IAF Advisors
Energy Market Outlook
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Price Action: Prices recovered all of last week's loss and rose 27.3 cents (6.7%) to $4.326 on a 37.7 cent range.

Price Outlook: **A reversal in last week's warm forecast catapulted prices higher and again allowed the market to evade an elusive inside week. The weather forecasts have been incredibly volatile and prices will be driven by the latest weather forecast. There is a slight bias to a new high, but that remains largely weather driven. The CFTC data for January 14 indicated a net increase in the net long position in the managed money category. It is now rather high, but well below the peak net long position. Total open interest across the complex was barely higher at 4.77 million contracts as of January 14. CME futures open interest fell to 1.29 million contracts as of January 16.**

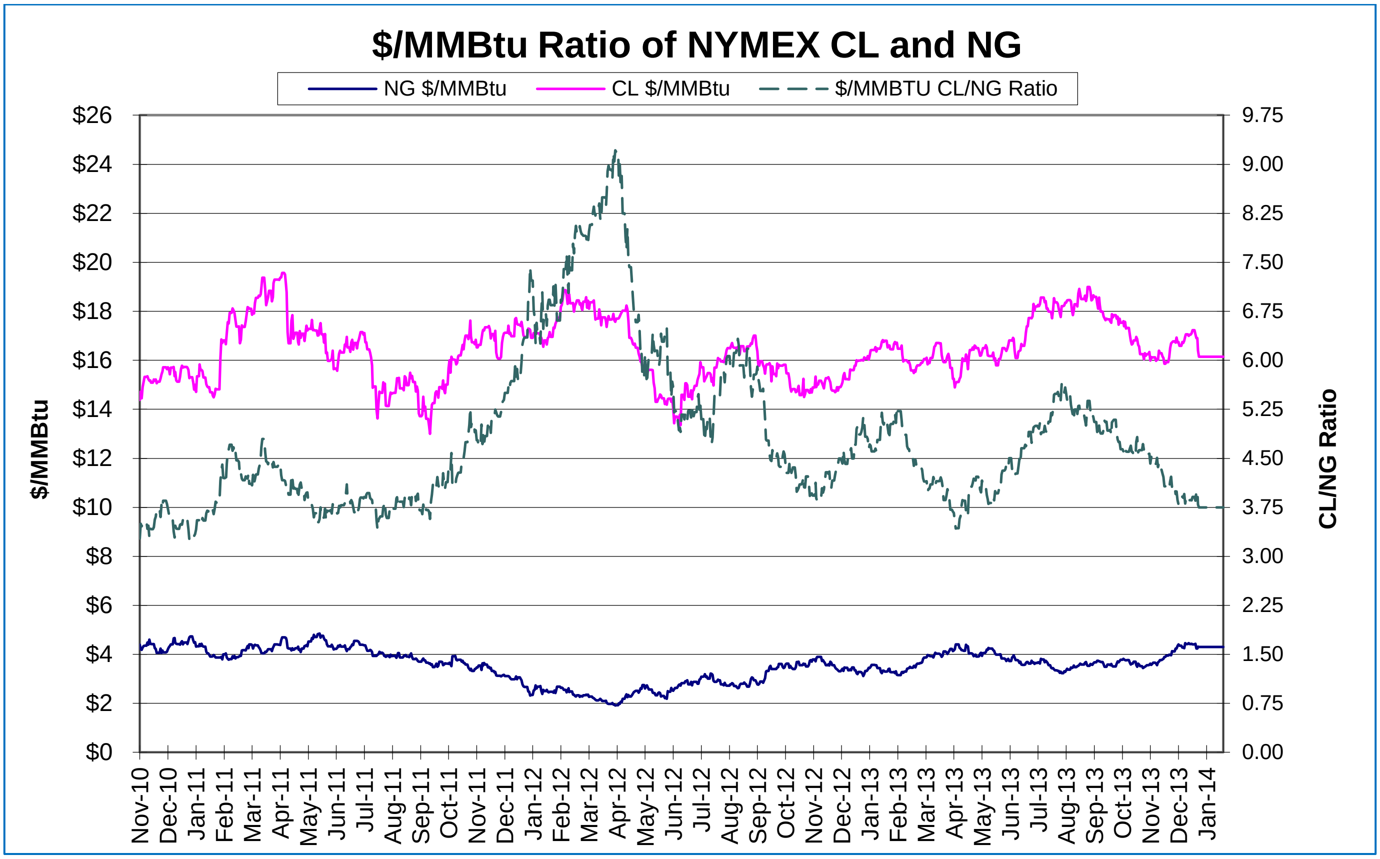
Weekly Storage: US working gas storage for the week ending January 10 indicated a withdrawal of 287 bcf. Thus, current inventories of 2,530 bcf fall 638 bcf (20.1%) below last year and 471 bcf (15.7%) behind the 5 year average.

Storage Outlook: **Although the storage withdrawal did not exceed 300 bcf, colder weather forecasts still suggest the yearly storage deficit will easily exceed 700 bcf in February. However, with large withdrawals in 2013, the deficit is likely to contract in late February and throughout March. Winter's halfway point has now past. However, as clearly revealed by March 2012 and 2013 storage changes, extreme temperature deviations can still result in large changes to projected end of season storage levels.**

Supply Trends: Total supply fell 2.0 bcf/d to 70.2 bcf/d. US production fell as freeze-offs effected output. Canadian imports and Mexican exports were both higher. The US Baker Hughes rig count rose 23 with both oil and natural gas higher. Canadian activity rose 88. Thus the total North American rig count increased by 111 to 2,342 and now trails last year by 8. **The higher efficiency US horizontal rig count rose 15 to 1,173 and rises 46 above last year. E&P company reports will be released in coming weeks and production guidance and Capex plans will be reviewed closely. A close look at natural gas, not just total energy production is becoming more and more relevant.**

Demand Trends: Total demand rose 12.5 bcf/d to 110.6 bcf/d. R&C demand followed closely by power. Electricity demand rose 6,179 gigawatt-hrs to 85,175, which eclipses last year by 9,438 (12.5%) and the 5 year average by 4,743 (5.9%). **Although absolute demand has plummeted in response to the rising temperatures, temperature adjusted demand was on the rise as the week ended. There remains a decent level of structural demand growth that remains supportive.**

Other Factors: The S&P 500 rose to a new high but slipped slightly to close the week.



$/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
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
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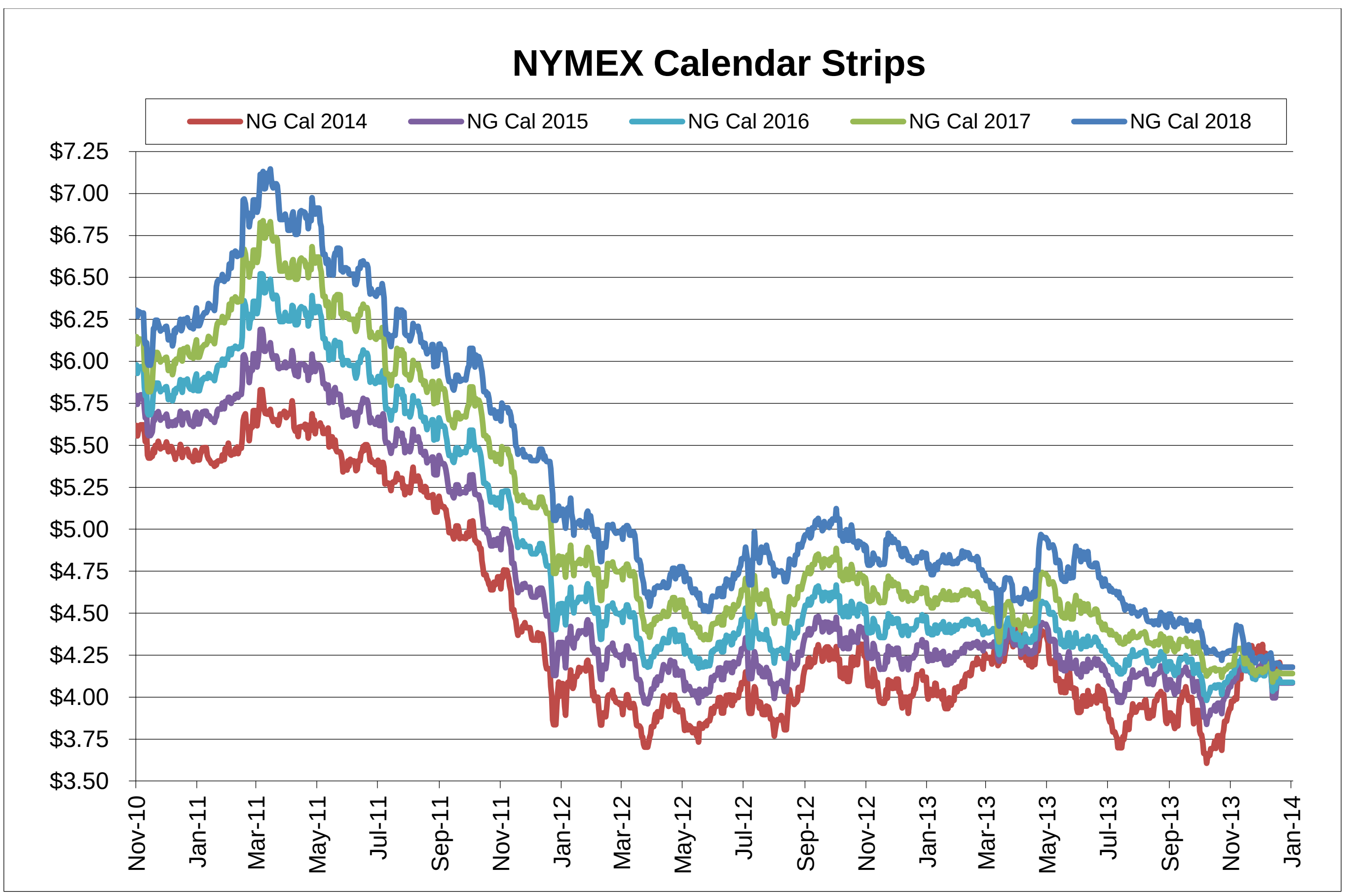
Jan-14



NYMEX Calendar Strips
NG Cal 2014
NG Cal 2015
NG Cal 2016
NG Cal 2017
NG Cal 2018
$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
Nov-10
Jan-11
Mar-11
May-11
Jul-11
Sep-11
Nov-11
Jan-12
Mar-12
May-12
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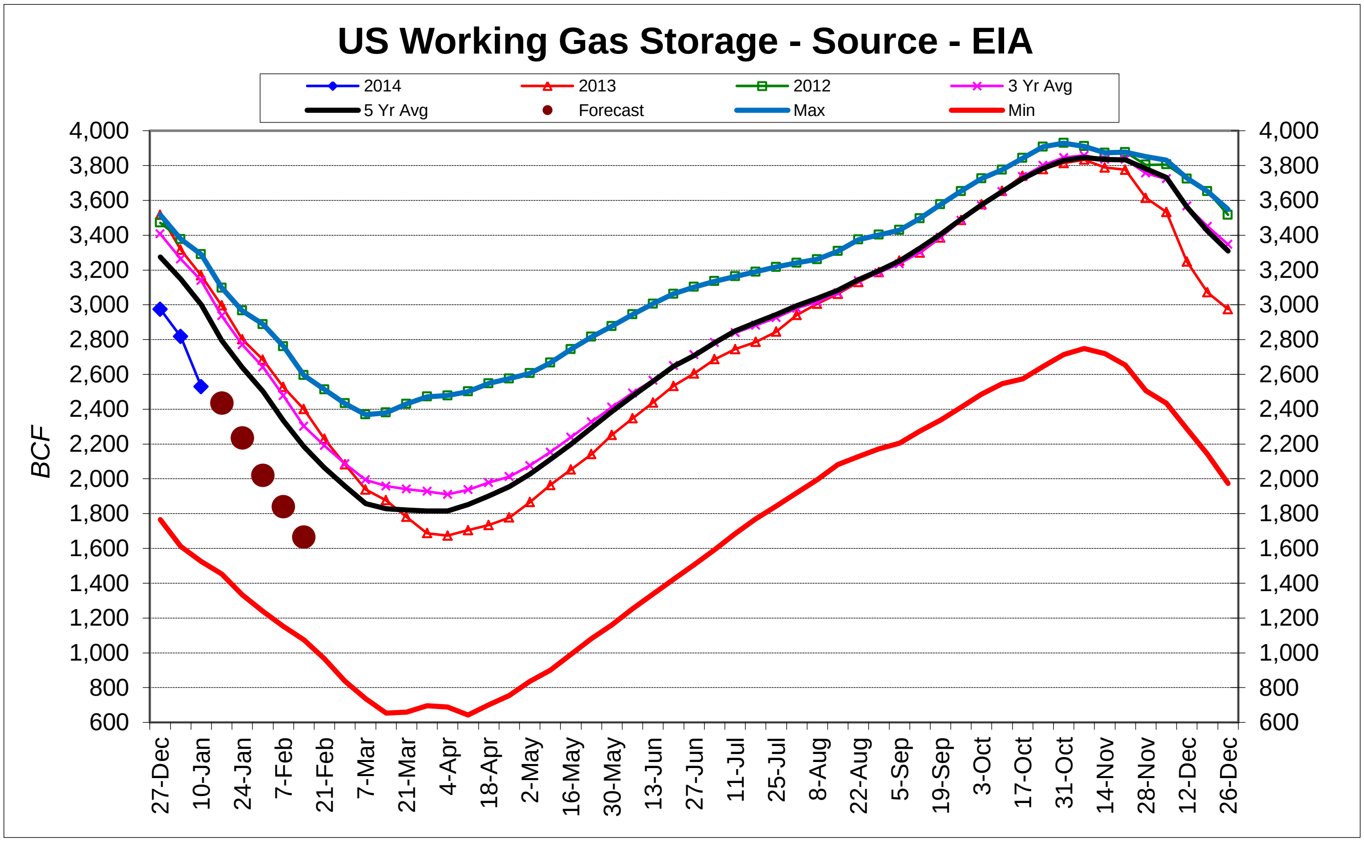
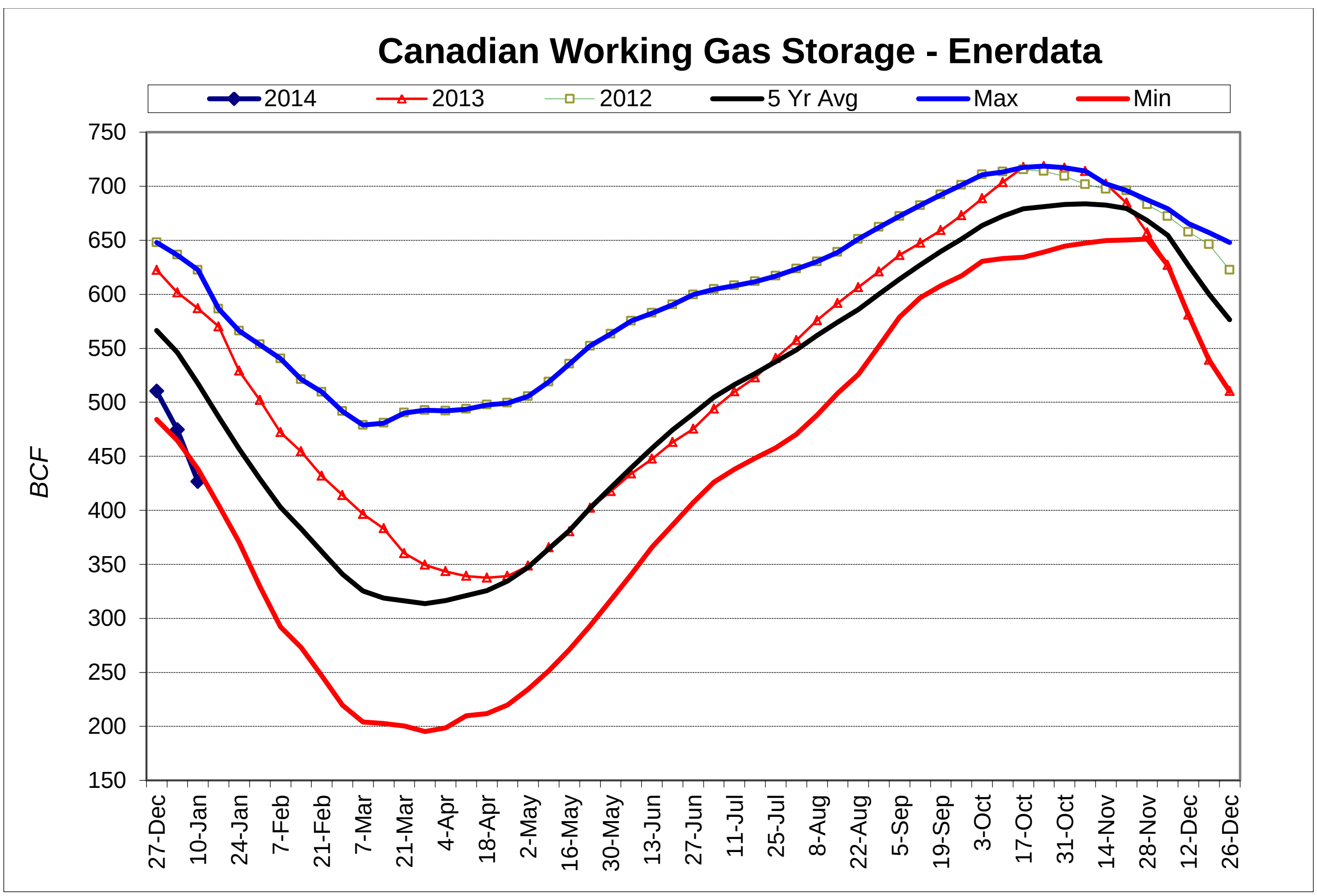
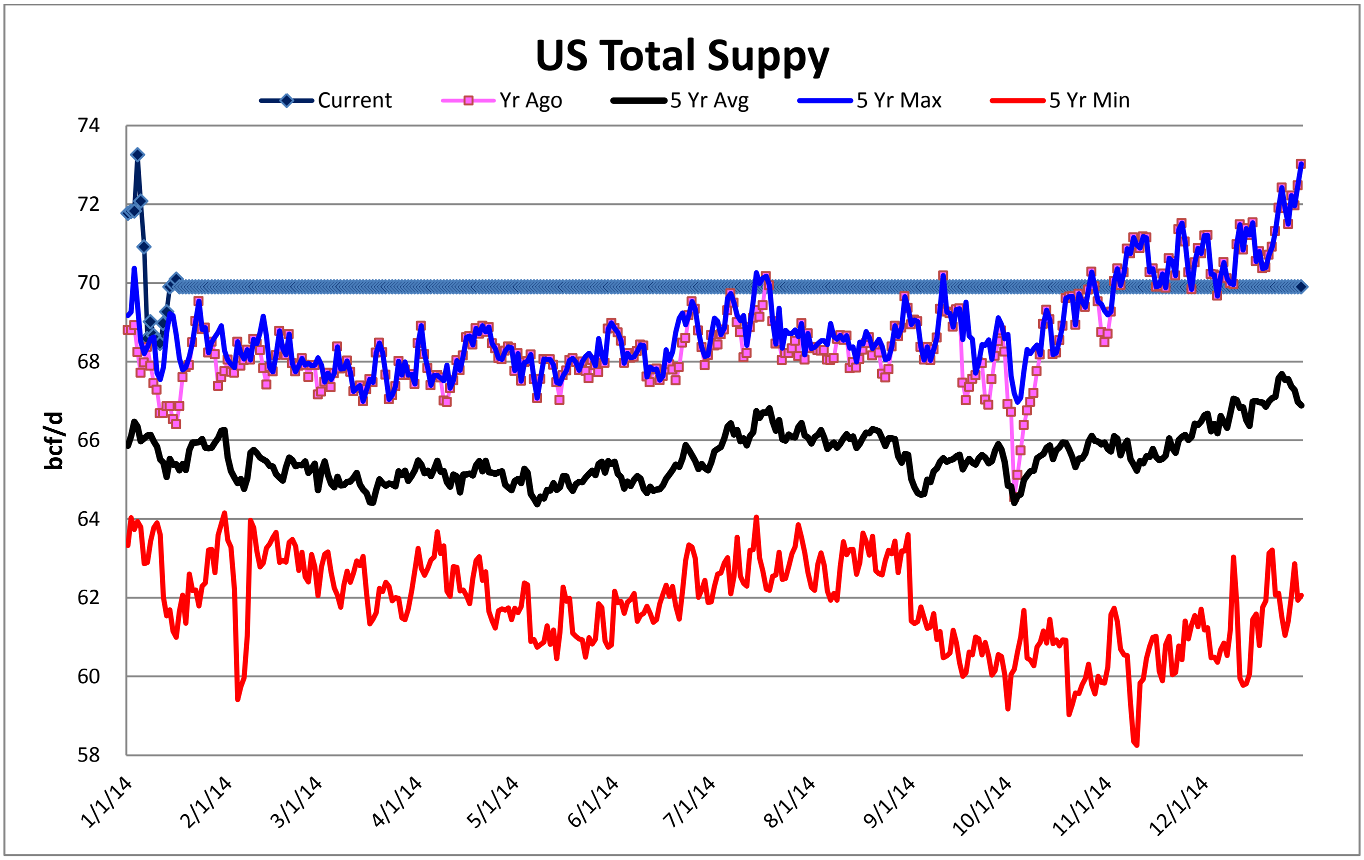
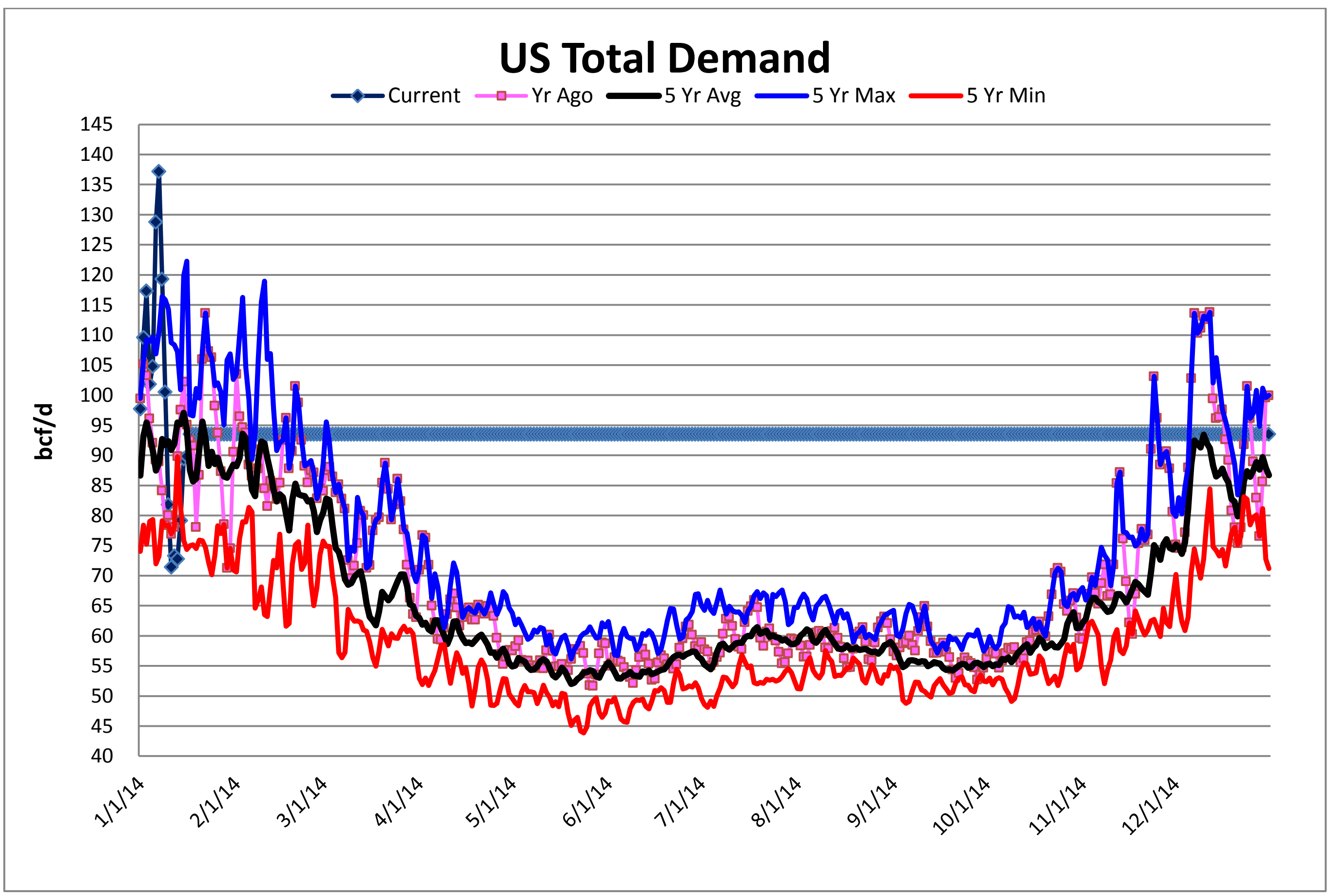
Sep-13
Nov-13
Jan-14


US Working Gas Storage - Source - EIA
2014
2013
2012
3 Yr Avg
5 Yr Avg
Forecast
Max
Min
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
1,200
1,000
800
600
27-Dec
10-Jan
24-Jan
7-Feb
21-Feb
7-Mar
21-Mar
4-Apr
18-Apr
2-May
16-May
30-May
13-Jun
27-Jun
11-Jul
25-Jul
8-Aug
22-Aug
5-Sep
19-Sep
3-Oct
17-Oct
31-Oct
14-Nov
28-Nov
12-Dec
26-Dec


Canadian Working Gas Storage - Enerdata
2014
2013
2012
5 Yr Avg
Max
Min
BCF
750
700
650
600
550
500
450
400
350
300
250
200
150
27-Dec
10-Jan
24-Jan
7-Feb
21-Feb
7-Mar
21-Mar
4-Apr
18-Apr
2-May
16-May
30-May
13-Jun
27-Jun
11-Jul
25-Jul
8-Aug
22-Aug
5-Sep
19-Sep
3-Oct
17-Oct
31-Oct
14-Nov
28-Nov
12-Dec
26-Dec


US Total Suppy
Current
Yr Ago
5 Yr Avg
5 Yr Max
5 Yr Min
bcf/d
74
72
70
68
66
64
62
60
58
1/1/14
2/1/14
3/1/14
4/1/14
5/1/14
6/1/14
7/1/14
8/1/14
9/1/14
10/1/14
11/1/14
12/1/14


US Total Demand
Current
Yr Ago
5 Yr Avg
5 Yr Max
5 Yr Min
bcf/d
145
140
135
130
125
120
115
110
105
100
95
90
85
80
75
70
65
60
55
50
45
40
1/1/14
2/1/14
3/1/14
4/1/14
5/1/14
6/1/14
7/1/14
8/1/14
9/1/14
10/1/14
11/1/14
12/1/14

ADDITIONAL INFORMATION AVAILABLE UPON REQUEST