

IAF Advisors
Energy Market Outlook
Kyle Cooper, (713) 722-7171, Kyle.Cooper@IAFAdvisors.com
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Price Action: Prices basis the now prompt November contract slid 17.4 cents (4.6%) to \$3.589 contract prices were minimally higher, up 1.0 cent (0.3%) to \$3.687 on an expanded 30.5 range.

Price Outlook: The market easily established a new weekly low with the EIA posting a storage injection well above expectations. However, in stark contrast to last week, after a steep initial drop, prices rebounded and ended well above the spike \$3.45 low. Looking forward to next week, another very large injection is in store and that would suggest another new low. However, weather forecasts are now beginning to forecast higher demand and early season cool could be supportive. While a new low seems the more likely path, confidence is low and after a wider range, a rare inside week would not be that surprising. The CFTC net speculative long position rose despite a rather drop in price. Across the complex, total open interest fell to 4.92 million as of September 24. CME open interest was again lower at 1.27 million contracts as of September 26. The market complexion has still not changed significantly in recent weeks with plenty of room for increased buying or selling interest.

Weekly Storage: US working gas storage rose 87 bcf for the week ending September 20. Current inventory levels of 3,386 bcf now fall 190 bcf (5.3%) below last year and rise 31 bcf (0.9%) above the 5 year average.

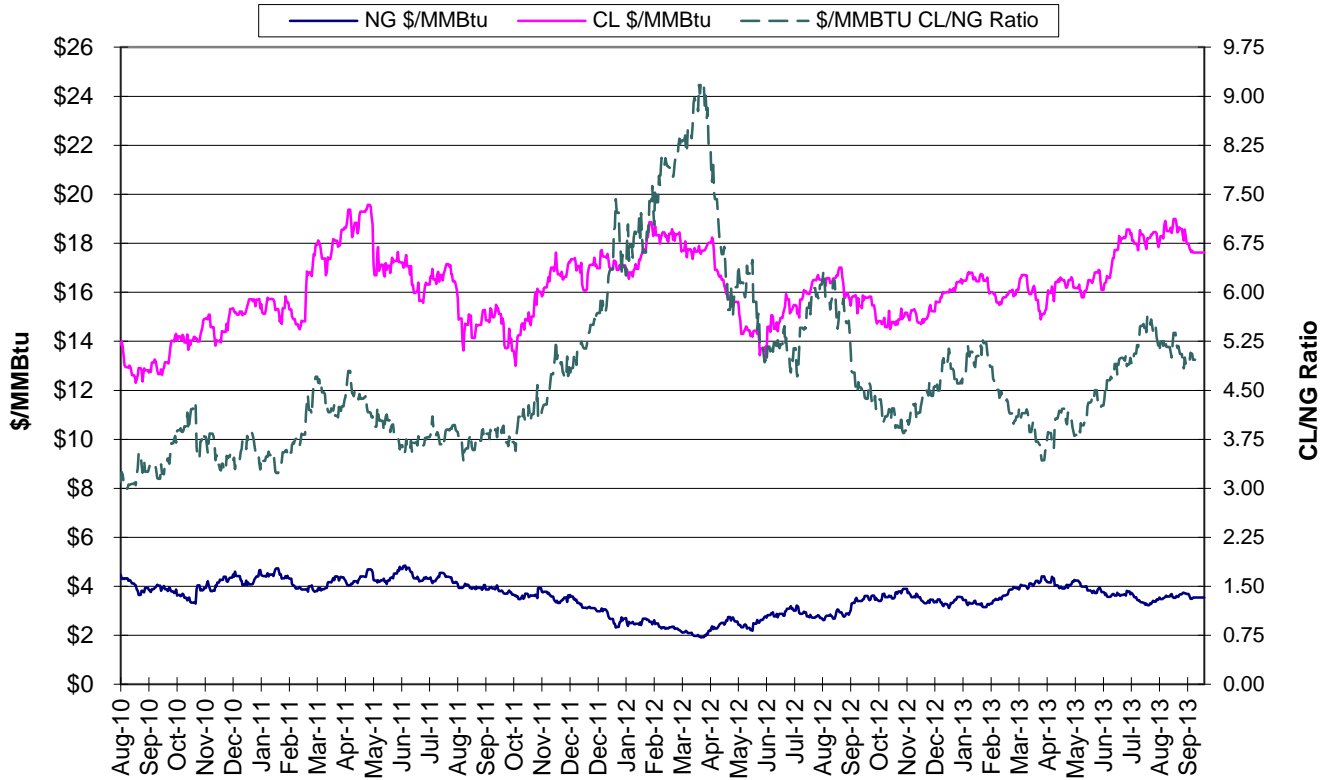
Storage Outlook: This week returned to the 2013 trend of injections exceeding last year. Injections are likely to exceed last year for the next three weeks with late October actual temperatures driving those eventual comparisons. Our expectations for peak storage levels remain just below 3.85 tcf with a bias lower. As the 15 day weather forecasts will now extend to the back half of October, below normal temperatures are becoming bullish for the northern tier areas with even the producing area rapidly becoming that way. The importance of winter temperatures cannot be overstated as projections now begin to shift toward March 2014 estimations. Temperatures at either end of the spectrum can result in March 2014 storage deviations of 1 tcf or more. Thus, clearly both actual temperatures and updated forecasts become incredibly important.

Supply Trends: Total supply fell 0.8 bcf/d to 68.1 bcf/d. All four supply components were lower on the week with US production and Canadian imports falling the most. The US Baker Hughes rig count slipped 17 with both oil and natural gas activity sliding. Canadian activity rose 2. Thus the total North American rig count fell by 15 to 2,134 and trails last year by 73. The higher efficiency US horizontal rig count fell 6 to 1,085 and falls 57 behind last year.

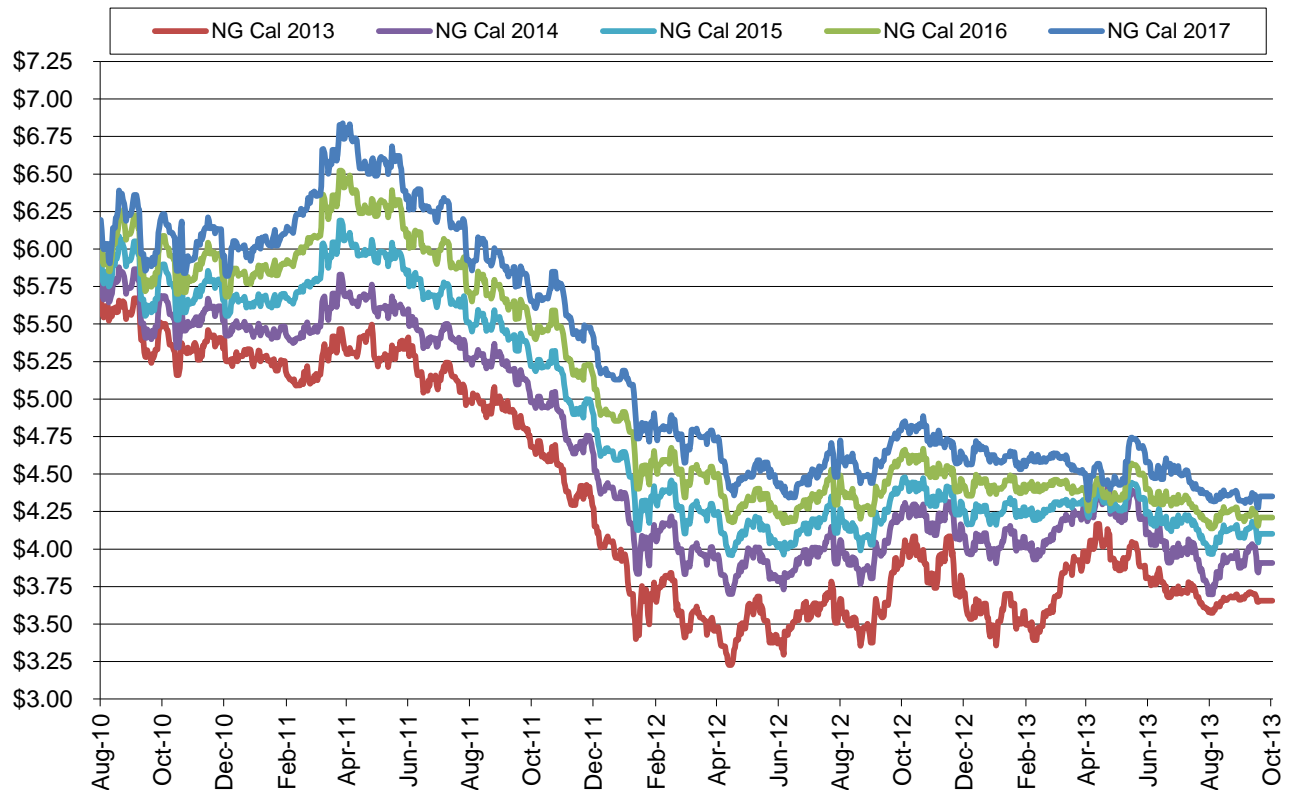
Demand Trends: Total demand fell 3.8 bcf/d to 56.8 bcf/d. A large drop in power demand more than offset increased R&C and industrial consumption. Electricity demand slipped 6,239 gigawatt-hrs to 75,224, which exceeds last year by 2,258 (3.1%) while trailing the 5 year average by 976 (1.3%).

Other Factors: The S&P 500 slipped with Washington DC budget issues concerning the markets. The US jobs report on Friday will be very important.

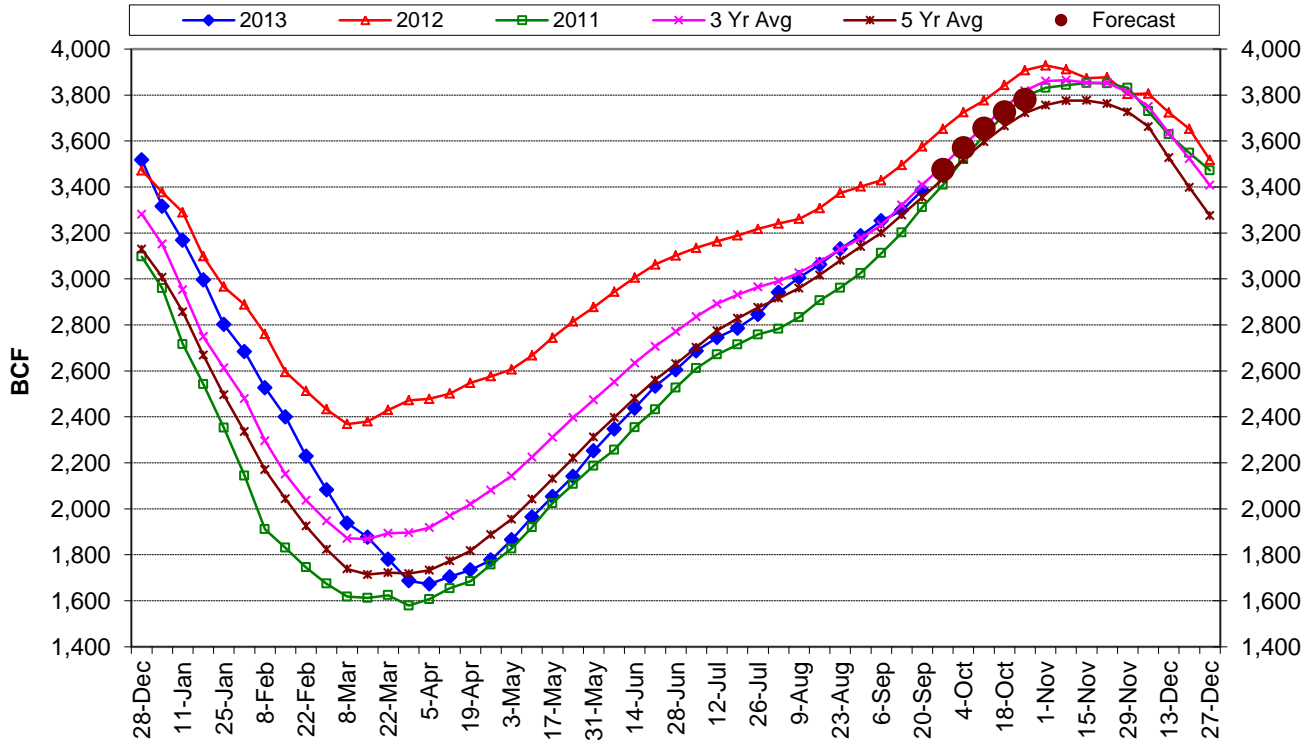
\$/MMBtu Ratio of NYMEX CL and NG



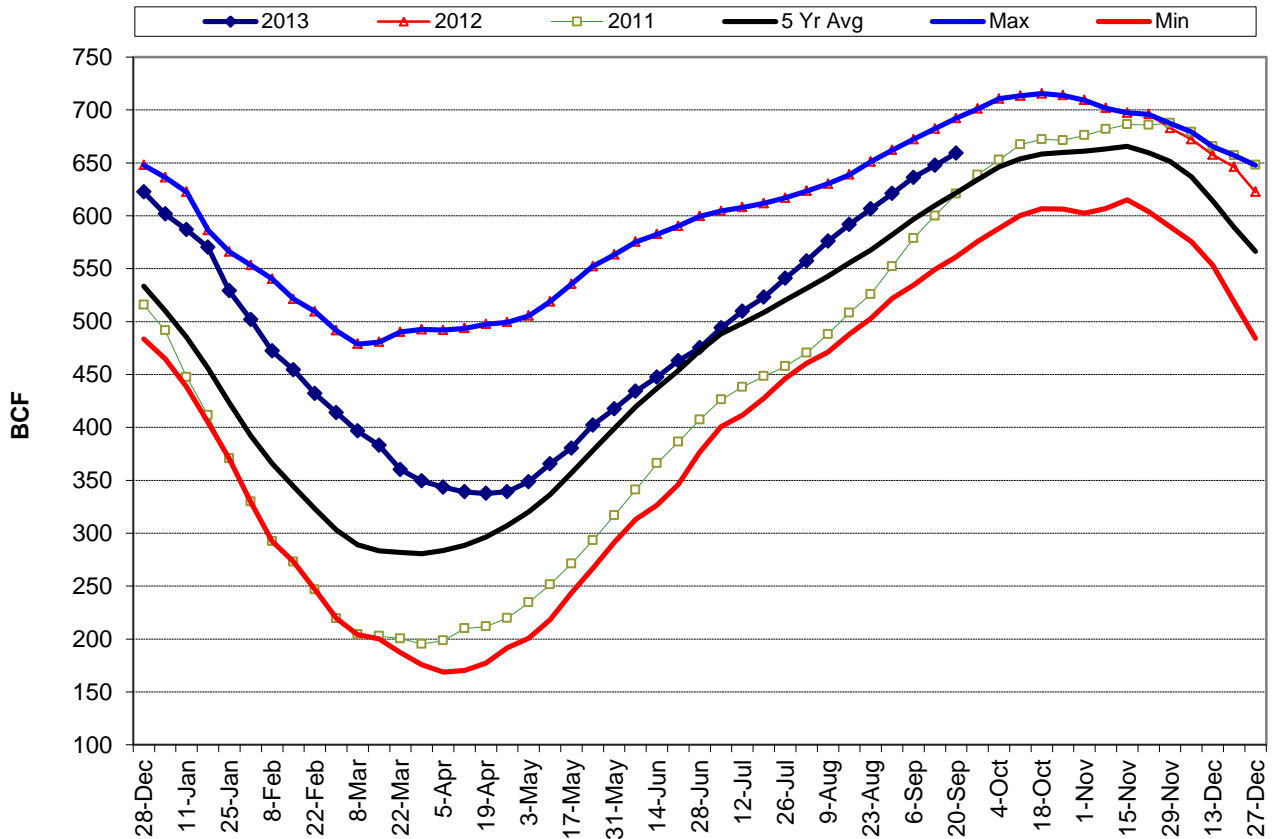
NYMEX Calendar Strips



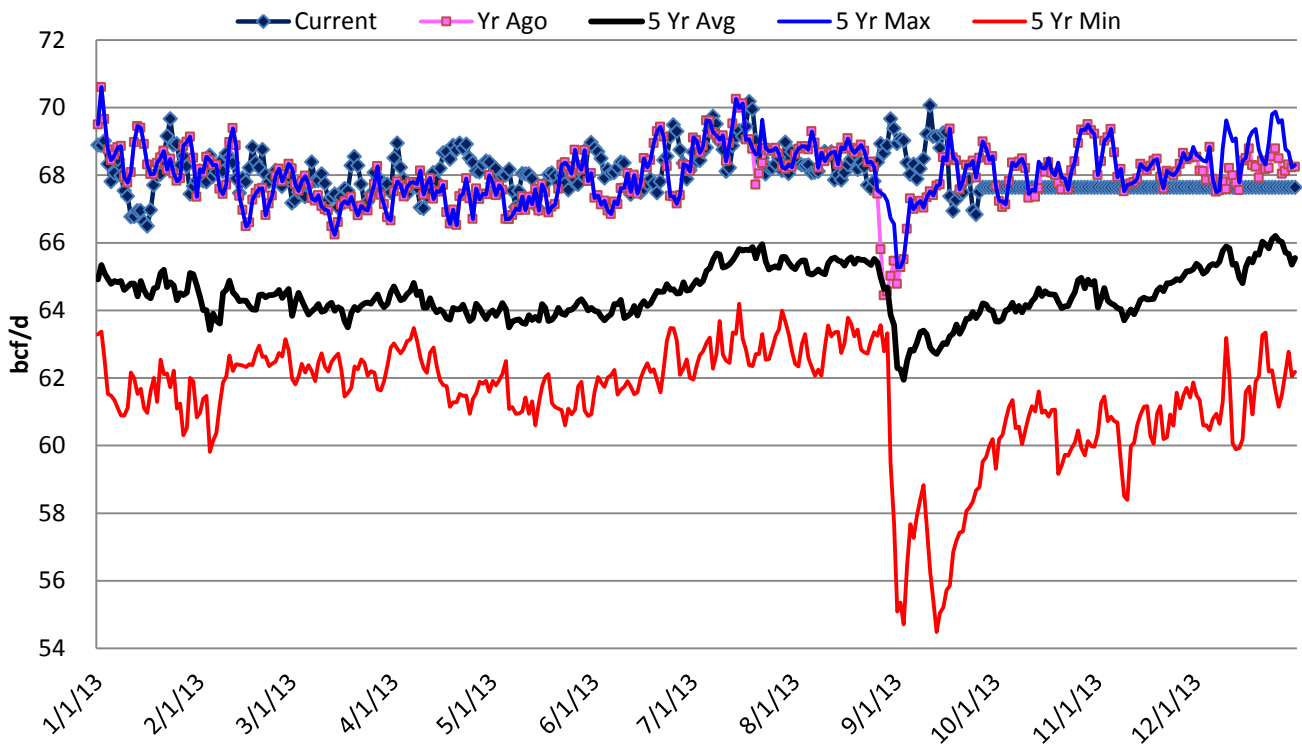
US Working Gas Storage - Source - EIA



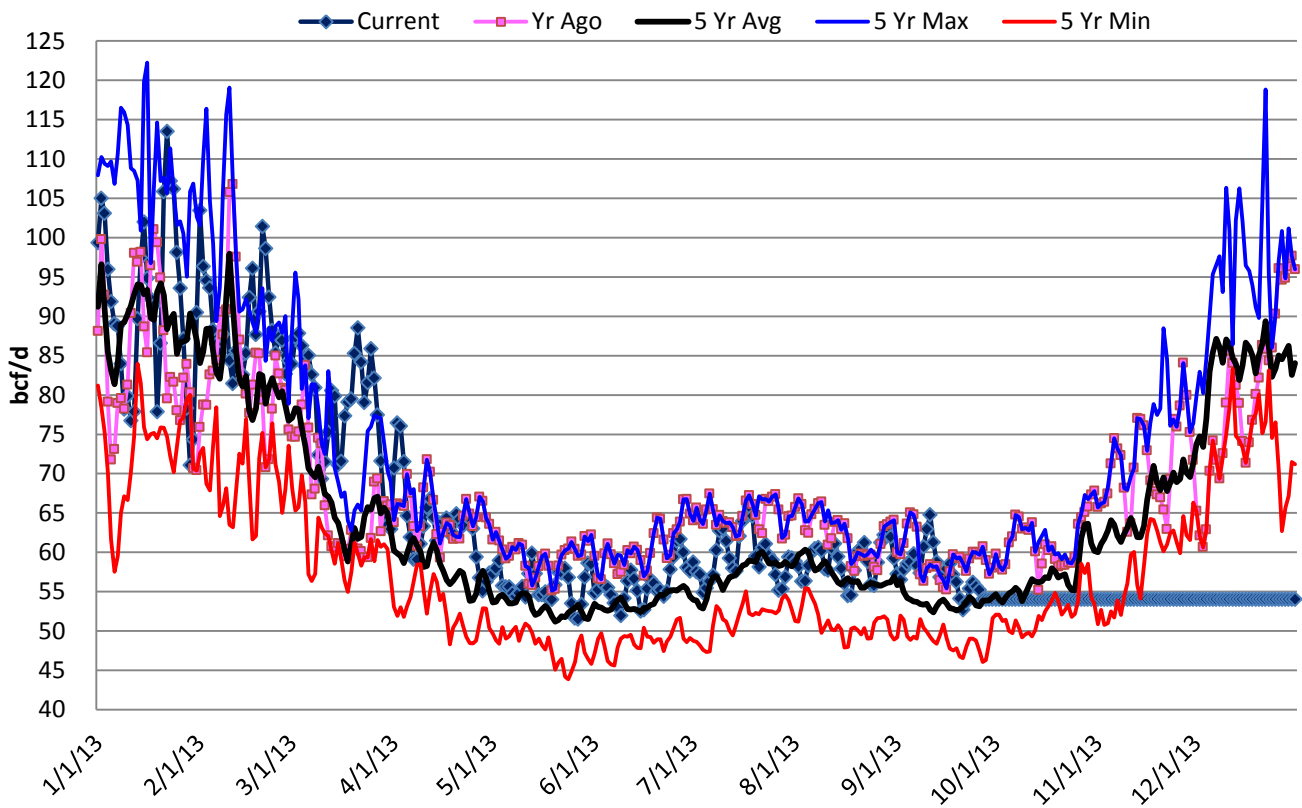
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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