

IAF Advisors
Energy Market Outlook
Kyle Cooper, (713) 722-7171, Kyle.Cooper@IAFAdvisors.com
October 4, 2013

Price Action: Prices slid 8.3 cents (4.6%) to \$3.506 on a narrow 17.1 cent range.

Price Outlook: Natural gas broke with history and recorded a rare inside with neither a new high nor low recorded. Of the 718 weeks since 2000, only 65 have recorded an inside week. Only 4 of those instances have seen a second inside week. Thus, it is historically extremely unlikely that a new high or low is not established. With the close of \$3.506 just 2.4 cents above the \$3.482 low, a new low seems the most likely path. Although Tropical Storm Karen appeared, it had little overall impact in what will likely be one of the calmest tropical storms seasons in years with no major hurricanes (cat 3). The tropical storm season officially ends November 30. The CFTC will not release data during the US government shutdown. Open interest did rise slightly to 1.28 million contracts as of October 3.

Weekly Storage: US working gas storage rose 101 bcf for the week ending September 27. Current inventory levels of 3,487 bcf now fall 166 bcf (4.5%) below last year and rise 52 bcf (1.5%) above the 5 year average. The EIA reported that base gas was also lowered by a rather significant 20 bcf in July. This was partially reflected in the weekly storage report of August 8.

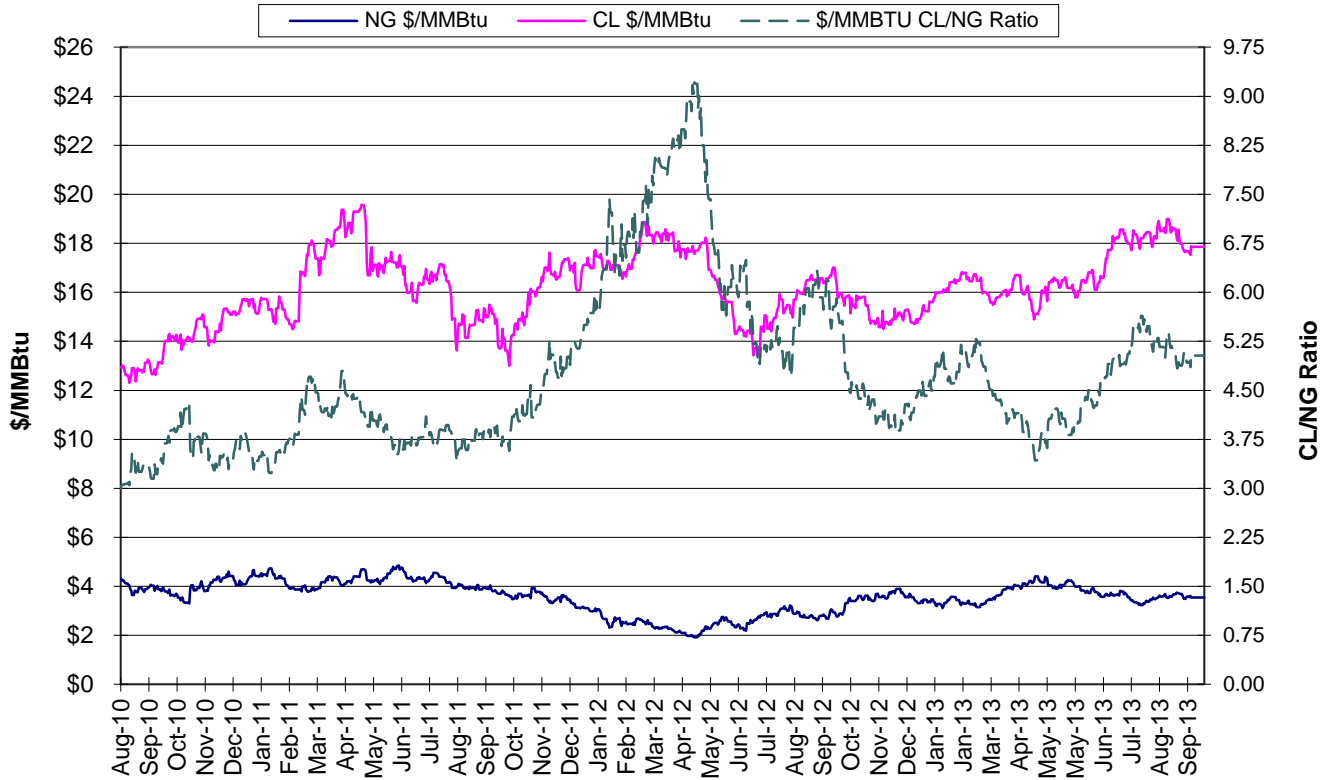
Storage Outlook: The EIA announced that it has funds to release next week's report. However, unless a budget deal is reached, there will not be another report after that until funding is resumed. Our expectations for peak storage levels remain near 3.85 tcf.

Supply Trends: Total supply fell 0.6 bcf/d to 67.5 bcf/d. US production was primarily responsible for the drop with the other factors little changed. The US Baker Hughes rig count rose 12 with both oil and natural gas activity up. Canadian activity dropped 29. Thus the total North American rig count fell by 17 to 2,117 and trails last year by 91. The higher efficiency US horizontal rig count rose 14 to 1,099 and falls 33 behind last year.

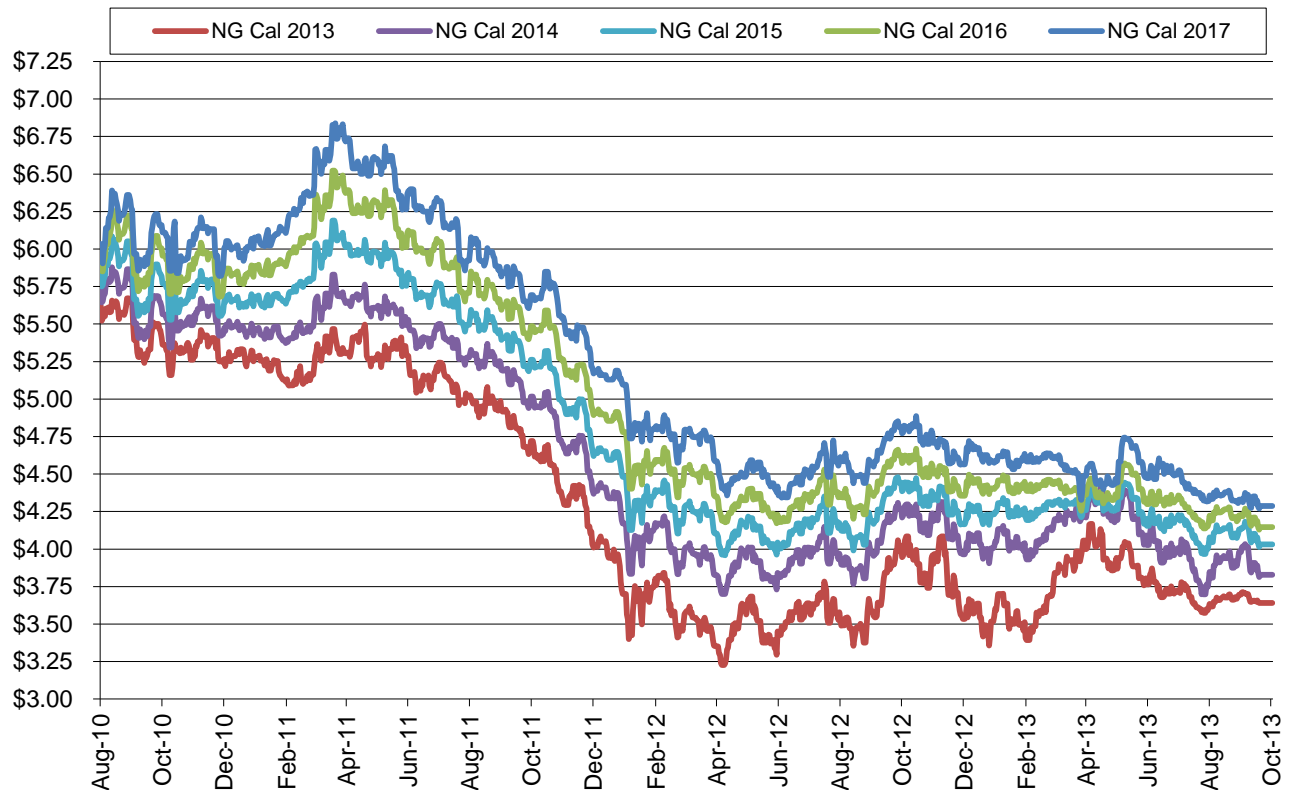
Demand Trends: Total demand fell 2.1 bcf/d to 54.7 bcf/d. A large drop in power demand again more than offset increased R&C and industrial consumption. Electricity demand slipped 3,650 gigawatt-hrs to 71,574, which trails last year by 1,719 (2.3%) and the 5 year average by 4,876 (6.4%).

Other Factors: The S&P 500 was little changed as the Washington DC budget issues continue. The US jobs report was not released due to the US government shutdown.

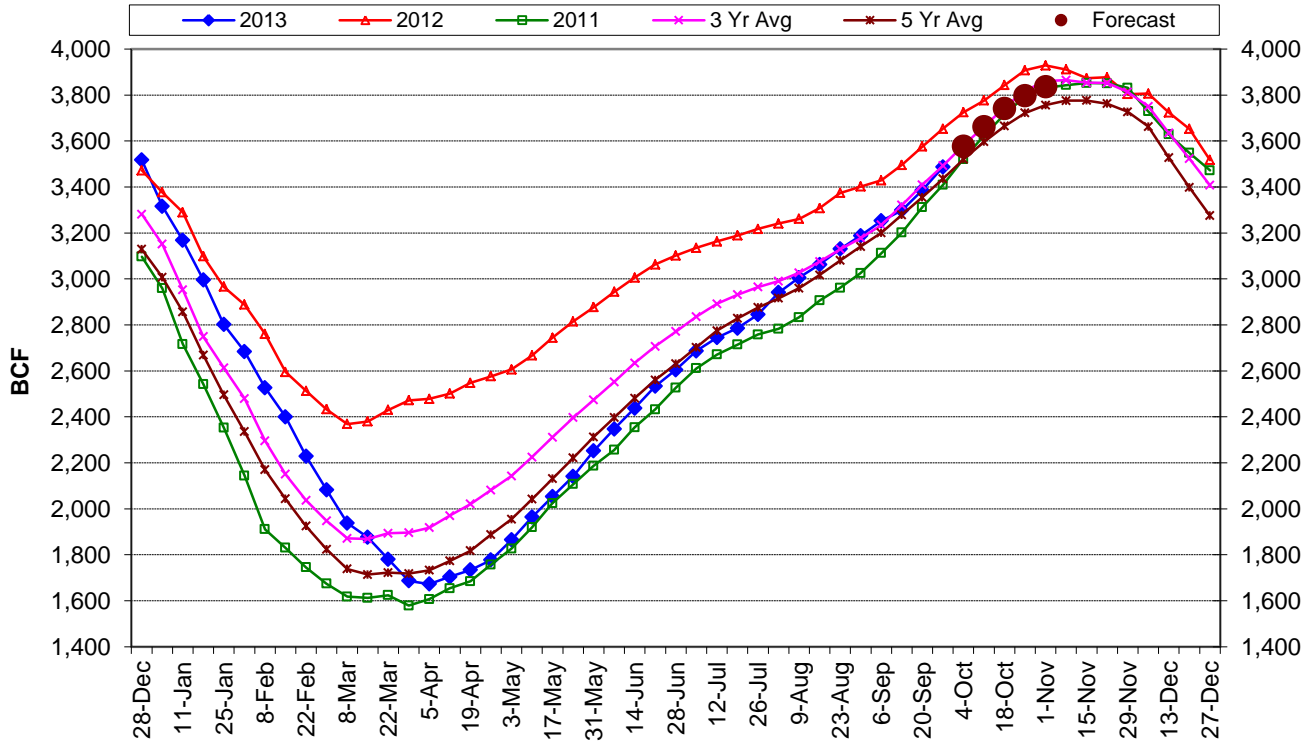
\$/MMBtu Ratio of NYMEX CL and NG



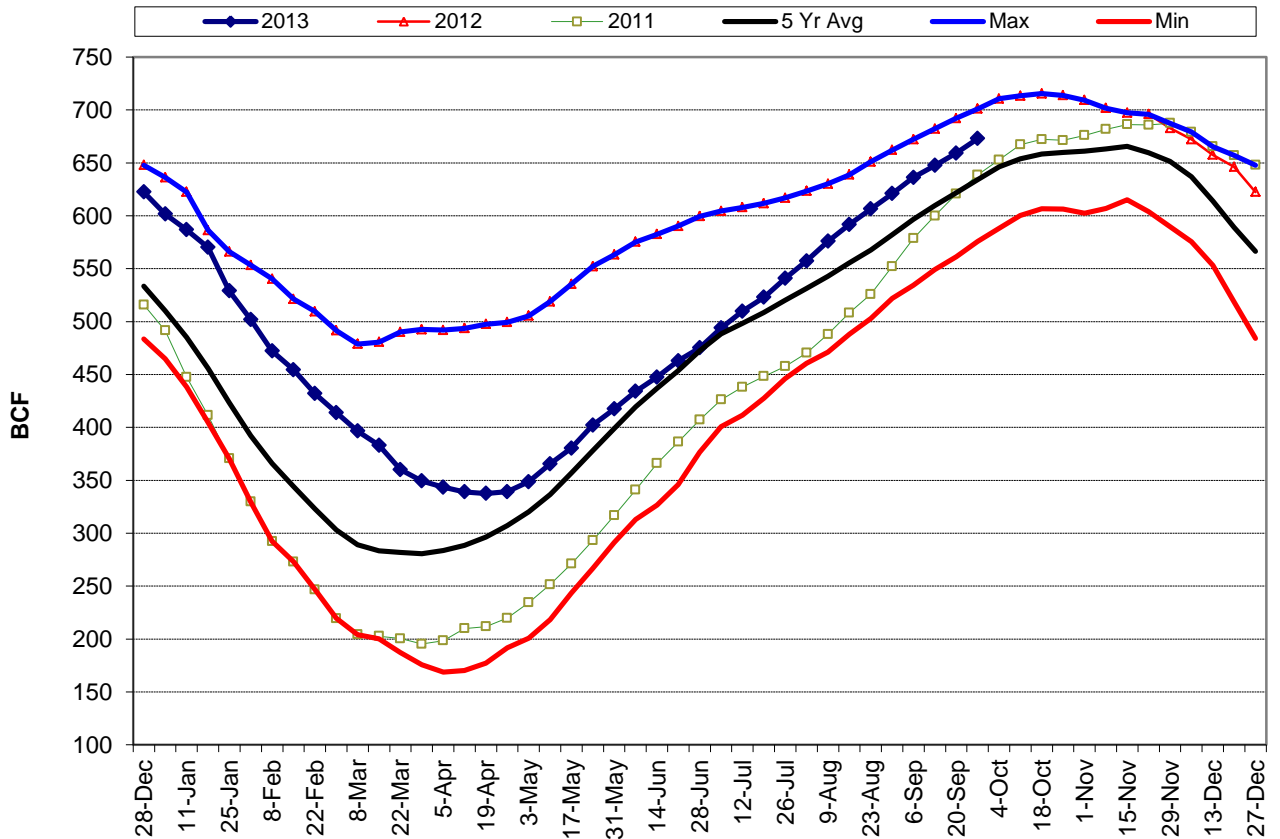
NYMEX Calendar Strips



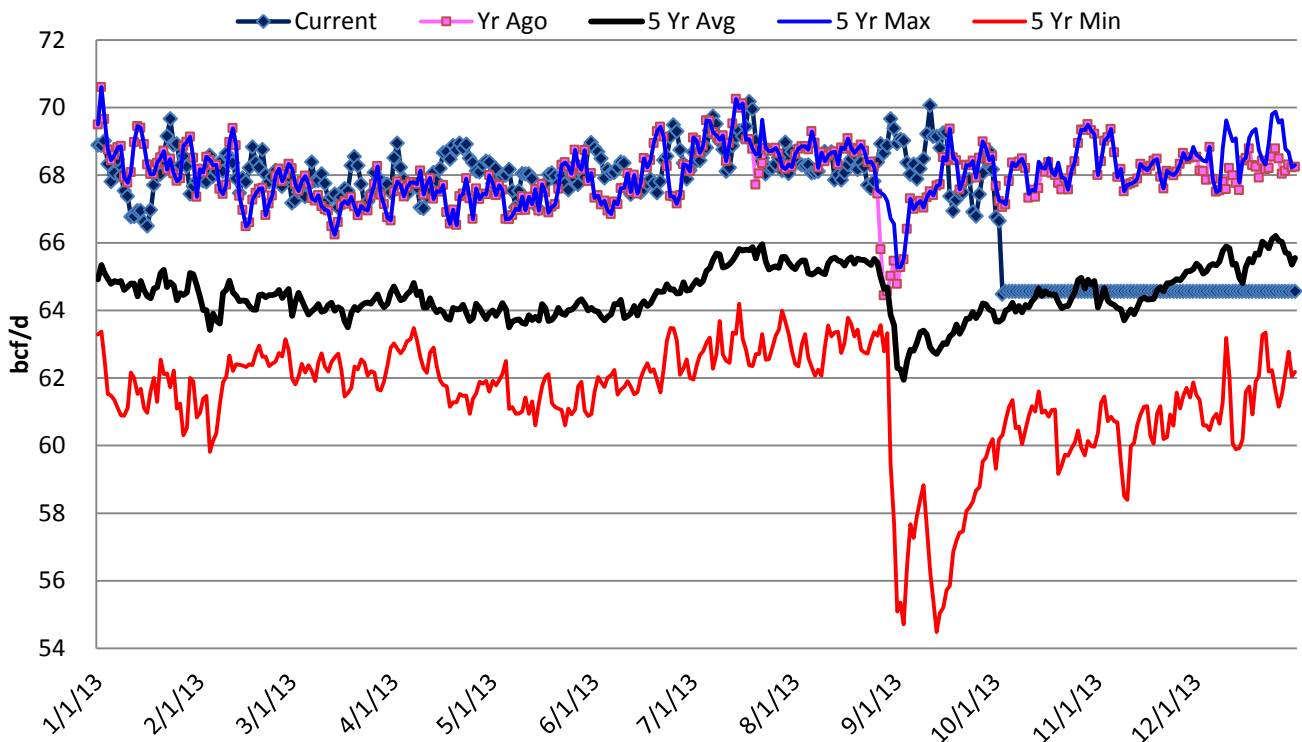
US Working Gas Storage - Source - EIA



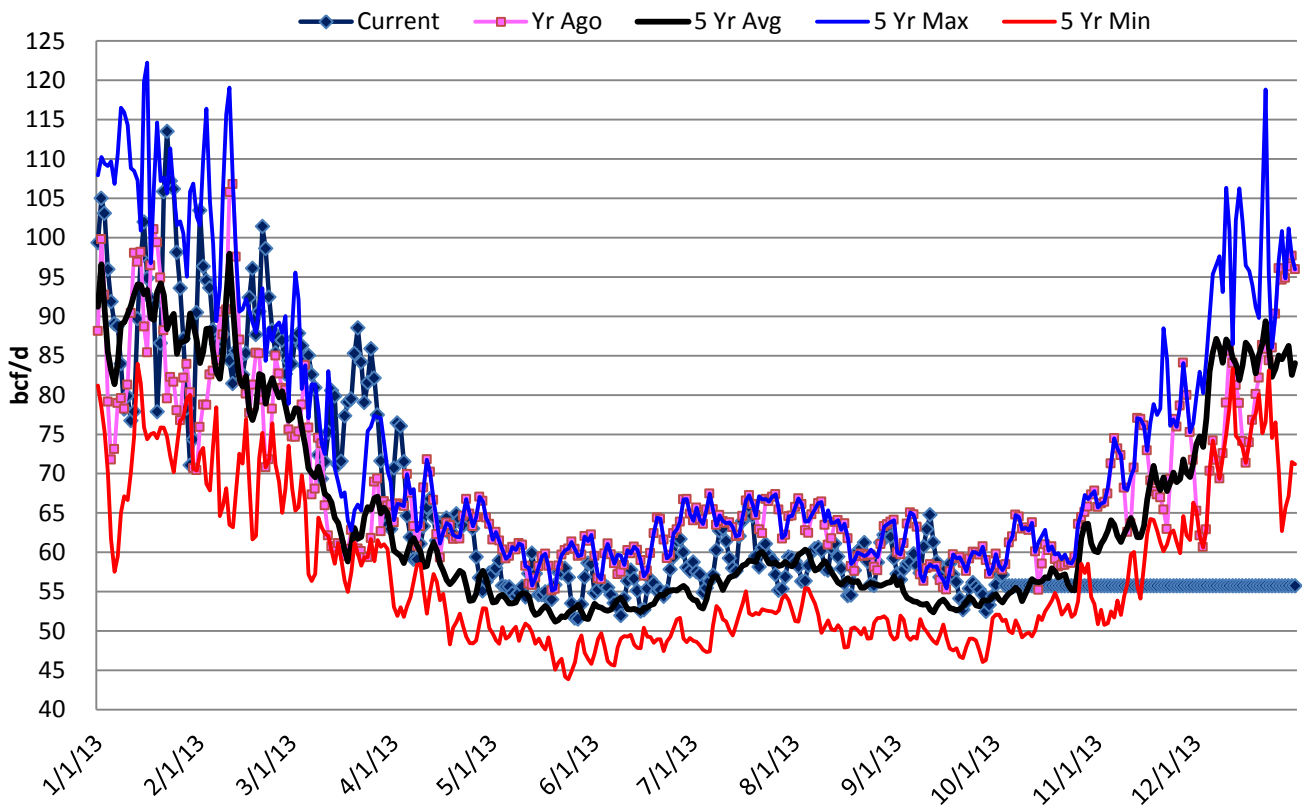
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any commodity, futures contract, or option contract. Although any statements of fact in this report have been obtained from and are based upon sources that IAF Advisors believes to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. IAF Advisors, its officers and/or employees, may at any time have a long and/or short position in any commodity, futures contract, or option contract mentioned in this report. All opinions and estimates included in this report constitute IAF Advisors judgment as of the date of this report and are subject to change without notice.

© 2013 IAF Advisors.