

IAF Advisors
Energy Market Outlook
Kyle Cooper, (713) 722-7171, Kyle.Cooper@IAFAdvisors.com
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Price Action: Prices rose 10.1 cents (2.8%) to \$3.660 on a 17.6 cent range.

Price Outlook: Prices did indeed end the weekly low streak and true to historical form established a new weekly high. However, while there was a slight bias toward the new high, the small 17.6 range was not expected. The weather models did have some substantial volatility, yet price response was muted. With the market very near the weekly high, another new high is expected and an expanded range would also not be surprising. The slide in the CFTC speculative net long position continued with the position now less than half the late September level. With the market apparently already giving up on winter, further long liquidation could result in additional price pressure. Total open interest across the complex rose to 4.67 million contracts as of November 12. CME futures open interest rose marginally to 1.29 million contracts as of November 14.

Weekly Storage: US working gas storage for the week ending November 8 indicated a weekly injection of 20 bcf. Thus, current inventories of 3,834 bcf fall 77 bcf (2.0%) below last year while exceeding the 5 year average by 58 bcf (1.5%).

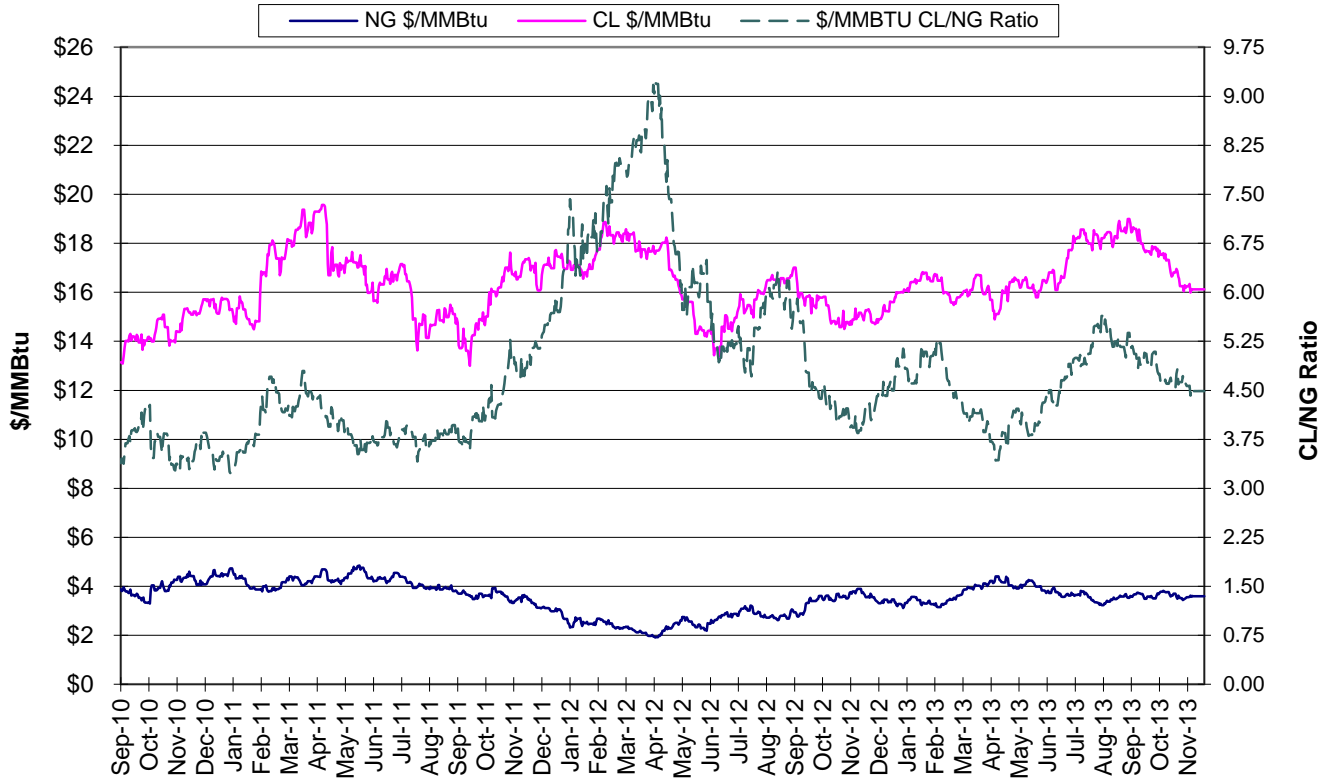
Storage Outlook: This is the smallest yearly storage deficit since January. However, looking into late November and December, the weekly storage comparisons are likely to turn more bullish. This does appear to be the 2013 peak and the deficit is likely to expand in coming weeks.

Supply Trends: Total supply rose 0.8 bcf/d to 70.5 bcf/d. Higher US production and falling Mexican exports contributed to the increase. The US Baker Hughes rig count rose 8 with oil and natural gas both increasing again. Canadian activity rose 23. Thus the total North American rig count increased by 31 to 2,163 and trails last year by just 30. The higher efficiency US horizontal rig count was unchanged at 1,114 and rises 9 above last year. Pipeline data has indicated a plateauing and slight drop from the record production level reported recently. We suspect the initial surge was associated with all the new wells that were tied into the system with the new infrastructure projects. It is very typical for a new well to have a very high initial production rates and then decline quickly in the first year. With new wells constantly being added, we do anticipate new US production records in coming weeks.

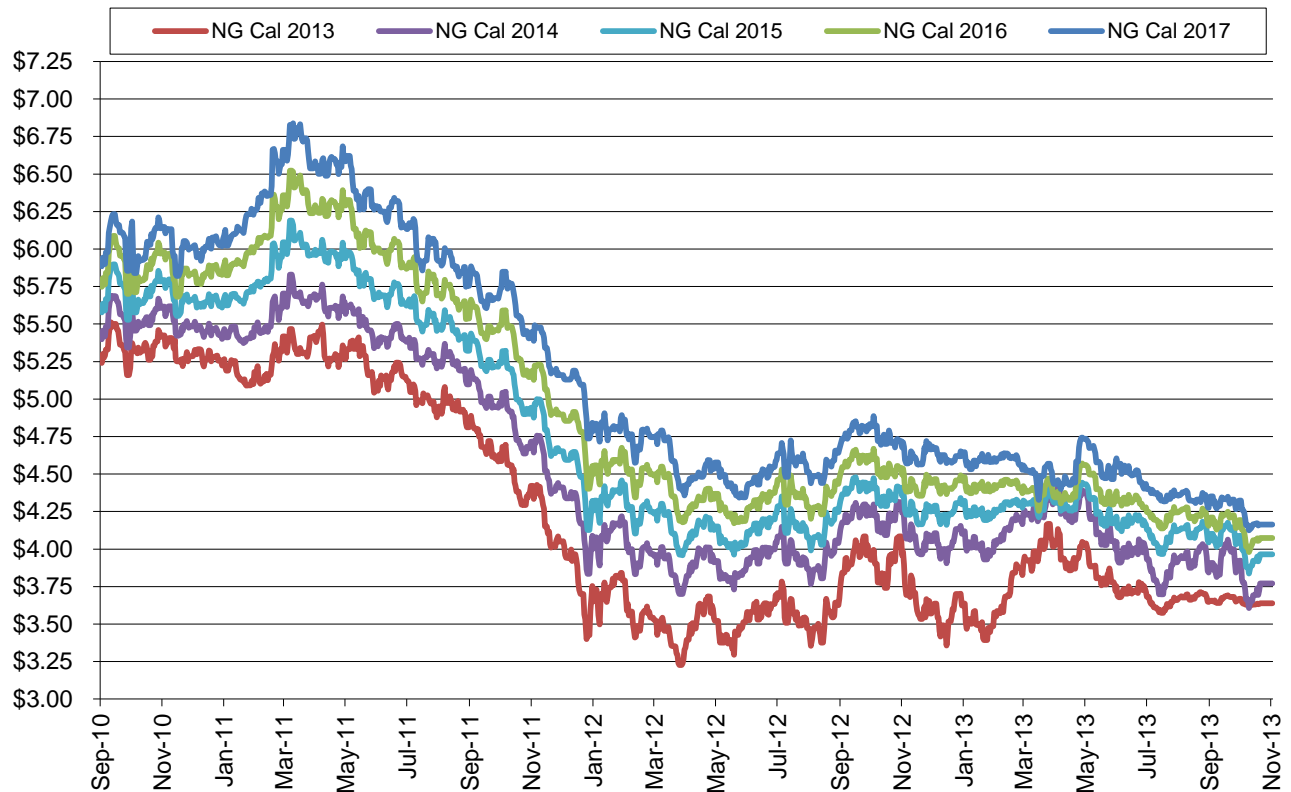
Demand Trends: Total demand rose 3.9 bcf/d to 67.3 bcf/d. increased R&C and industrial consumption overcame lower power use. Electricity demand increased 1,404 gigawatt-hrs to 70,174, which trails last year by 327 (0.5%) and the 5 year average by 404 (0.6%). Total demand jumped into the mid-to-upper 80 bcf this week and while it was chilly, this was still a very healthy demand level and at least partially offsets the surging US production. Temperature adjusted demand remains very healthy.

Other Factors: The S&P 500 soared to new record highs with the market quite comfortable with Janet Yellen as the likely new Federal Reserve Chairman.

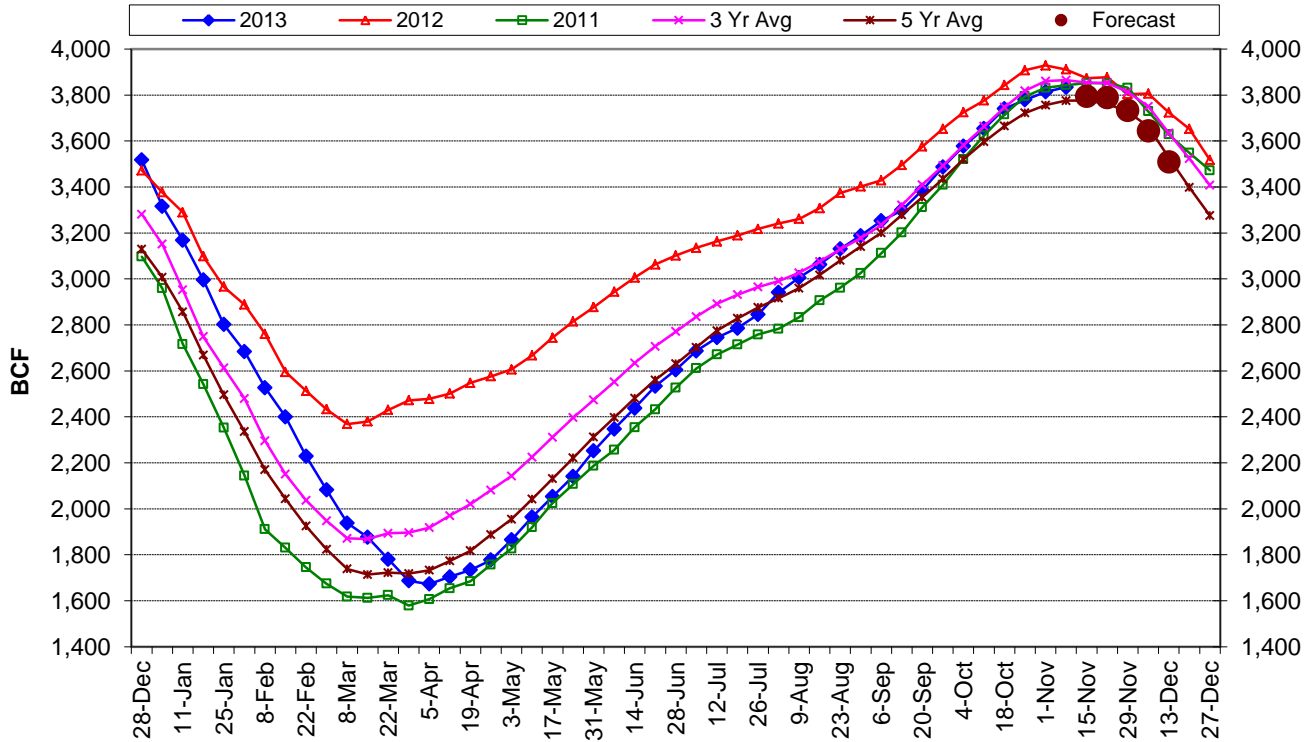
\$/MMBtu Ratio of NYMEX CL and NG



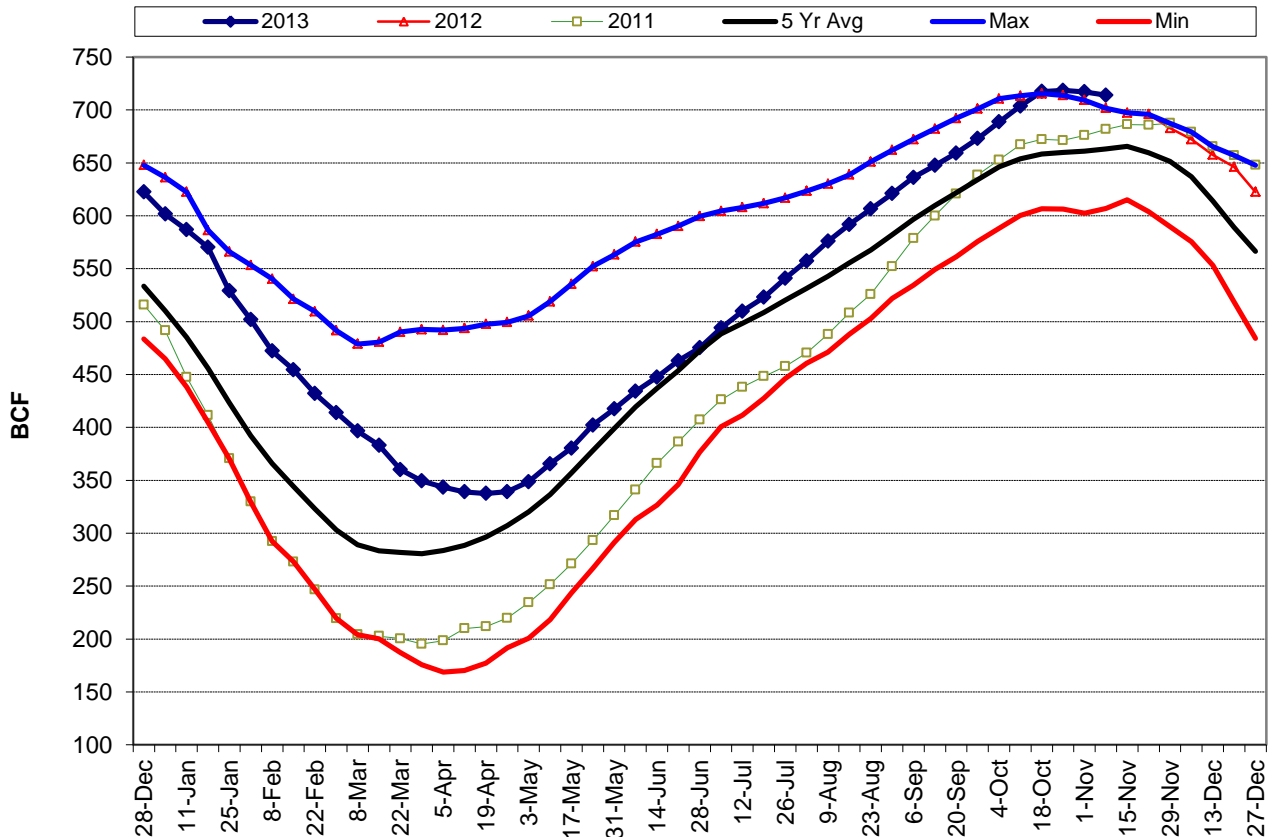
NYMEX Calendar Strips



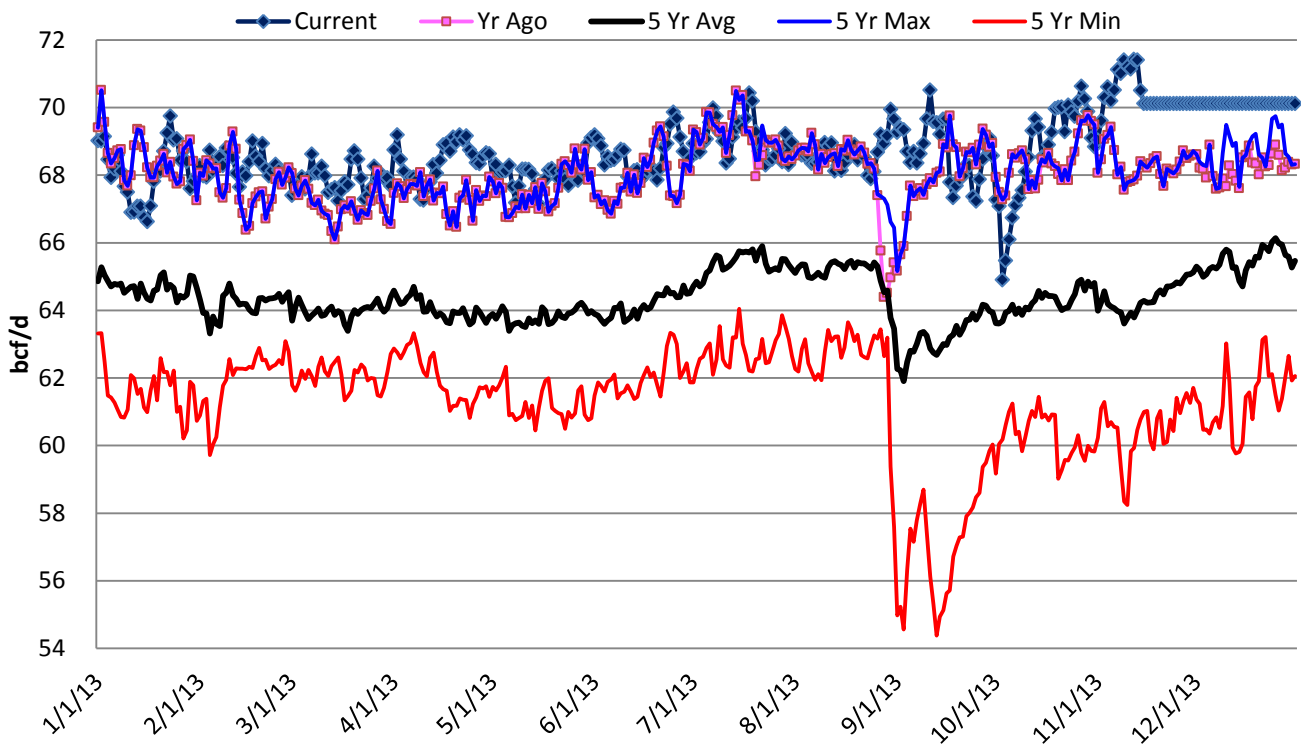
US Working Gas Storage - Source - EIA



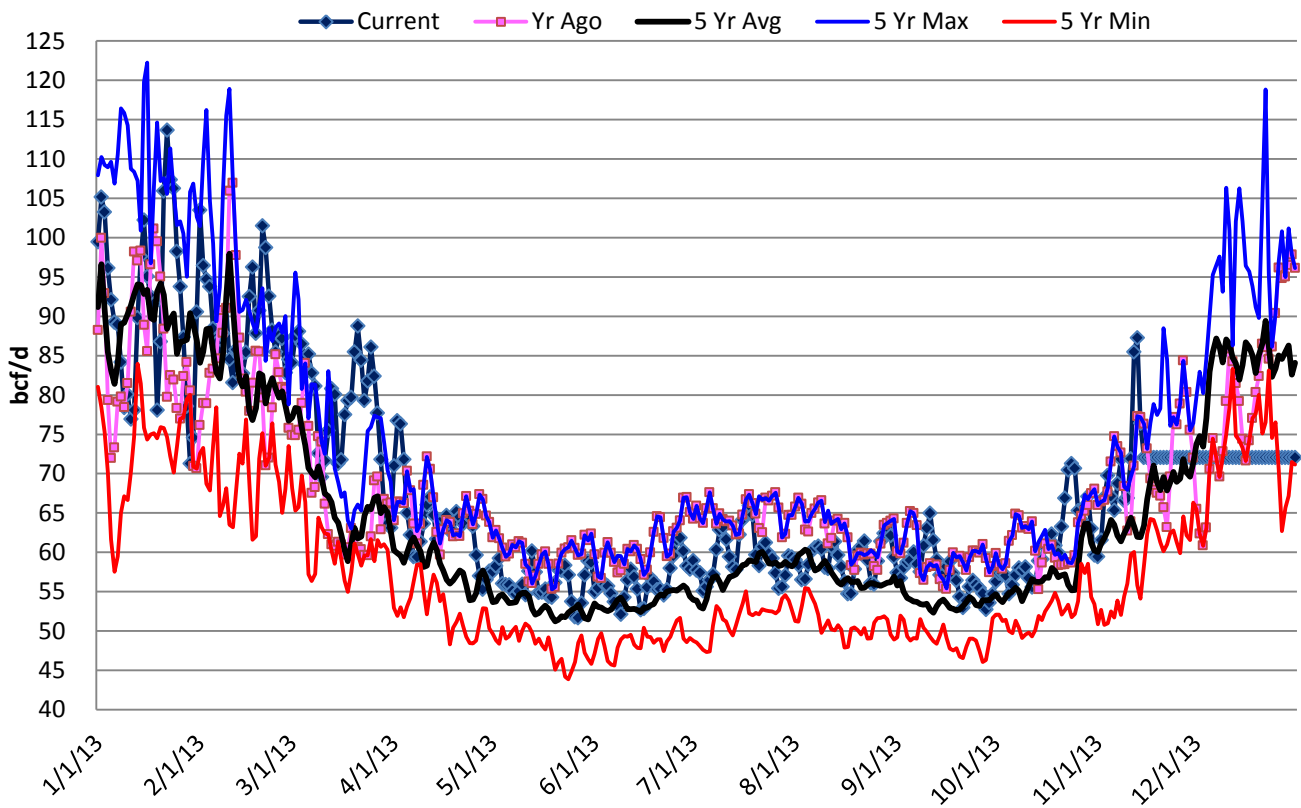
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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