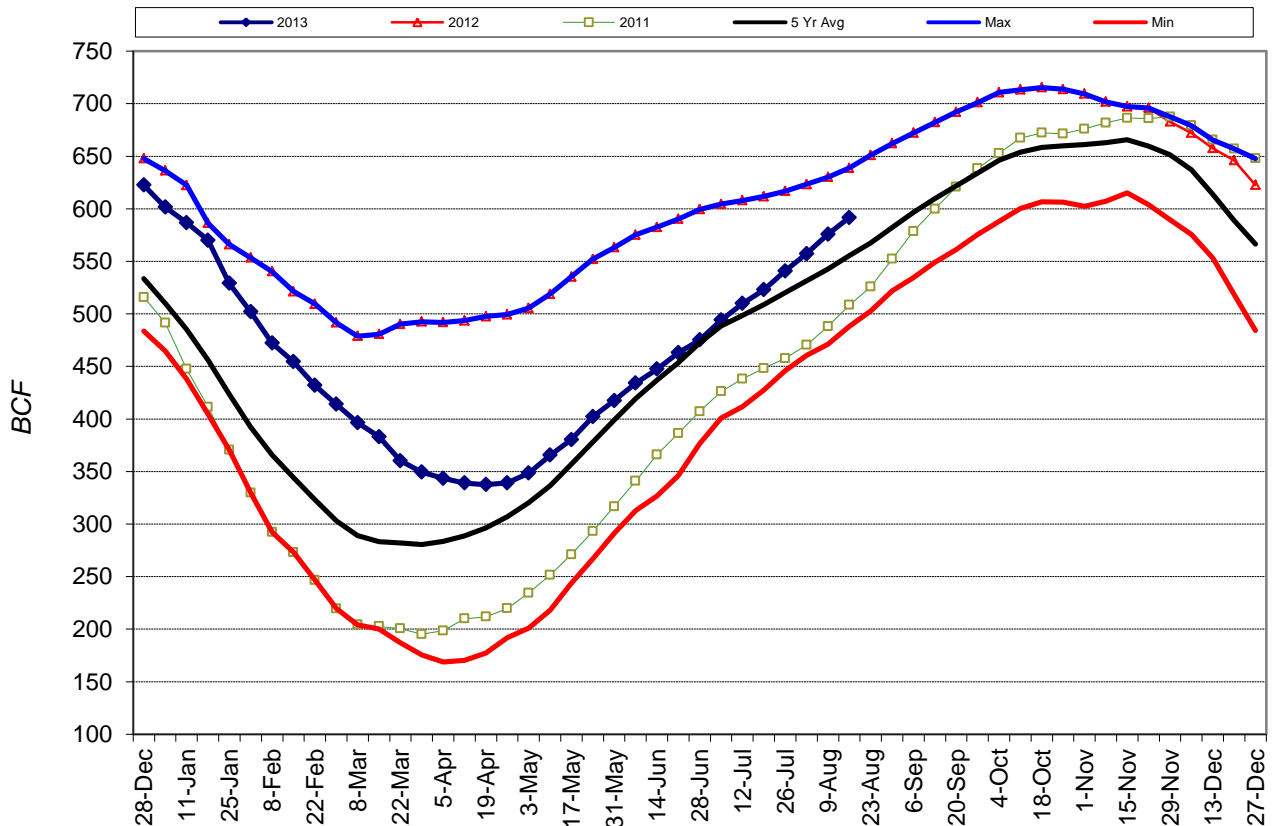
NYMEX Calendar Strips



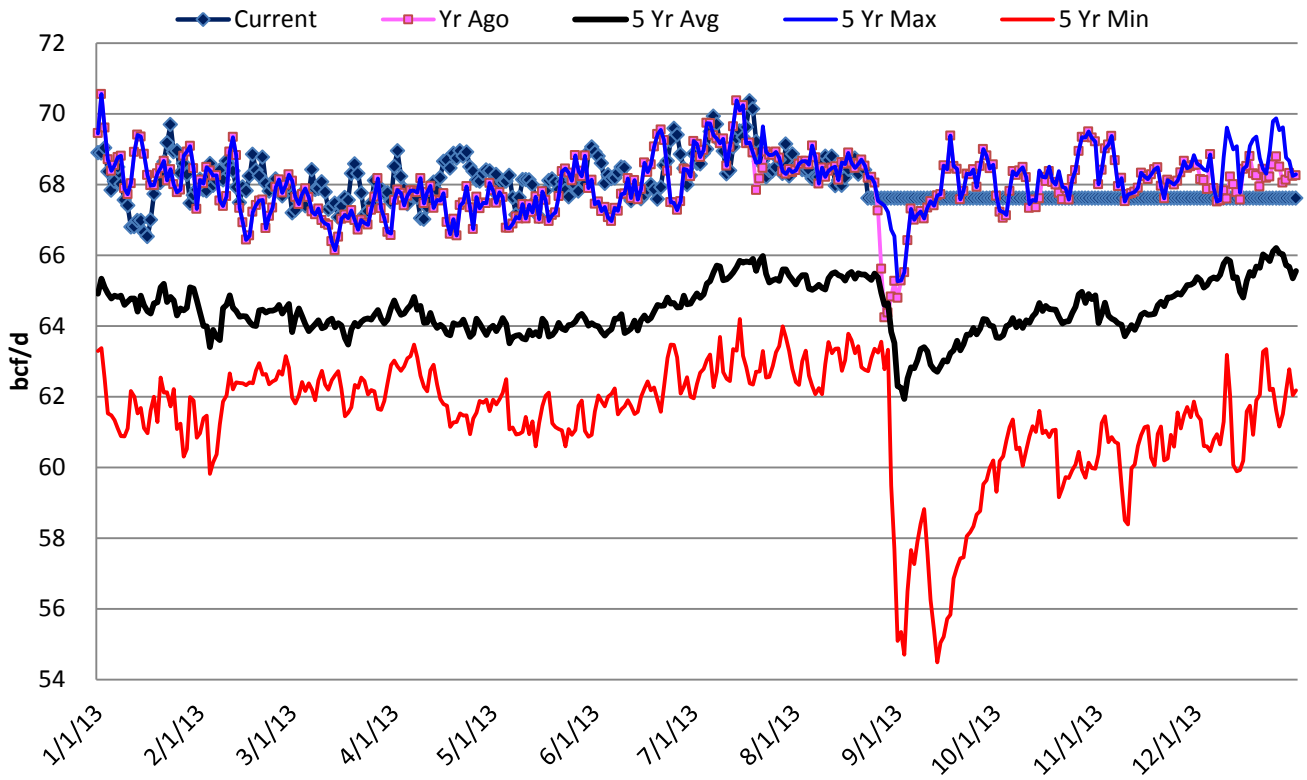
US Working Gas Storage - Source - EIA



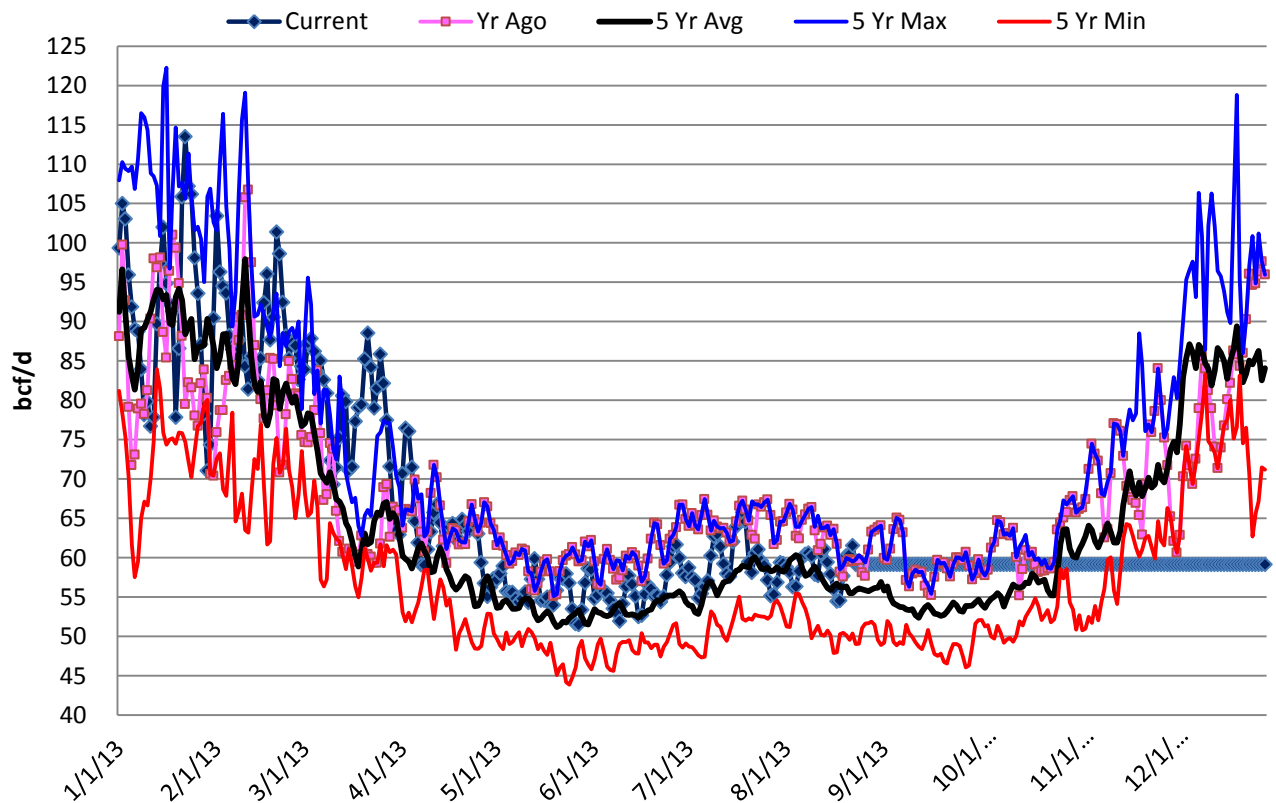
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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