

IAF Advisors
Energy Market Outlook
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Price Action: Prices basis the now prompt January contract rose 14.3 cents (3.8%) to \$3.954 on a 17.6 cent range.

Price Outlook: Prices did indeed continue higher with the market up now for the 3rd consecutive week. Considering the weekend weather forecasts, another new weekly high is expected. 34 of the 54 instances where there have been three consecutive higher weeks witnessed a 4th weekly high. Four weeks is considered a bit extended. But, it is by no means extreme and the weather forecasts remain supportive. The record consecutive streak was 14 in 2008. The CFTC did not report the updated data due to the holiday. CME futures open interest increased to 1.25 million contracts as of November 27.

Weekly Storage: US working gas storage for the week ending November 22 indicated a weekly withdrawal of 13 bcf. Thus, current inventories of 3,776 bcf fall 101 bcf (2.6%) below last year while exceeding the 5 year average by 13 bcf (0.4%).

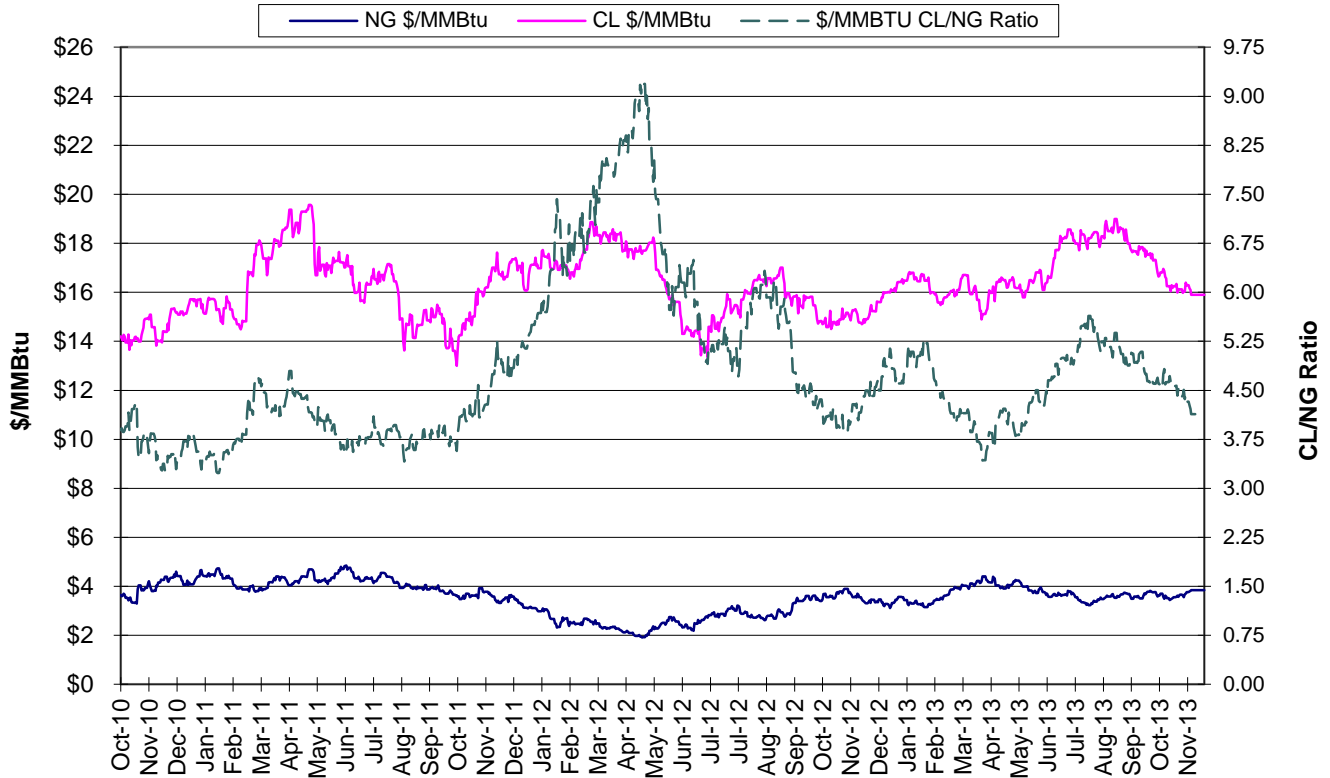
Storage Outlook: The 3,834 bcf level of 11/8 will be the 2013 peak and thus 95 bcf (2.4%) below the 2012 record peak. Considering the current forecasts and the very mild 2012 December, the yearly storage deficit should soar and will likely approach and even exceed 400 bcf by the end of December. This should continue to provide support to the market. The weather forecasts continue to indicate impressive cold and multiple triple digit withdrawals are currently expected for December.

Supply Trends: Total supply fell 0.7 bcf/d to 70.4 bcf/d. Lower US production and Canadian imports contributed to drop with LNG imports and Mexican exports unchanged. The US Baker Hughes rig count rose 2 with oil up and natural gas down. Canadian activity increased 17. Thus the total North American rig count rose by 19 to 2,148 and trails last year by 62. The higher efficiency US horizontal rig count was unchanged at 1,127 and rises 17 above last year.

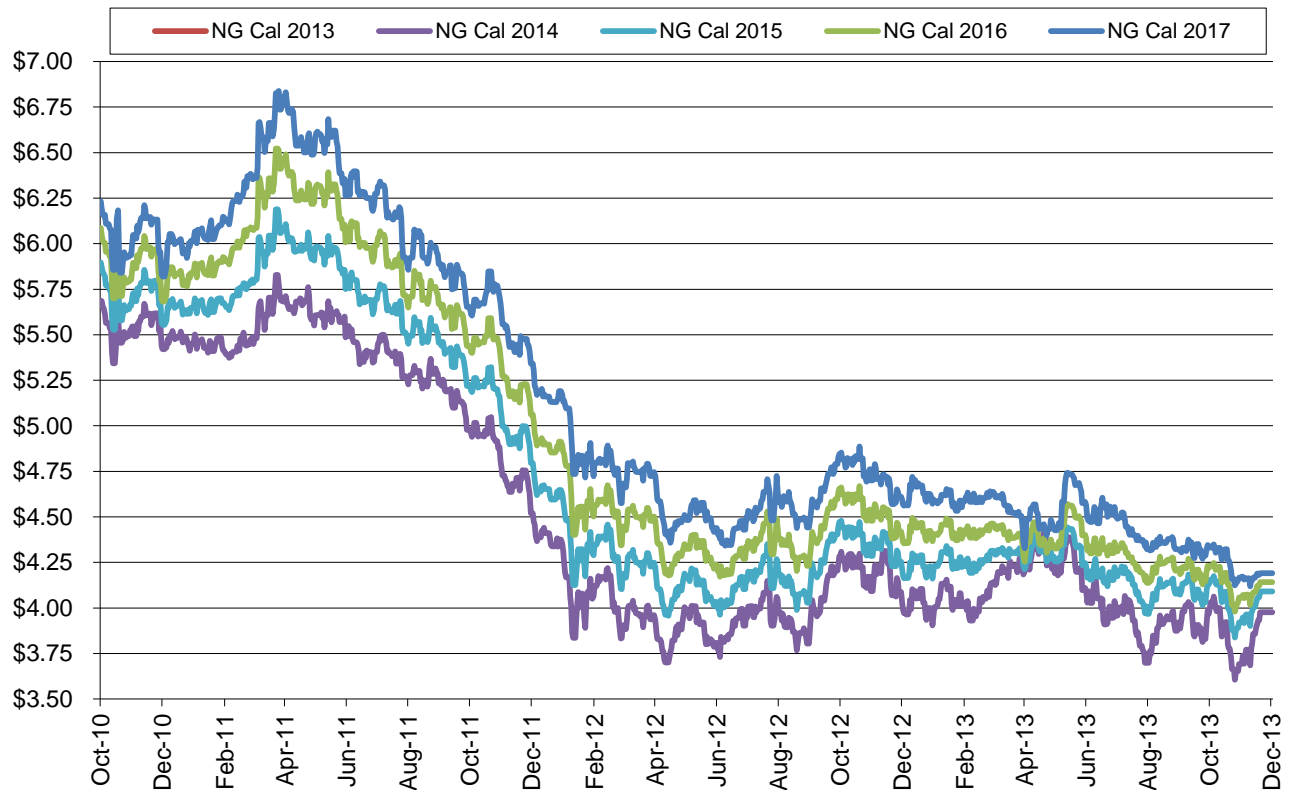
Demand Trends: Total demand fell 4.0 bcf/d to 70.8 bcf/d. All demand sectors were lower. Electricity demand increased 220 gigawatt-hrs to 72,319, which exceeds last year by 3,239 (4.7%) and the 5 year average by 916 (1.3%). Temperature adjusted remains very bullish.

Other Factors: The S&P 500 continued on the record breaking streak with yet another new weekly high. However, Friday's settle was slightly below the Wednesday all-time record settle.

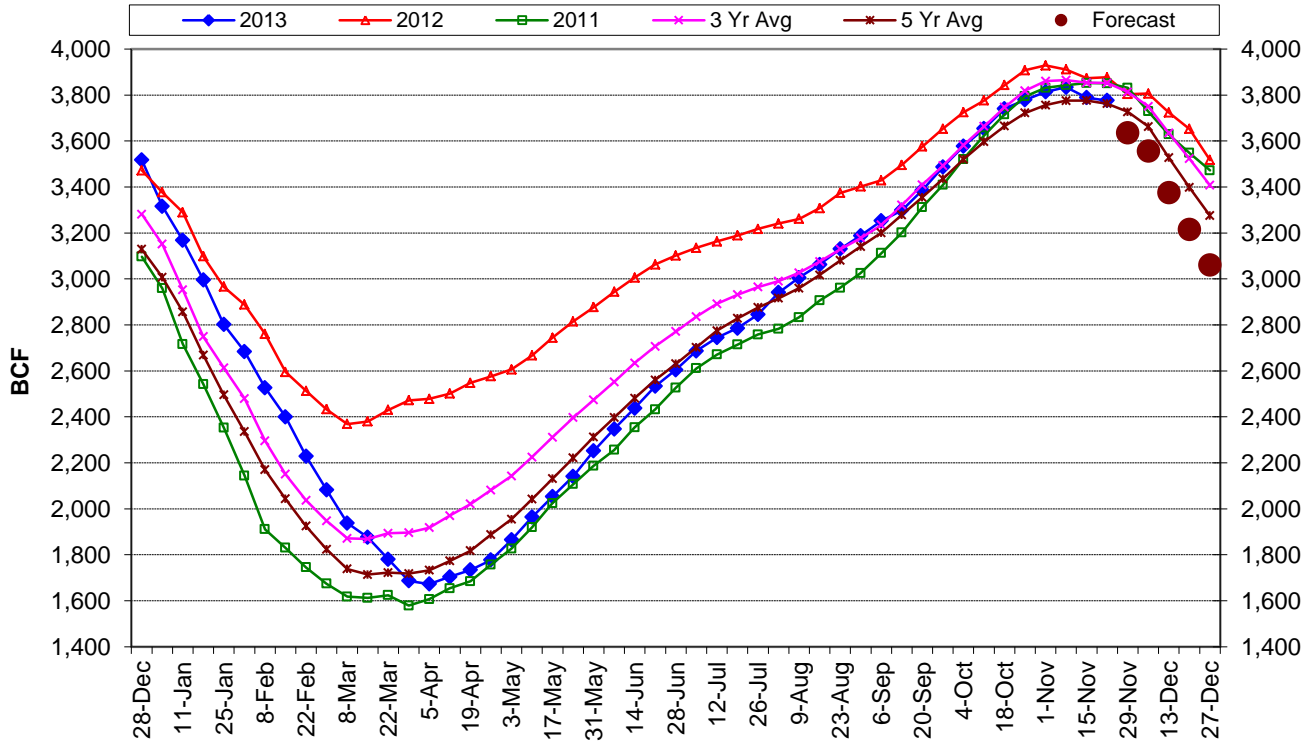
\$/MMBtu Ratio of NYMEX CL and NG



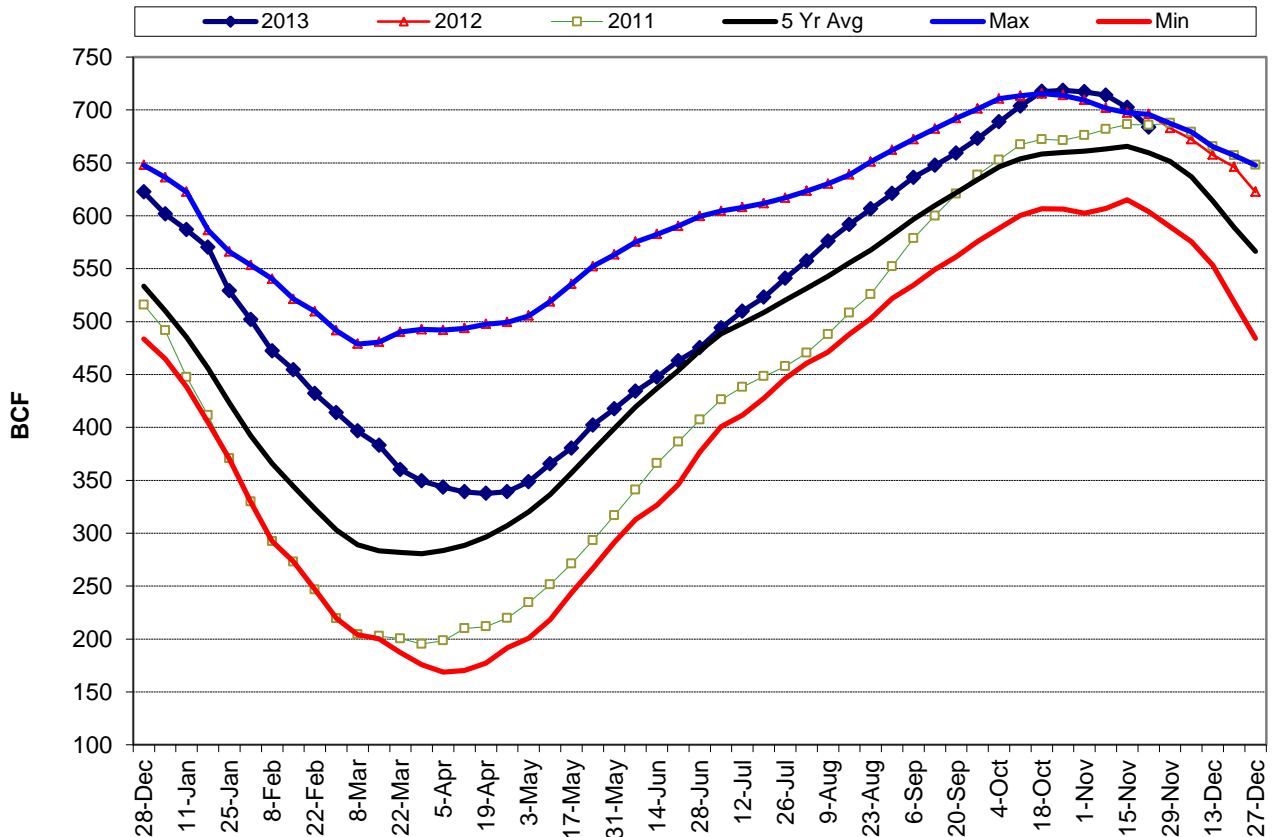
NYMEX Calendar Strips



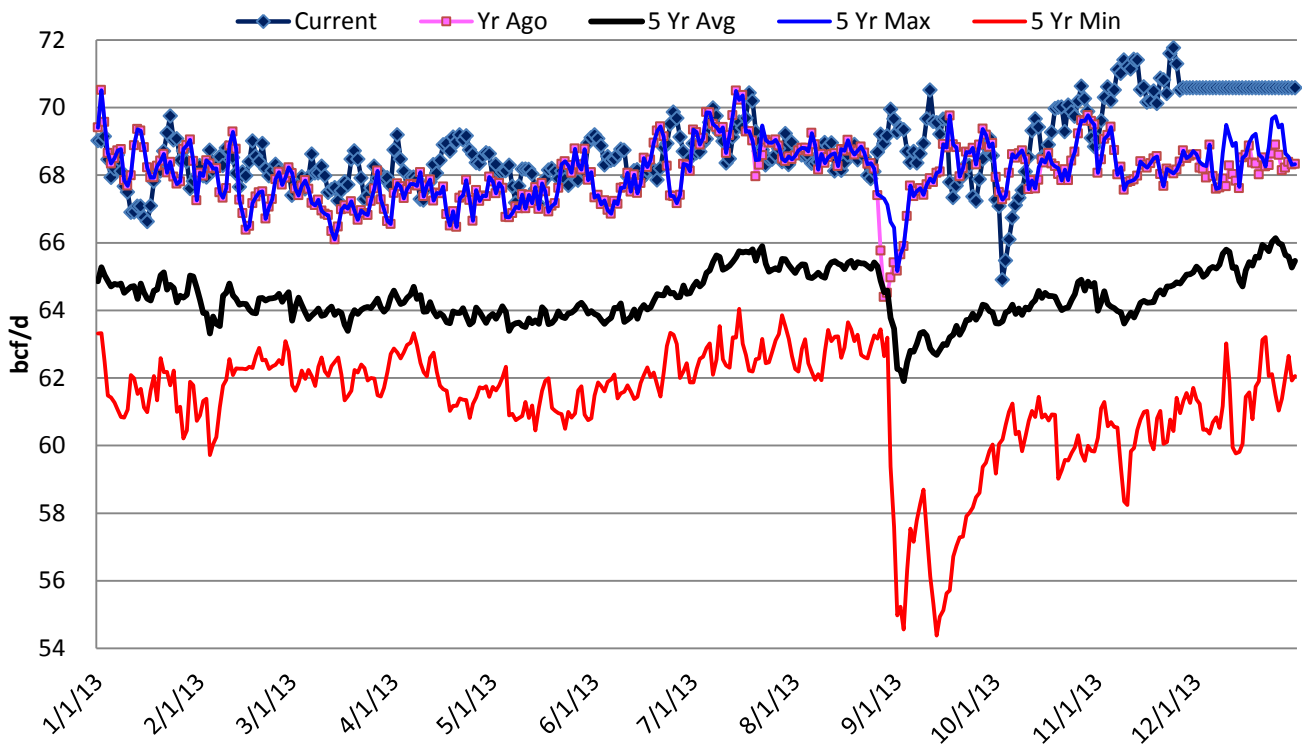
US Working Gas Storage - Source - EIA



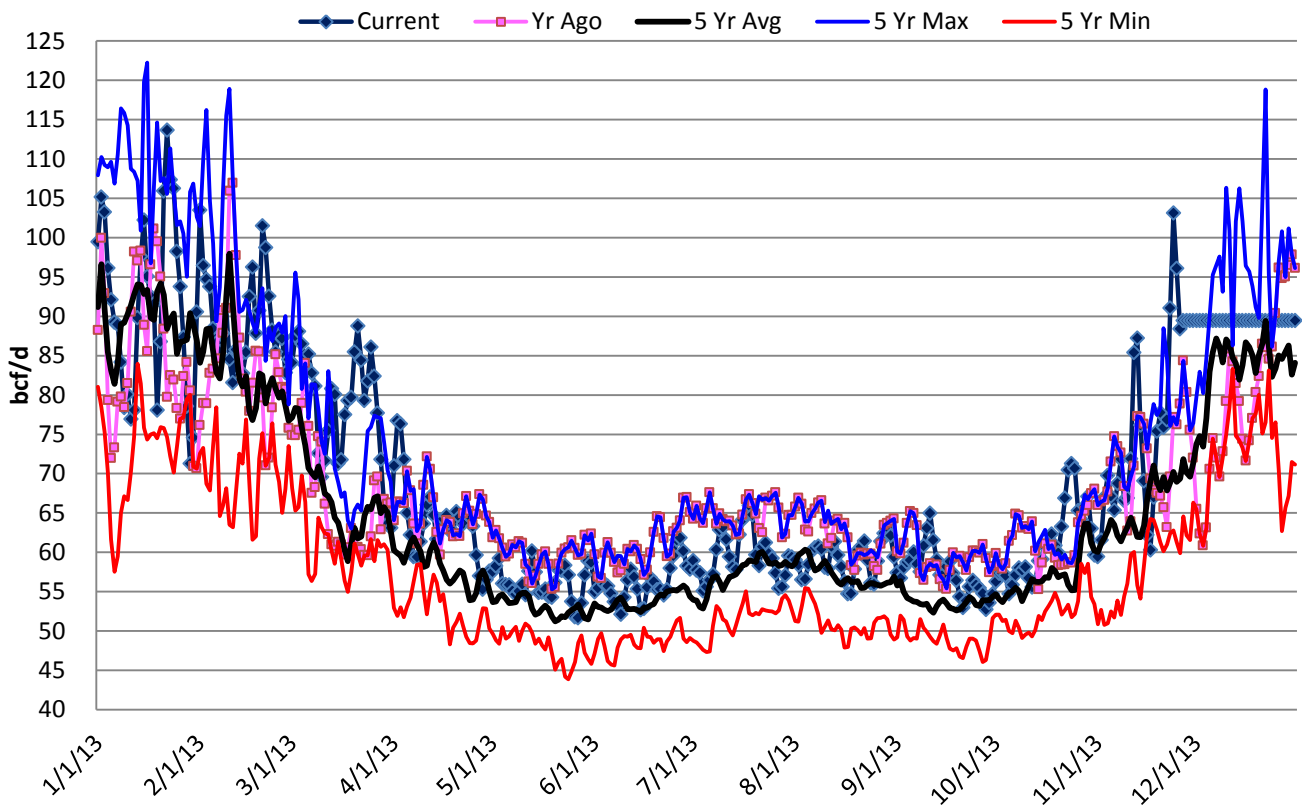
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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