

IAF Advisors
Energy Market Outlook
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Price Action: Prices slipped just 1.2 cents (0.3%) to \$3.764 on a limited 18.4 cent range.

Price Outlook: Natural gas did indeed establish a new high by reaching \$3.869. With weather forecasts that remain bullish, a new high is the expected outcome. If that occurred, it would only be the 3rd consecutive higher weekly, hardly extreme for natural gas. Open interest rose to 1.26 million contracts as of October 17. Despite the recent rally, the risk/reward bias seems to still be to higher levels with market moves focused nearly entirely on the 11-15 day forecast.

Weekly Storage: US working gas storage for the week ending October 11 will be released on Tuesday, October 22 with data for the week ending October 18 released normally on October 24.

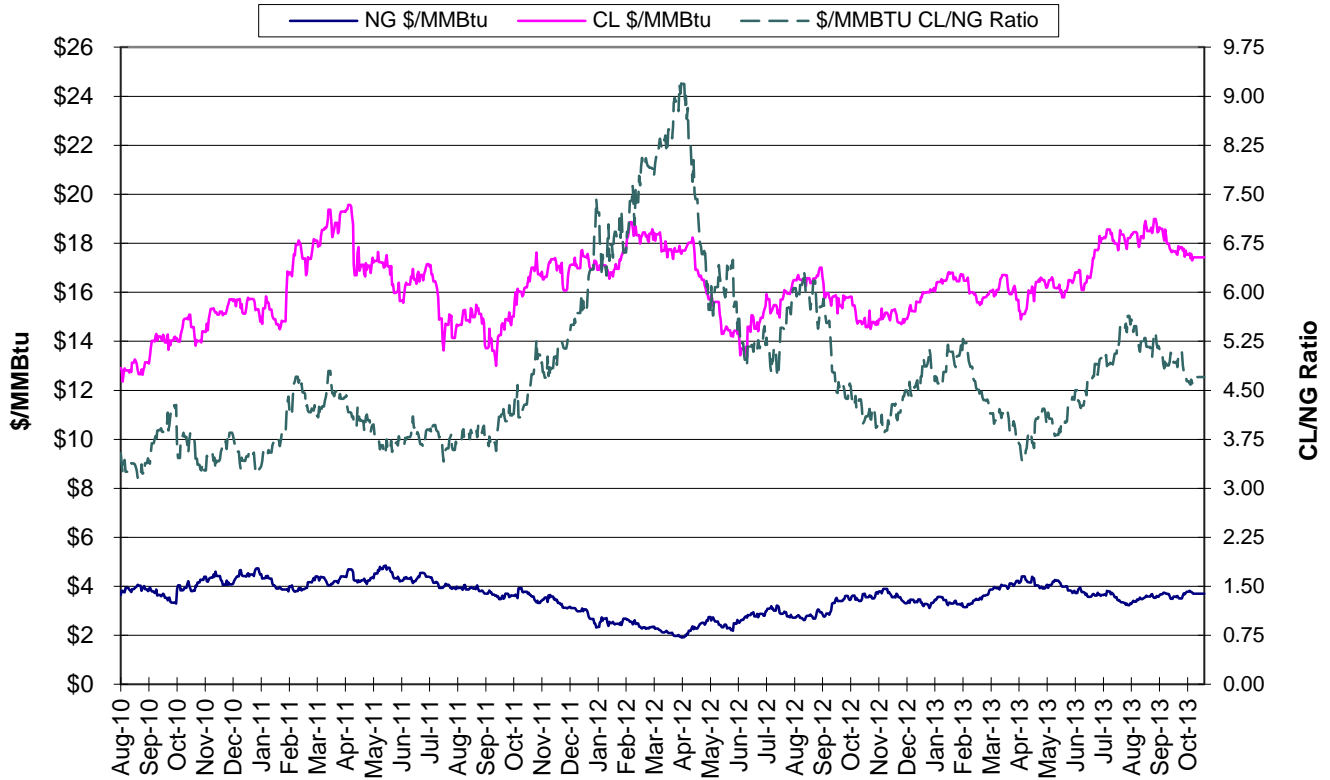
Storage Outlook: Due to the forecast cooler temperatures, our end of season has been slowly dropping with the latest estimate now just barely above 3,800 bcf.

Supply Trends: Total supply was little changed at 67.2 bcf/d. A drop in US production was offset by increased Canadian imports. LNG imports and Mexican exports were mostly unchanged. The US Baker Hughes rig count dropped 4 with natural gas rising while oil slipped. Canadian activity rose 31. Thus the total North American rig count increased by 27 to 2,127 and trails last year by 67. The higher efficiency US horizontal rig count fell 7 to 1,099 and falls 15 behind last year.

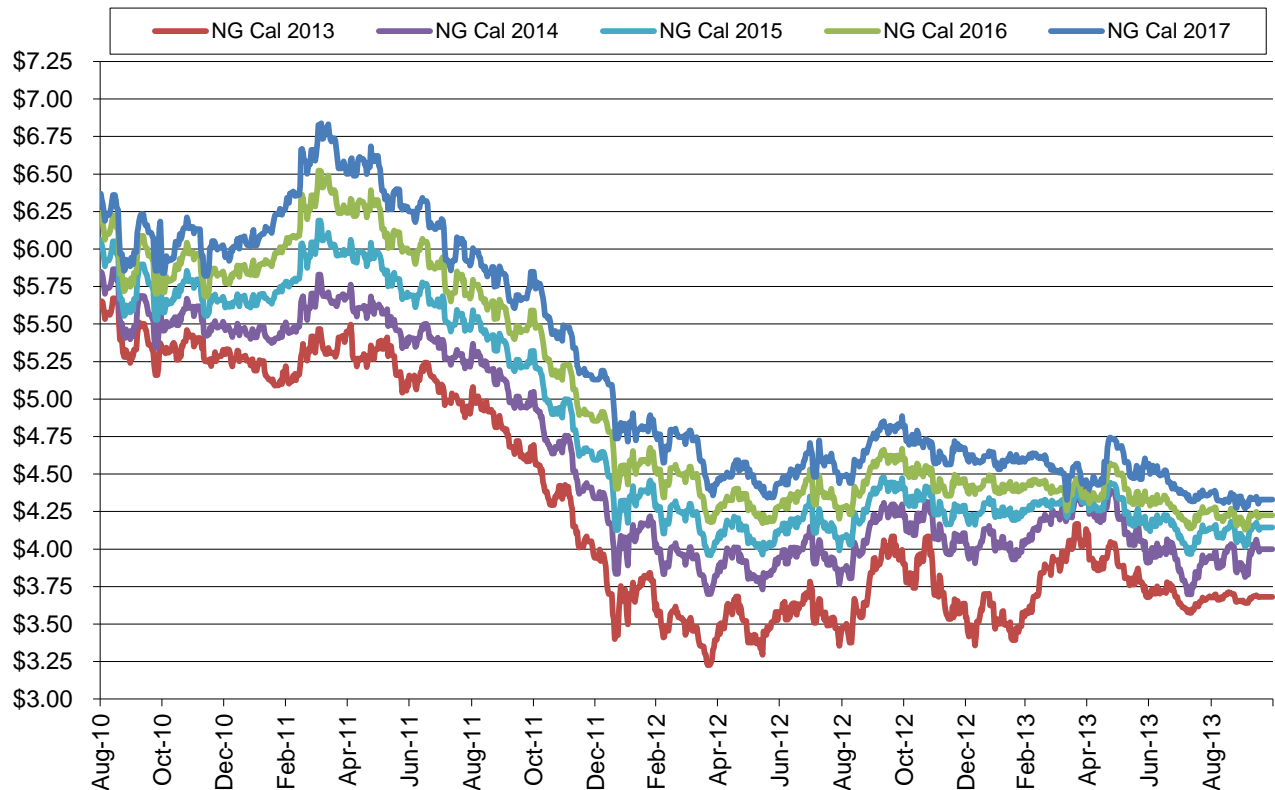
Demand Trends: Total demand rose 1.3 bcf/d to 56.6 bcf/d. Higher R&C and industrial demand outweighed a drop in power demand. Electricity demand fell 3,516 gigawatt-hrs to 70,251, which trails last year by 49 (0.1%) and the 5 year average by 600 (0.8%). Temperature adjusted demand remains very healthy and is currently considered rather bullish. While many factors contribute to overall demand, a relationship to temperature is deemed rather insight. From this perspective, recent indications of demand near 60 bcf/d are quite impressive. Nationally, above normal temperatures are bearish and suggestive of demand much lower than 60 bcf/d. While a few days is not a trend, this does suggest that cooler temperatures may result in higher demand levels than many expect and reaffirms the very bullish draws witnessed in March 2013.

Other Factors: The S&P 500 soared to new highs as the government re-opened. Company 3rd quarter earnings reports will begin in earnest and will be reviewed closely.

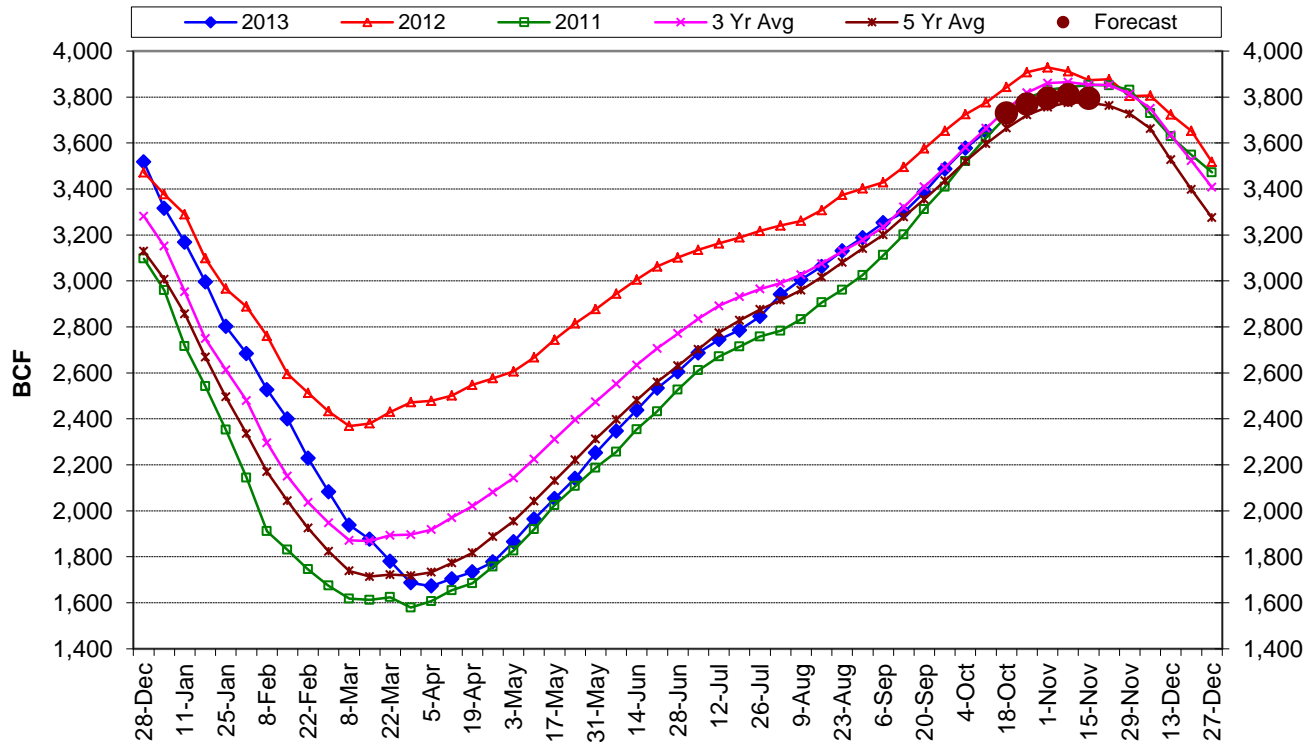
\$/MMBtu Ratio of NYMEX CL and NG



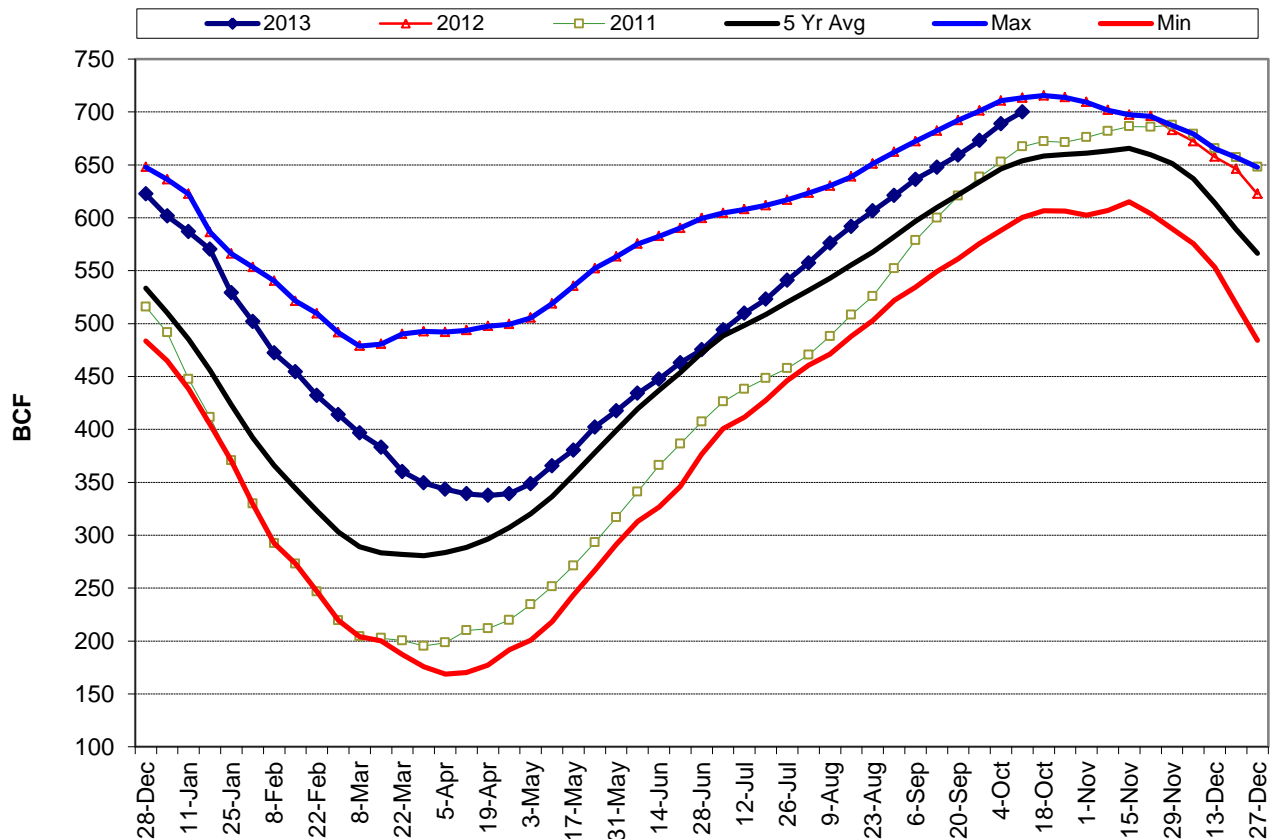
NYMEX Calendar Strips



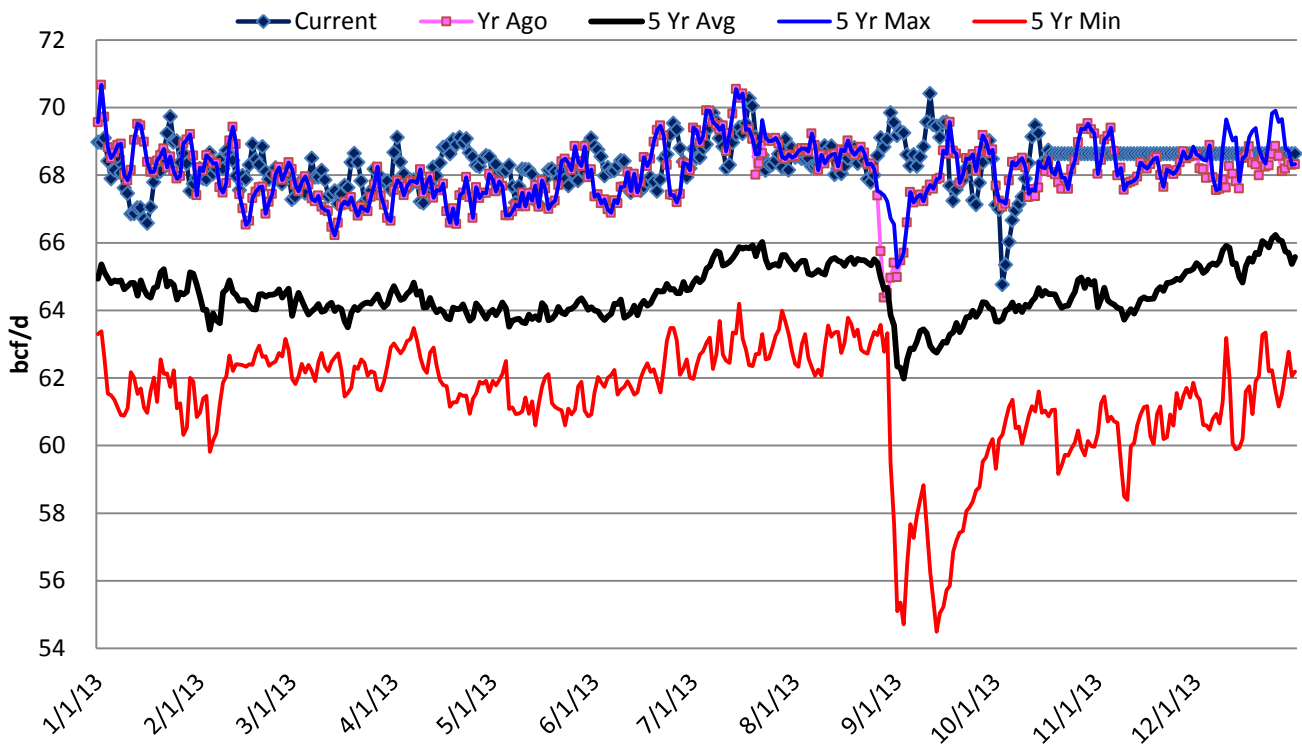
US Working Gas Storage - Source - EIA



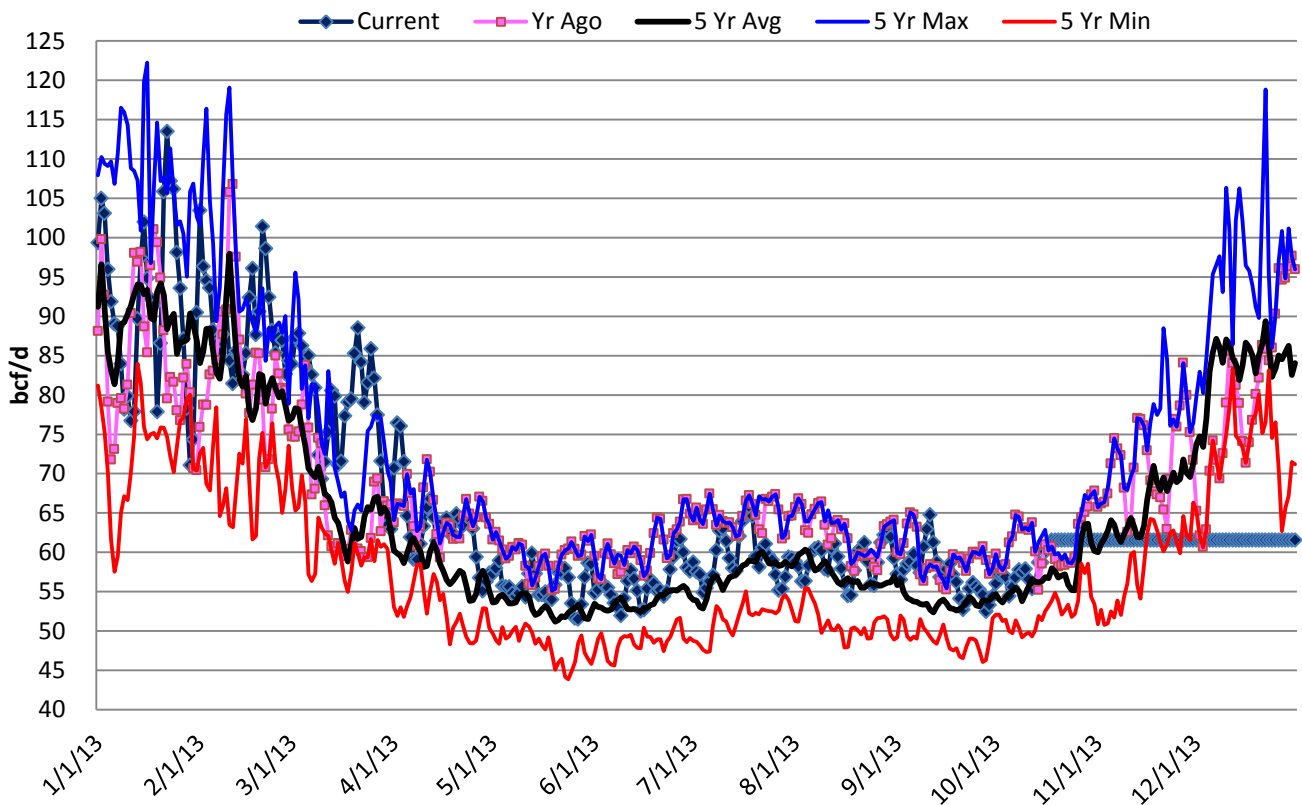
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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