IAF Advisors
Energy Market Outlook
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Price Action: Prices basis the now prompt December contract plummeted 29.9 cents (7.8%) to $3.513 on a 28.0 cent range.

Price Outlook: **It is rare to witness the price movement exceed the weekly price range, but the market did exactly that as weather forecasts precipitated a dramatic move lower. The same situation may be developing currently with some weather forecasts that had been cooler having warmed significantly over the weekend. Thus, a new weekly low is certainly in the cards. The CFTC continued to update data and the latest available report is now through October 22. It remains basically irrelevant. However, the data continues to indicate a substantial drop in the net long position with total open interest across the complex now at 4.80 million contracts. The data will continue to slowly catch up. CME futures open interest is now at 1.28 million contracts as of October 31.**

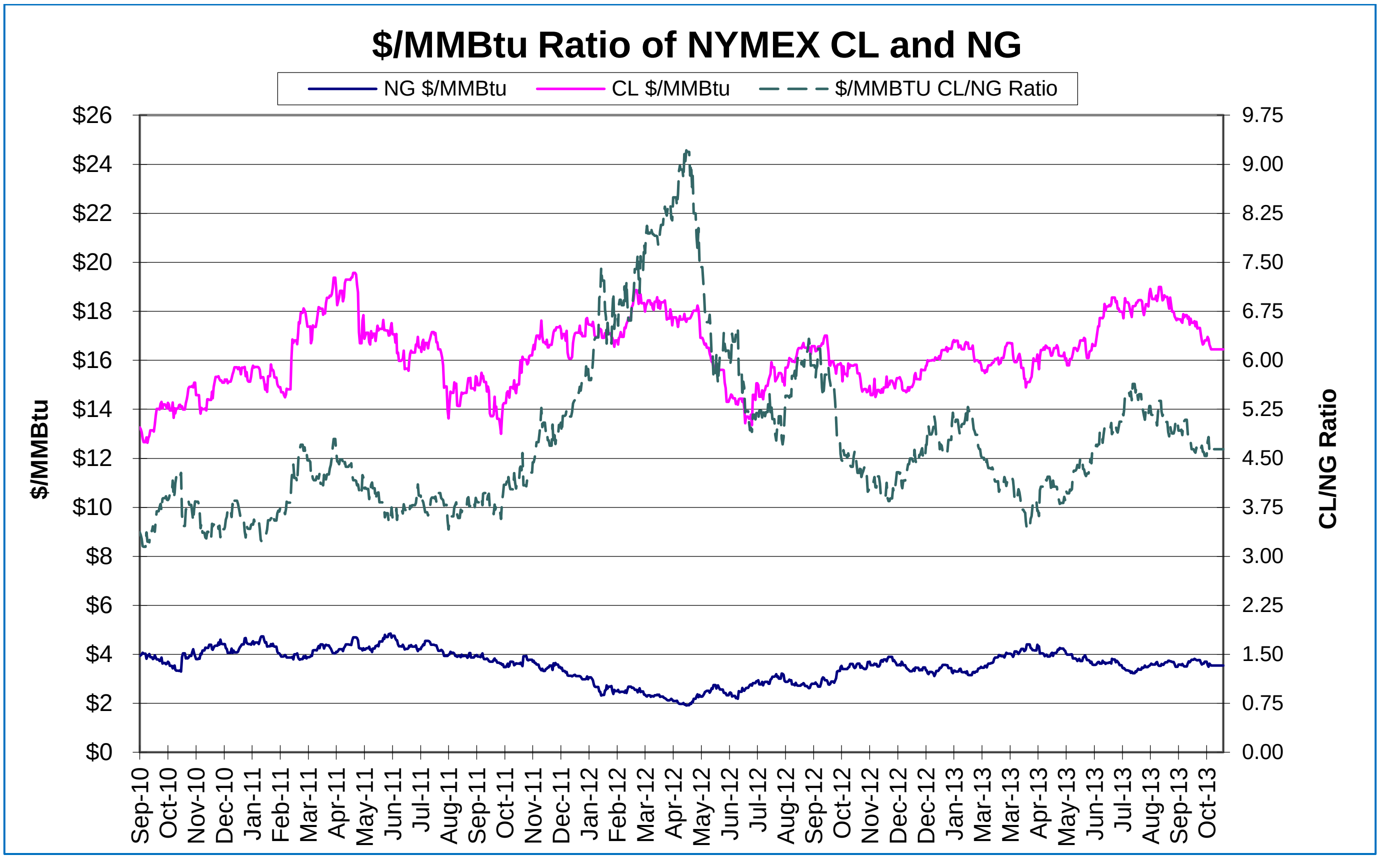
Weekly Storage: US working gas storage for the week ending October 25 indicated a weekly injection of 38 bcf. Thus, current inventories of 3,779 bcf fall 129 bcf (3.3%) below last year while exceeding the 5 year average by 57 bcf (1.5%).

Storage Outlook: **This is only the 2nd weekly injection that trailed last year since the middle of April. With forecasts for a warm early November, inventories could continue to rise for another few weeks and peak levels may exceed 3,850 bcf.**

Supply Trends: Total supply rose 0.8 bcf/d to 69.6 bcf/d. The rise was led by higher Canadian imports with US production also increasing. Mexican exports slightly reduced the net increase. The US Baker Hughes rig count rose 4 with oil rising while natural gas slipping. Canadian activity fell 10. Thus the total North American rig count decreased by 6 to 2,136 and trails last year by 47. **The higher efficiency US horizontal rig count rose 6 to 1,104 and falls 1 behind last year. The EIA released its' monthly natural gas report and August onshore production reached another new high. However, relatively low August 2012 production exaggerated the yearly comparison. At the same time, lower net imports significantly offset rising US production and thus net US supply is much less bearish than the headline US production indicates.**

Demand Trends: Total demand rose 7.1 bcf/d to 65.9 bcf/d. Surging R&C and industrial demand again outweighed a drop in power demand. Electricity demand rose 320 gigawatt-hrs to 69,263, which trails last year by 743 (1.1%) and the 5 year average by 1,320 (1.9%). **Temperature adjusted demand again remains very healthy with the recent demand drop solely related to temperatures. However, a bullish temperature adjusted demand scenario can easily be overcome by extraordinarily bearish temperatures, as now appears to be the current case with forecasts for warm temperatures into the middle of November.**

Other Factors: The S&P 500 ended higher on the week. However, it did close shy of the record Tuesday close and all time record established on Wednesday.


$/MMBtu Ratio of NYMEX CL and NG
NG $/MMBtu
CL $/MMBtu
$/MMBTU CL/NG Ratio
$/MMBtu
CL/NG Ratio
$26
$24
$22
$20
$18
$16
$14
$12
$10
$8
$6
$4
$2
$0
9.75
9.00
8.25
7.50
6.75
6.00
5.25
4.50
3.75
3.00
2.25
1.50
0.75
0.00
Sep-10
Oct-10
Nov-10
Dec-10
Jan-11
Feb-11
Mar-11
Apr-11
May-11
Jun-11
Jul-11
Aug-11
Sep-11
Oct-11
Nov-11
Dec-11
Jan-12
Feb-12
Mar-12
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Sep-12
Oct-12
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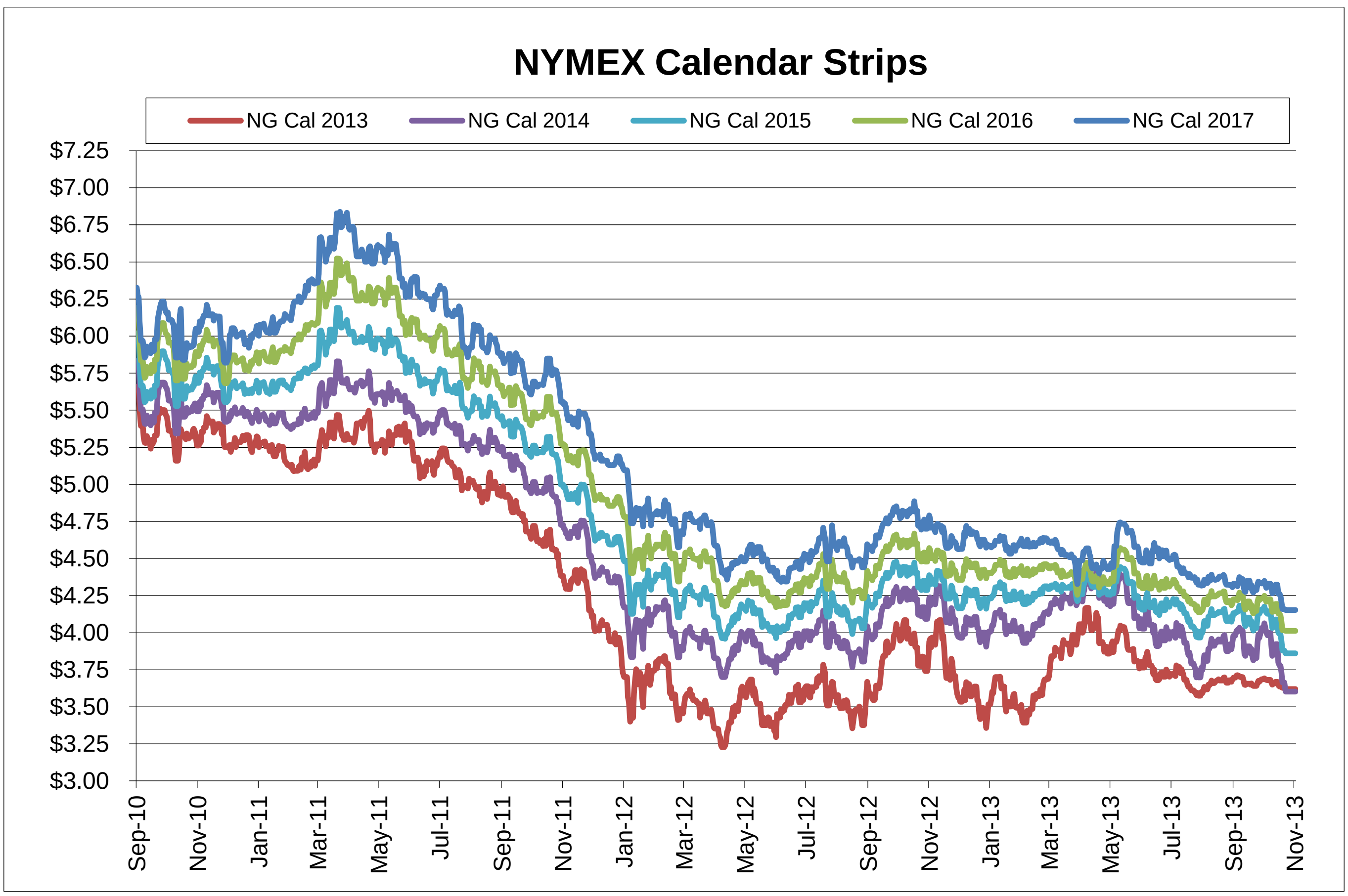
Oct-13


NYMEX Calendar Strips
NG Cal 2013
NG Cal 2014
NG Cal 2015
NG Cal 2016
NG Cal 2017
$7.25
$7.00
$6.75
$6.50
$6.25
$6.00
$5.75
$5.50
$5.25
$5.00
$4.75
$4.50
$4.25
$4.00
$3.75
$3.50
$3.25
$3.00
Sep-10
Nov-10
Jan-11
Mar-11
May-11
Jul-11
Sep-11
Nov-11
Jan-12
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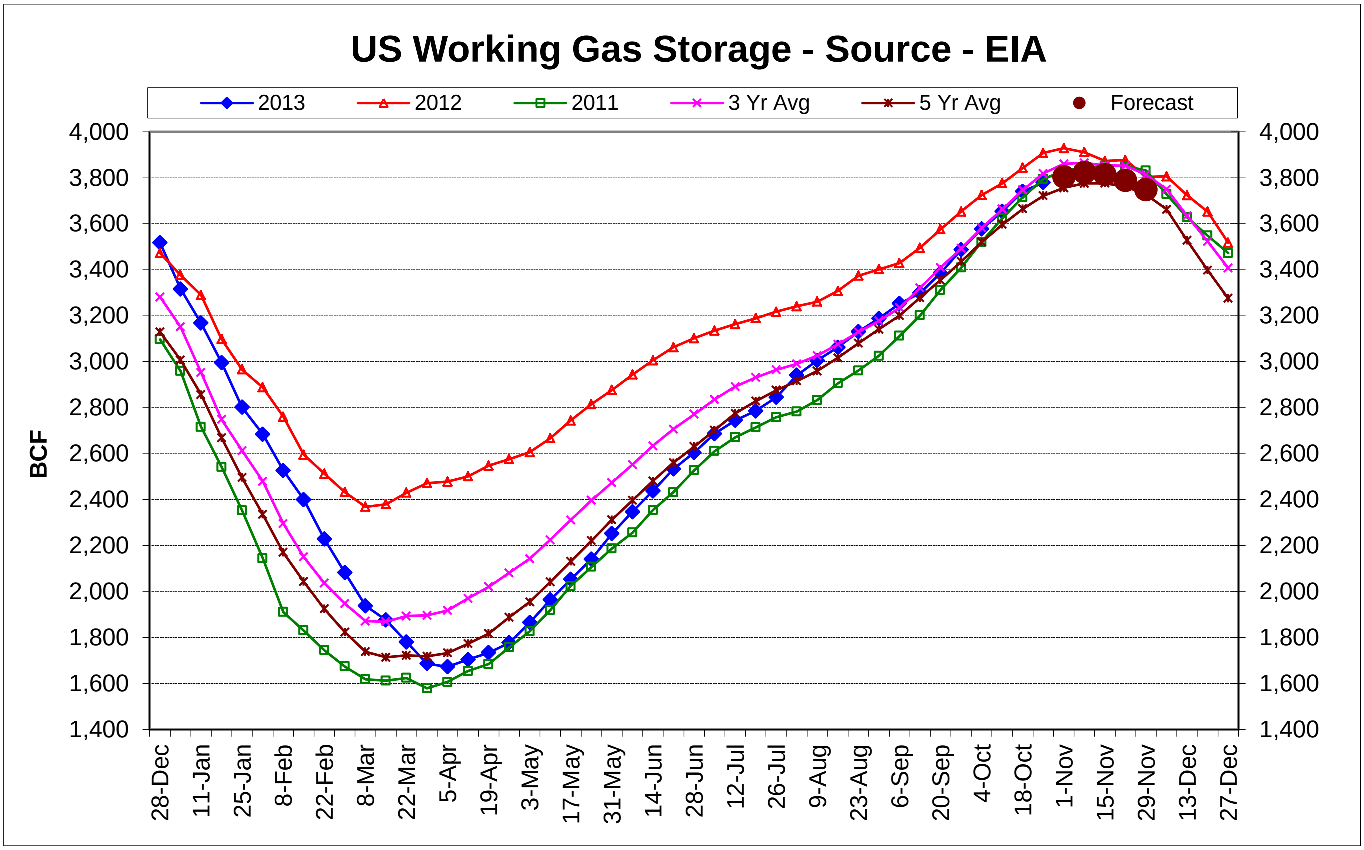
May-13
Jul-13
Sep-13
Nov-13


US Working Gas Storage - Source - EIA
2013
2012
2011
3 Yr Avg
5 Yr Avg
Forecast
BCF
4,000
3,800
3,600
3,400
3,200
3,000
2,800
2,600
2,400
2,200
2,000
1,800
1,600
1,400
28-Dec
11-Jan
25-Jan
8-Feb
22-Feb
8-Mar
22-Mar
5-Apr
19-Apr
3-May
17-May
31-May
14-Jun
28-Jun
12-Jul
26-Jul
9-Aug
23-Aug
6-Sep
20-Sep
4-Oct
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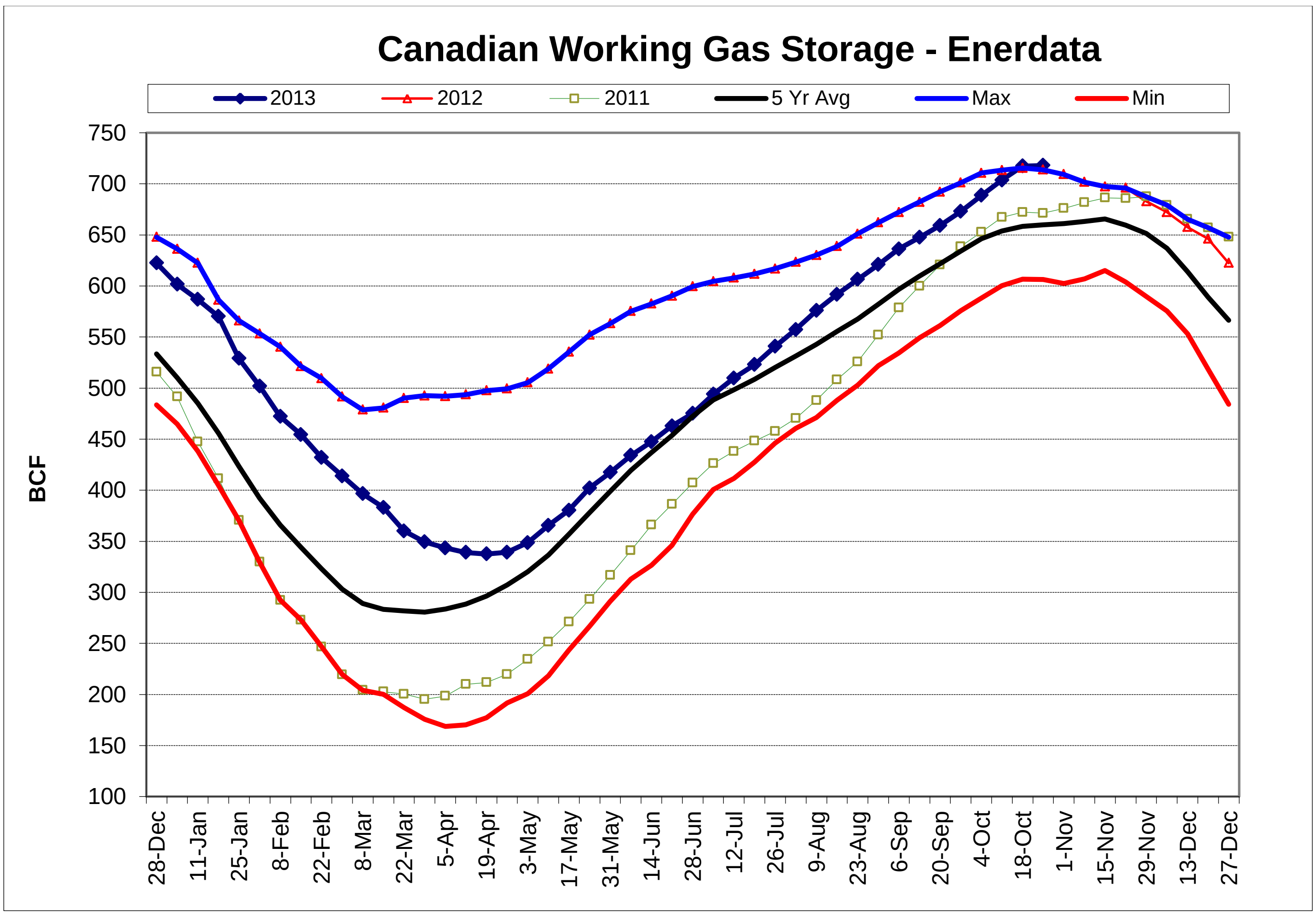
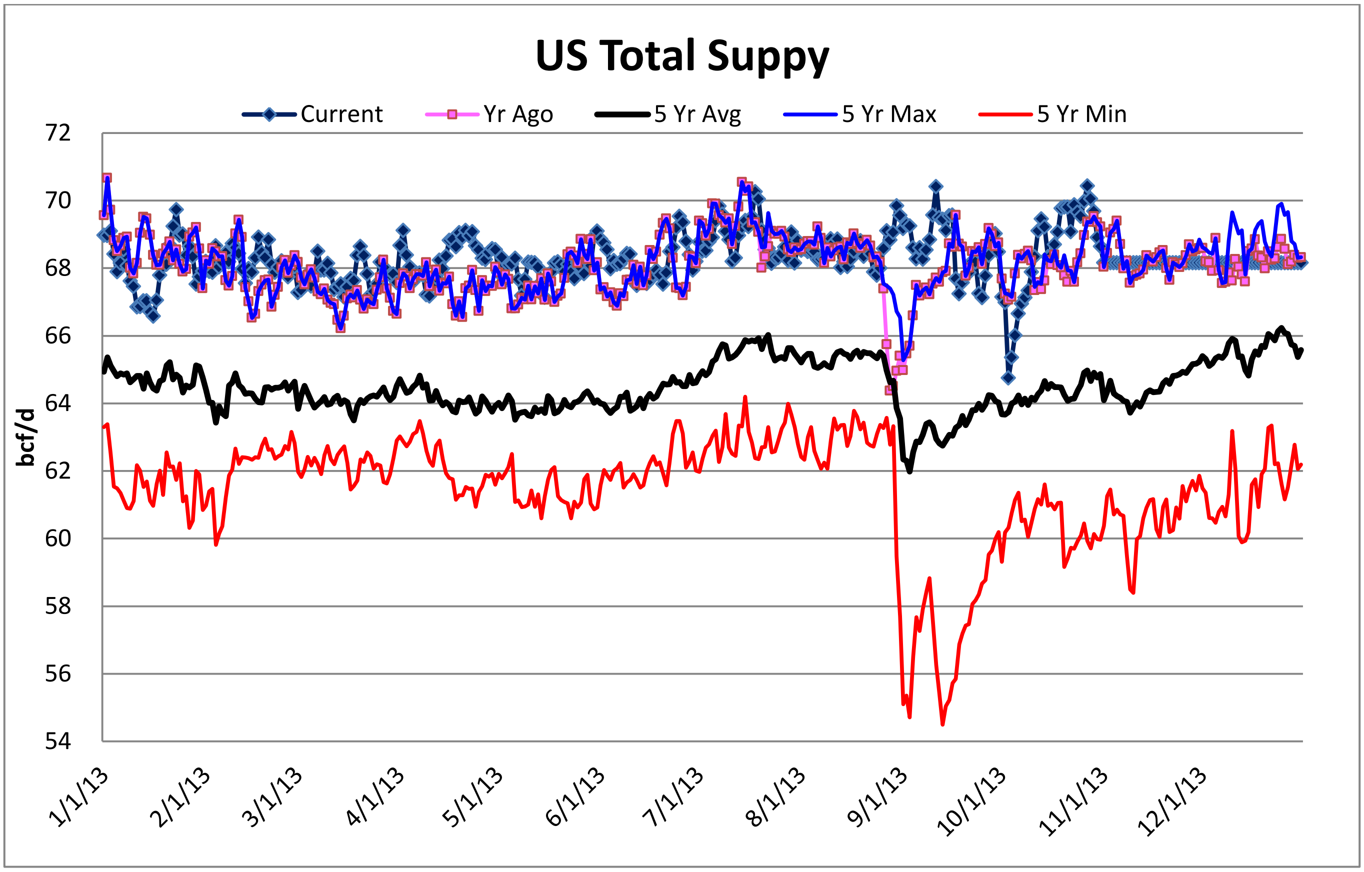
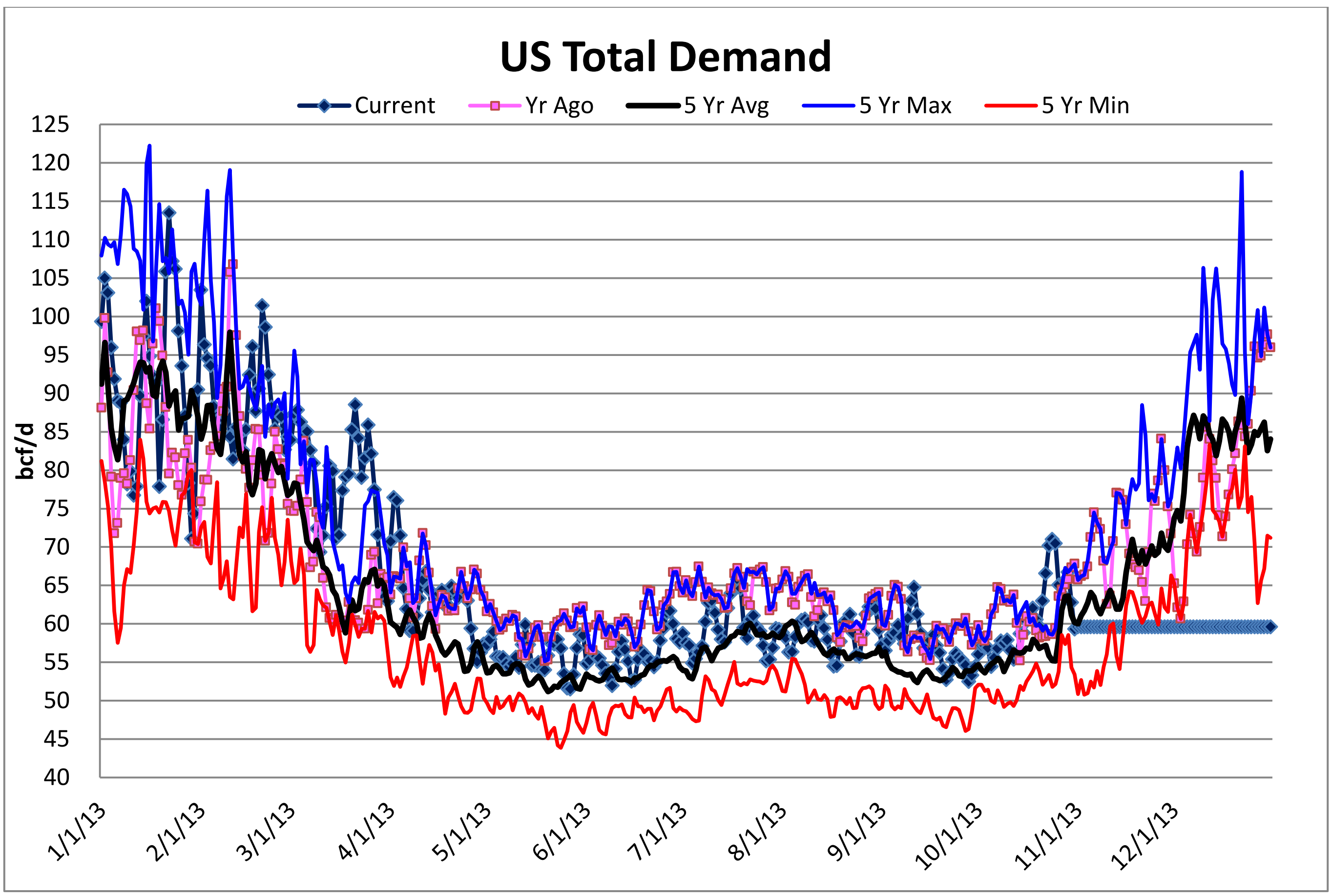
15-Nov
29-Nov
13-Dec
27-Dec


Canadian Working Gas Storage - Enerdata
2013
2012
2011
5 Yr Avg
Max
Min
BCF
750
700
650
600
550
500
450
400
350
300
250
200
150
100
28-Dec
11-Jan
25-Jan
8-Feb
22-Feb
8-Mar
22-Mar
5-Apr
19-Apr
3-May
17-May
31-May
14-Jun
28-Jun
12-Jul
26-Jul
9-Aug
23-Aug
6-Sep
20-Sep
4-Oct
18-Oct
1-Nov
15-Nov
29-Nov
13-Dec
27-Dec


US Total Suppy
Current
Yr Ago
5 Yr Avg
5 Yr Max
5 Yr Min
72
70
68
66
64
62
60
58
56
54
bcf/d
1/1/13
2/1/13
3/1/13
4/1/13
5/1/13
6/1/13
7/1/13
8/1/13
9/1/13
10/1/13
11/1/13
12/1/13


US Total Demand
Current
Yr Ago
5 Yr Avg
5 Yr Max
5 Yr Min
125
120
115
110
105
100
95
90
85
80
75
70
65
60
55
50
45
40
bcf/d
1/1/13
2/1/13
3/1/13
4/1/13
5/1/13
6/1/13
7/1/13
8/1/13
9/1/13
10/1/13
11/1/13
12/1/13

ADDITIONAL INFORMATION AVAILABLE UPON REQUEST
