

IAF Advisors  
Energy Market Outlook  
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October 25, 2013

**Price Action:** Prices slipped 5.7 cents (1.5%) to \$3.707 on an expanded 29.3 cent range.

**Price Outlook:** Although natural gas did not reach a new high as expected, it did hold true to historical norms by avoiding an inside week and establishing a new low instead. With prices ending almost exactly in the middle of the weekly range, there is not a clear bias from that perspective. However, with demand increasing, a slight preference is given to a new high. The CFTC resumed issuing reports, but on a delayed basis. The latest available data is for October 1 and is basically irrelevant. However, the data indicated a substantial drop in the net long position with total open interest across the complex of just 4.70 million contracts. The data should slowly catch up. CME futures open interest barely edged higher at 1.26 million contracts as of October 24.

**Weekly Storage:** US working gas storage for the week ending October 11 indicated a weekly injection of 77 bcf with data for the week ending October 18 revealing an increase of 87 bcf. Thus, current inventories of 3,741 bcf fall 102 bcf (2.7%) below last year while exceeding the 5 year average by 76 bcf (2.1%).

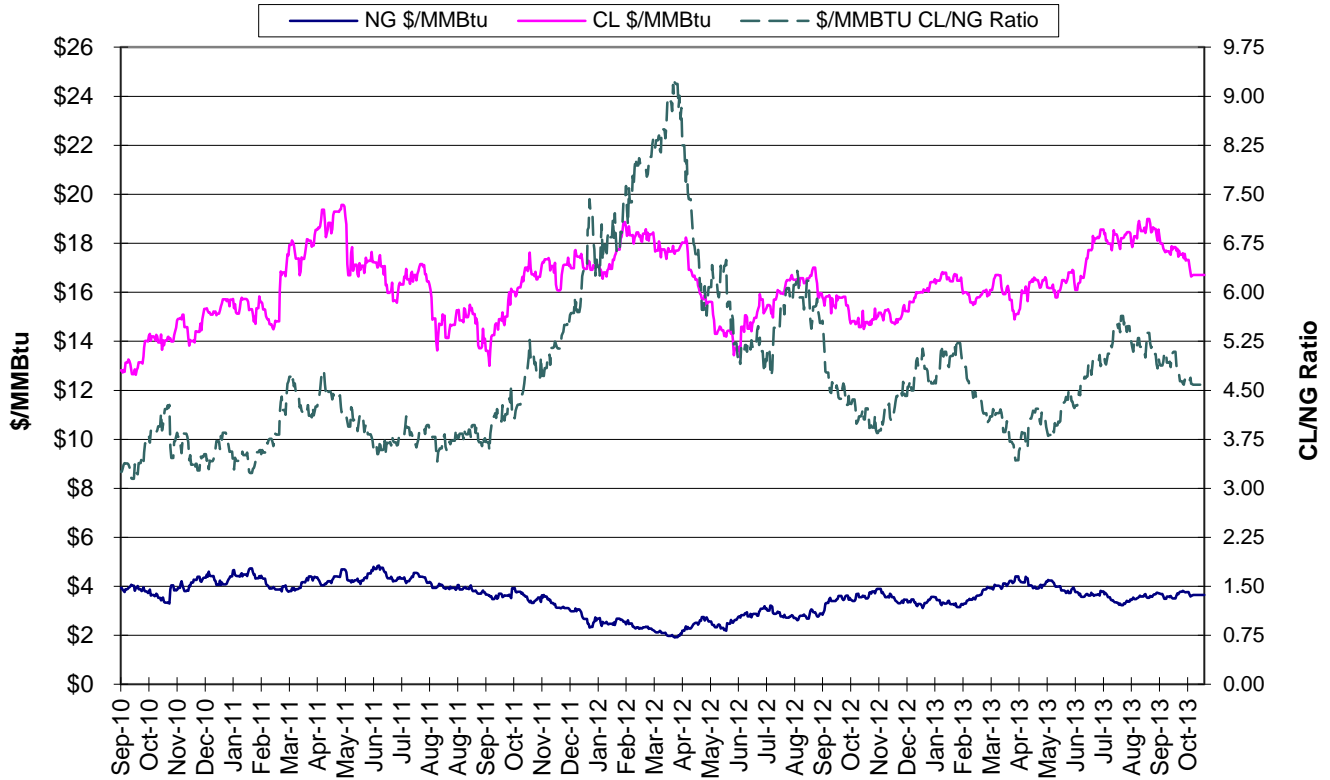
**Storage Outlook:** The injection season is rapidly coming to a close with final peak storage estimated to be between 3,825 and 3,850 bcf. Storage reports should return to the normal schedule. It should be noted that winter deviations could easily affect early April 2014 storage levels by several hundred bcf.

**Supply Trends:** Total supply rose 1.7 bcf/d to 68.9 bcf/d. The rise was led by US production with increased Canadian imports and lower Mexican exports also contributing to the surge. The US Baker Hughes rig count dropped 1 with natural gas rising while oil slipped. Canadian activity rose 16. Thus the total North American rig count increased by 15 to 2,142 and trails last year by 54. The higher efficiency US horizontal rig count fell 1 to 1,098 and falls 7 behind last year. E&P companies are beginning to release 3rd quarter results and will be watched closely.

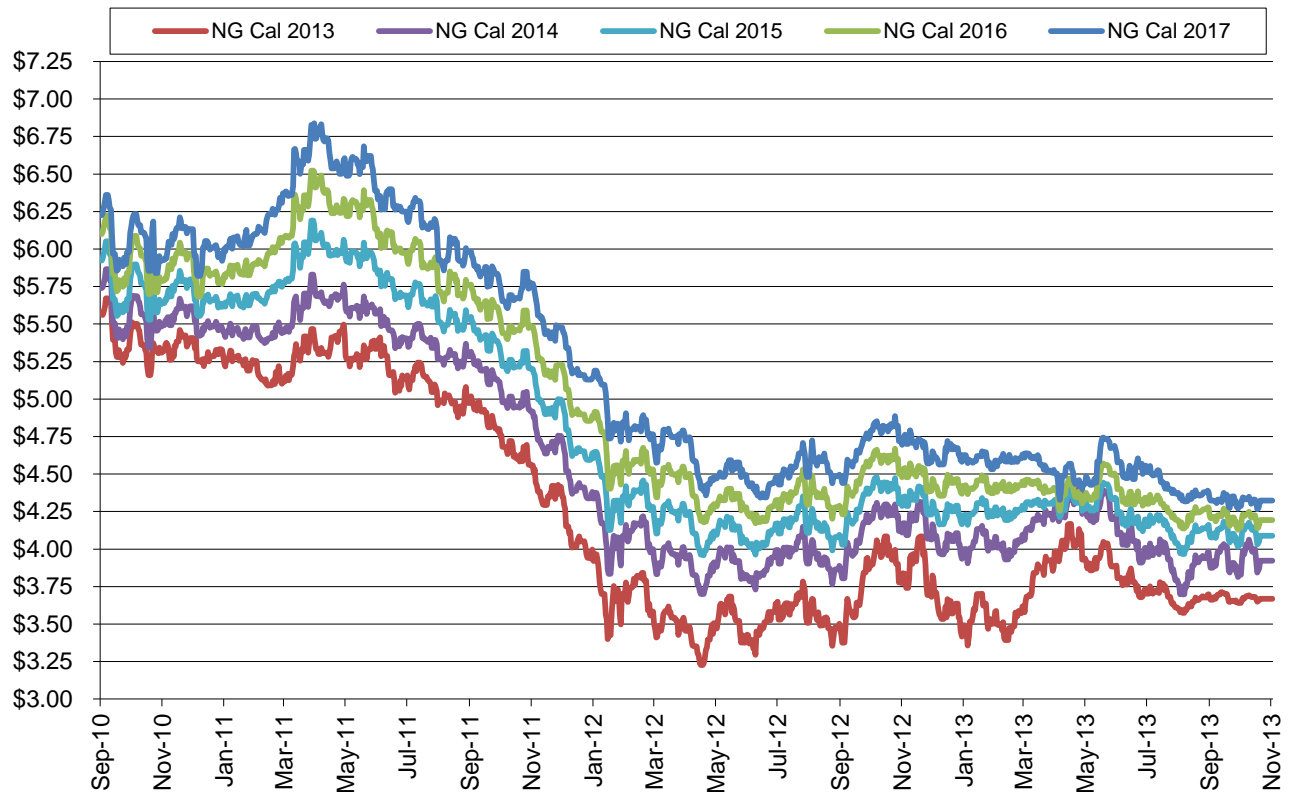
**Demand Trends:** Total demand rose 2.2 bcf/d to 58.8 bcf/d. Higher R&C and industrial demand again outweighed a drop in power demand. Electricity demand fell 1,308 gigawatt-hrs to 68,943, which trails last year by 1,483 (2.1%) and the 5 year average by 2,292 (3.2%). Temperature adjusted demand again remains very healthy with recent indications of demand near 70 bcf/d. National temperatures did drop below normal and that is indicative of higher demand. Still, recent temperatures are not suggestive of demand in the 70 bcf range and continues the bullish temperature adjusted assessment from last week.

**Other Factors:** The S&P 500 soared to yet more new highs as optimism carried over from last week and with 3rd quarter earnings reports being released daily.

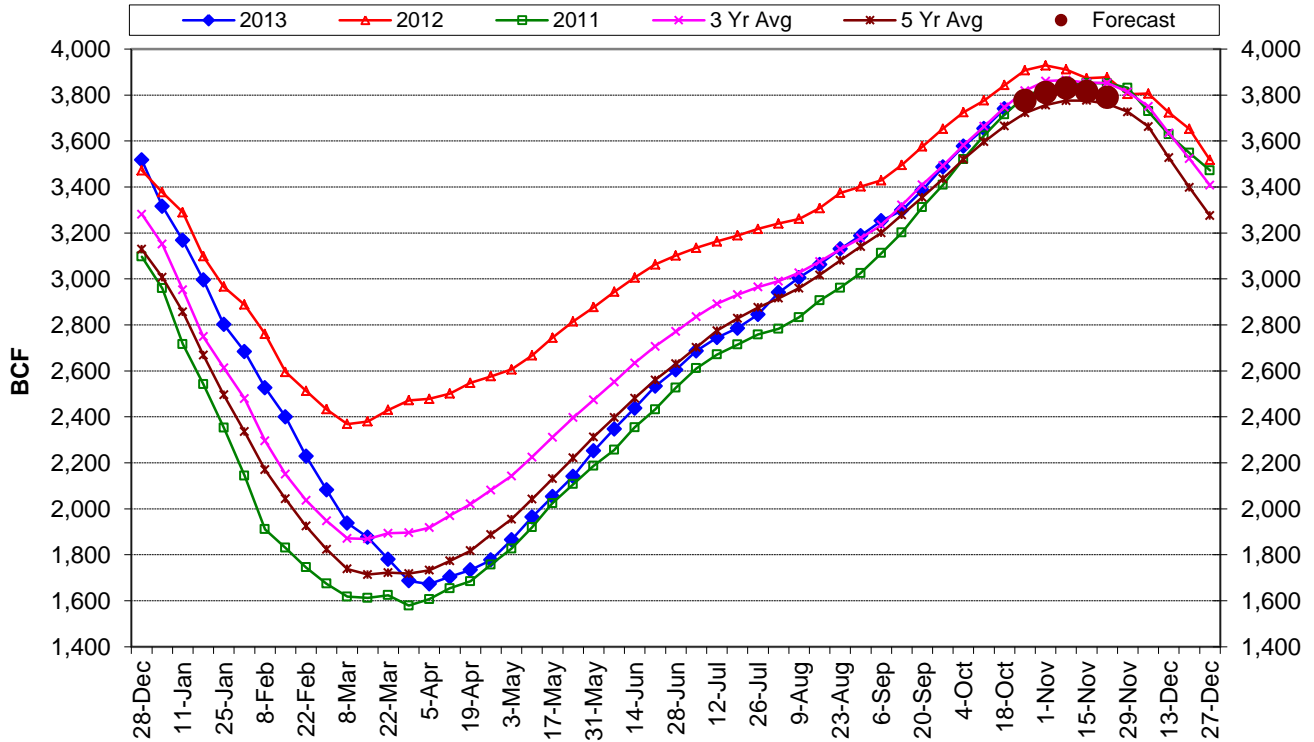
## \$/MMBtu Ratio of NYMEX CL and NG



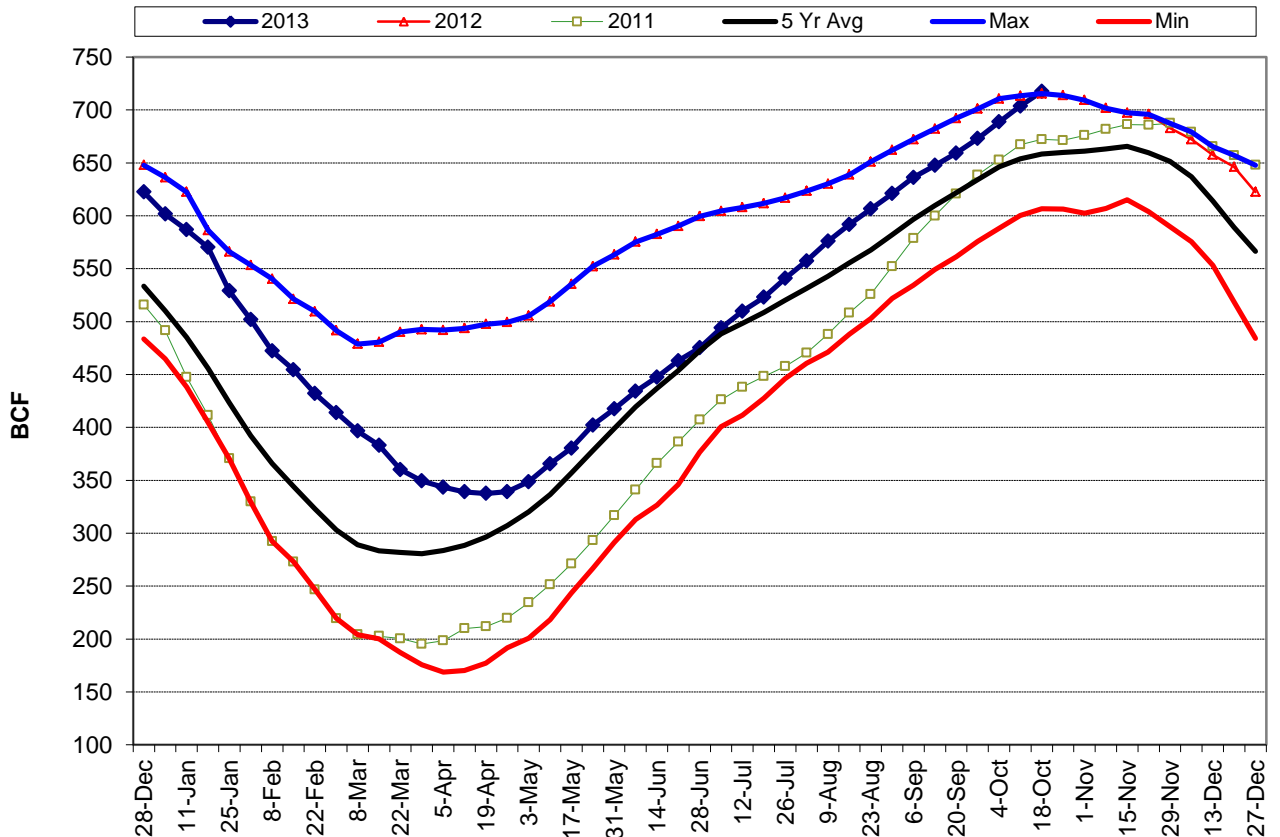
## NYMEX Calendar Strips



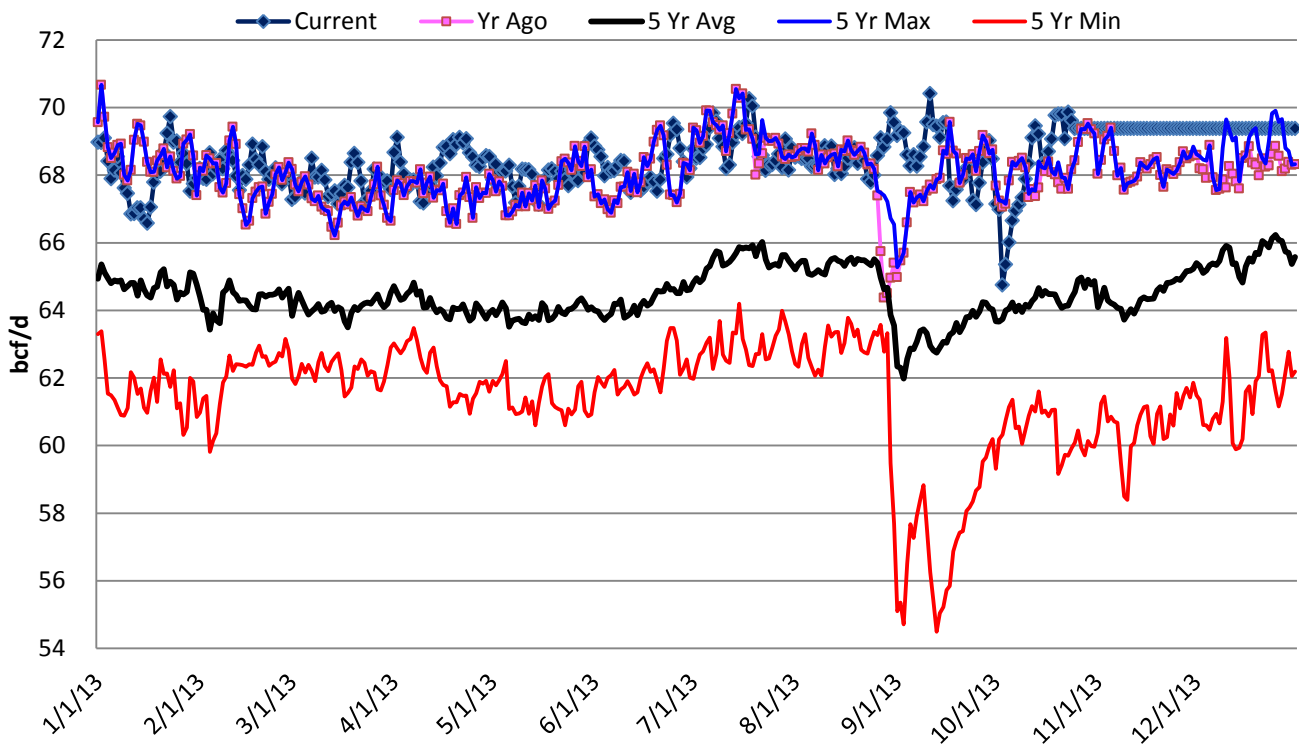
## US Working Gas Storage - Source - EIA



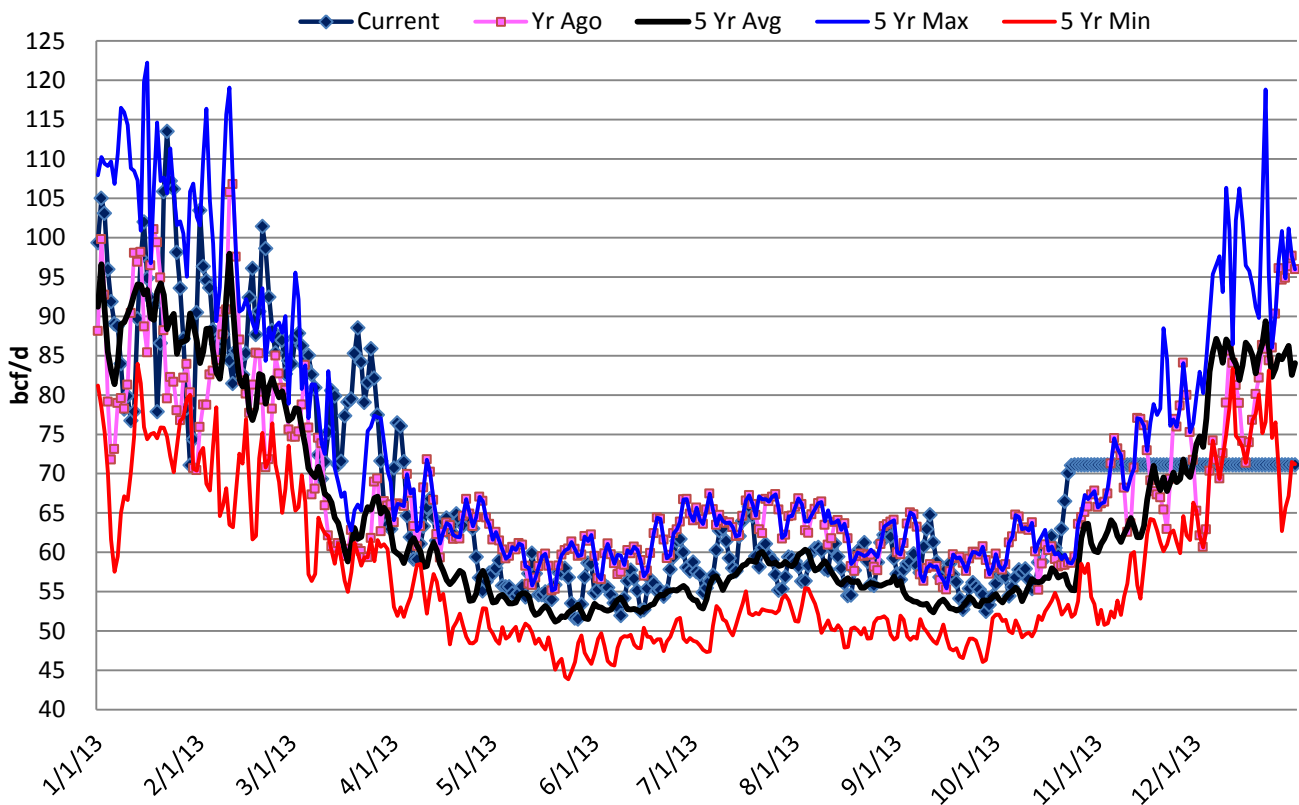
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



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

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