

IAF Advisors
Energy Market Outlook
Kyle Cooper, (713) 722-7171, Kyle.Cooper@IAFAdvisors.com
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Price Action: Prices rose 43.9 cents (9.2%) basis the March contract to \$5.214 on an 82.6 cent range.

Price Outlook: The market maintained its' incredible historical trend by establishing a new low before rocketing higher to end the week. Despite the recent wide ranges, the market continues to establish either a new high or new low each week. At some point there will be an inside week. But within a nearly \$1 weekly range, that is hardly considered a flat or sideways moving market which would typically be associated with an inside week. There have now been 36 times that ended exactly at 4 up weeks with still 17 occurrences of exactly 5 weeks higher. Mother Nature still has incredible influence and a continuation of cold into March could easily result in prices above \$6 as inventories would likely plunge below 1,000 bcf. The limiting factor to this potential push higher remains the yearly storage comparison. Despite the potential for a cool March, the yearly storage deficit will probably reveal a contraction throughout late February and most of March. The CFTC data for February 11 revealed an increase to a new record speculative new long position in the managed money category. At the same time, with lower open interest, the speculative percentage is well above the previous outright record of May 2013. Total open interest across the complex stands at 5.00 million contracts as of February 11. CME futures open interest rose to 1.29 million contracts as of February 13.

Weekly Storage: US working gas storage for the week ending February 7 indicated a withdrawal of 237 bcf. Thus, current inventories of 1,686 bcf fall 841 bcf (33.3%) below last year and 647 bcf (27.7%) behind the 5 year average.

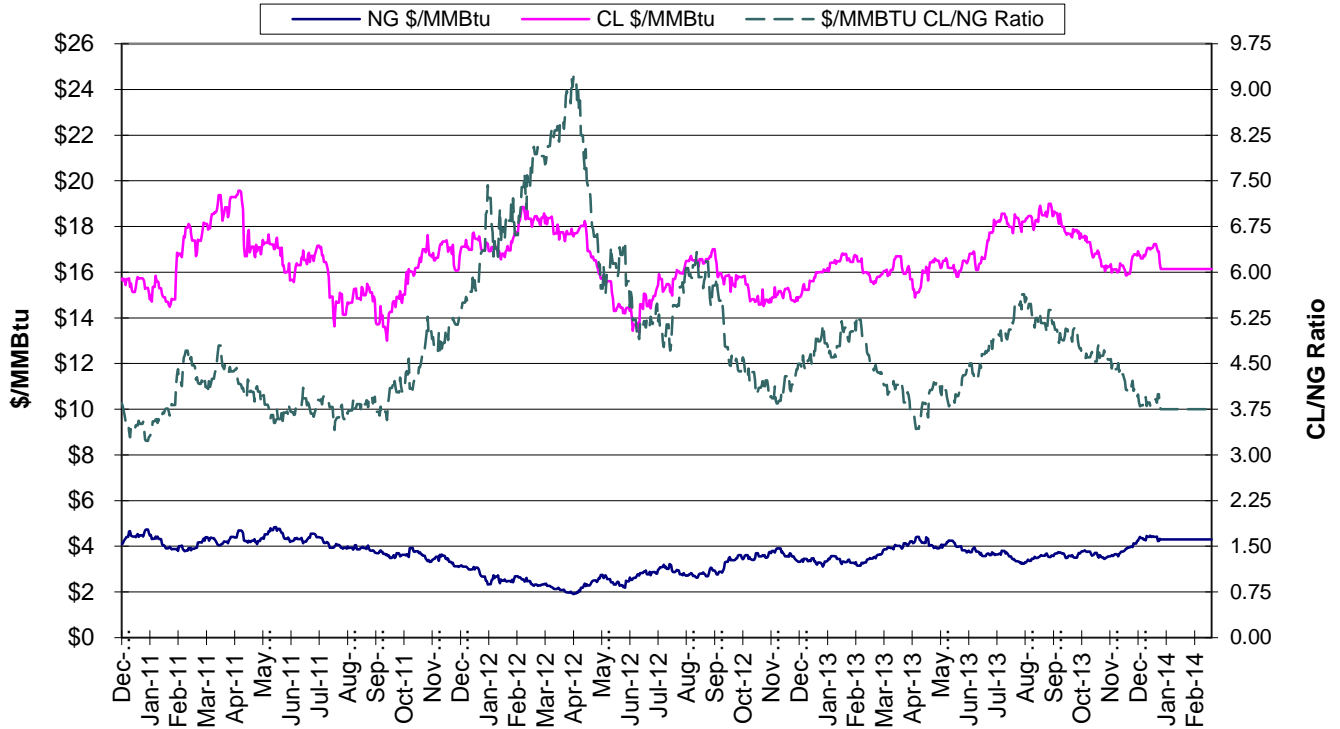
Storage Outlook: Inventories are now at the lowest seasonal levels since 2003 and 2004. While it is considered unlikely inventories fall to the 2003 level of just 642 bcf, there is increasing probability that storage will fall below the psychologically important 1,000 bcf level.

Supply Trends: Total supply fell 1.4 bcf to 69.6 bcf/d. US production was flat as Canadian and LNG imports both fell. Slightly higher Mexican exports also reduced supply. The US Baker Hughes rig count fell 7 with higher oil activity offset by natural gas. The Canadian count rose 3. Thus the total North American rig count dropped by 4 to 2,388 and now trails last year by 25. The higher efficiency US horizontal rig count rose 7 to 1,183 and rises 44 above last year.

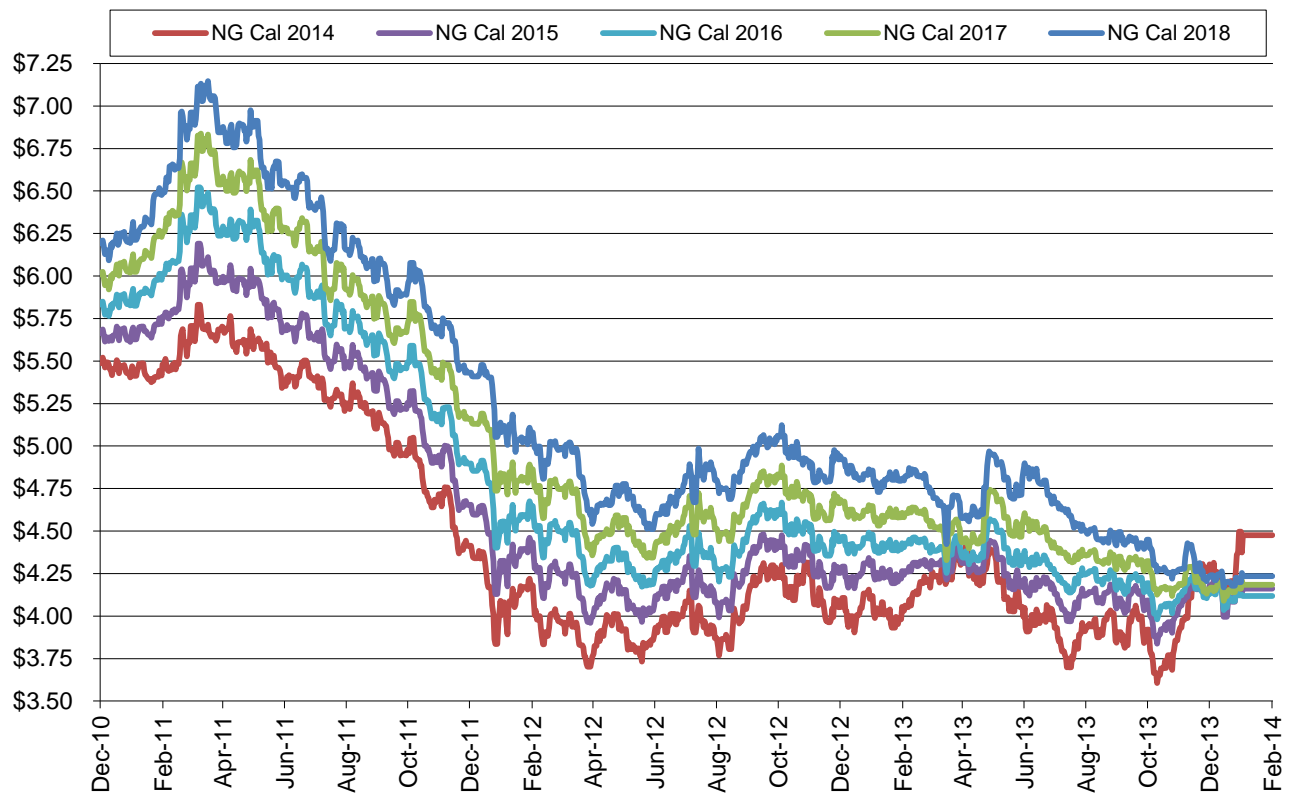
Demand Trends: Total demand fell 9.7 bcf/d to 100.7 bcf/d. R&C demand lead the fall with power again a distant second. Electricity demand fell 2,214 gigawatt-hrs to 83,473, which exceeds last year by 8,026 (10.6%) and the 5 year average by 4,186 (9.7%). Pipeline data at the end of the week did reveal a drop in both absolute and temperature adjusted demand. It is considered likely that the last +100 bcf demand days have been witnessed this winter as rapidly rising normal temperatures begin to limit R&C demand in general.

Other Factors: The S&P 500 continued to rebound from the January weakness.

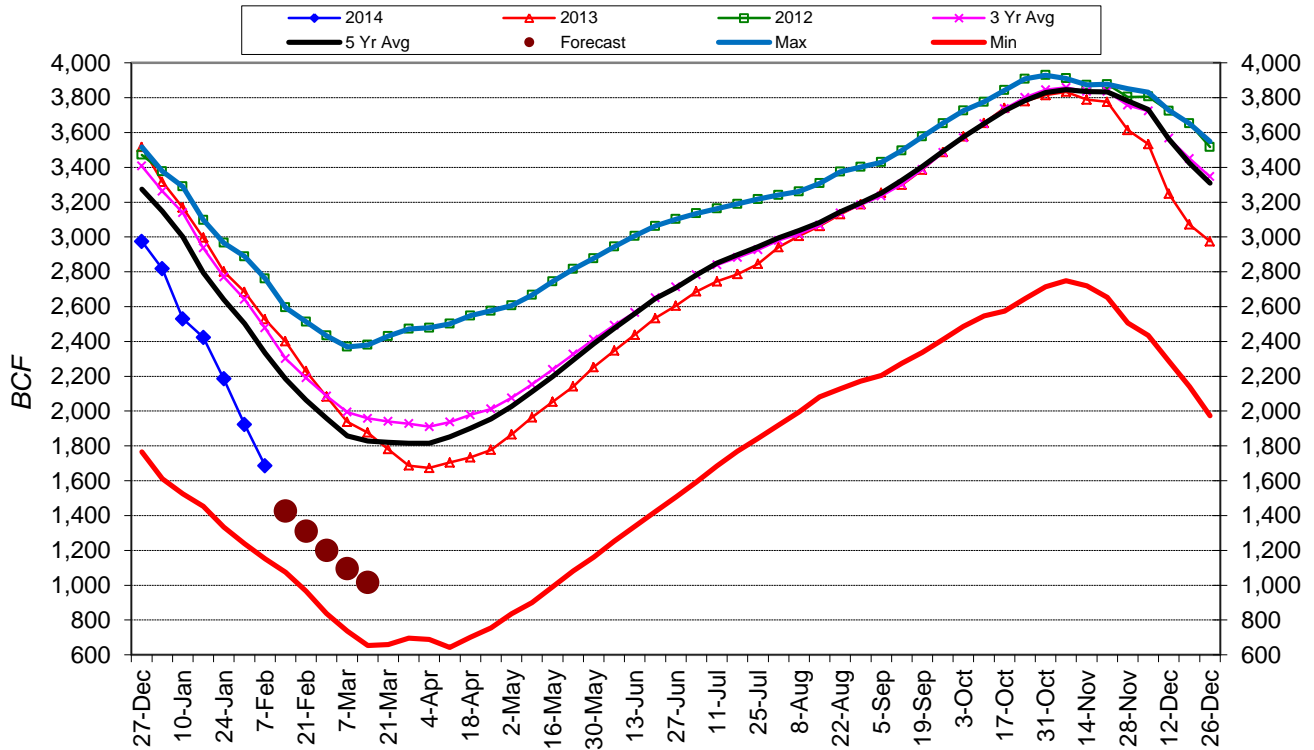
\$/MMBtu Ratio of NYMEX CL and NG



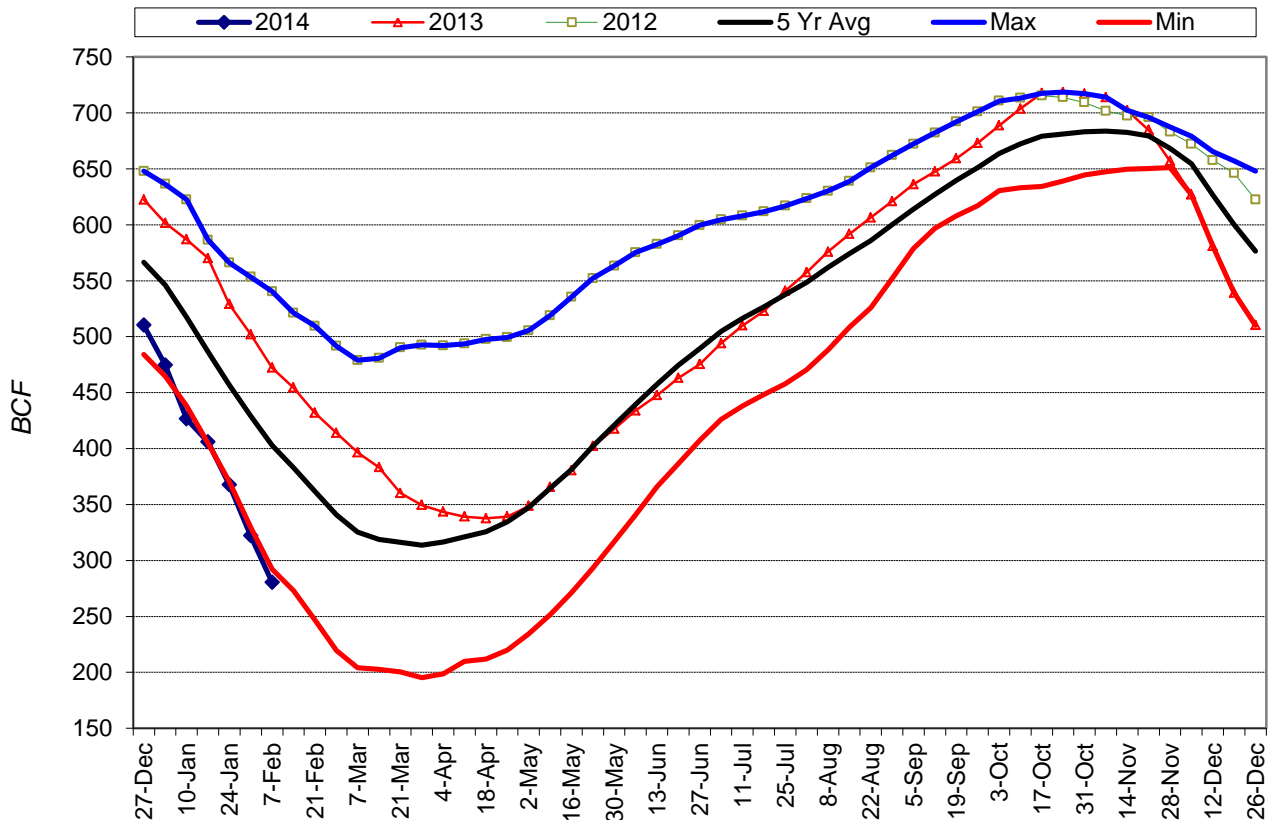
NYMEX Calendar Strips



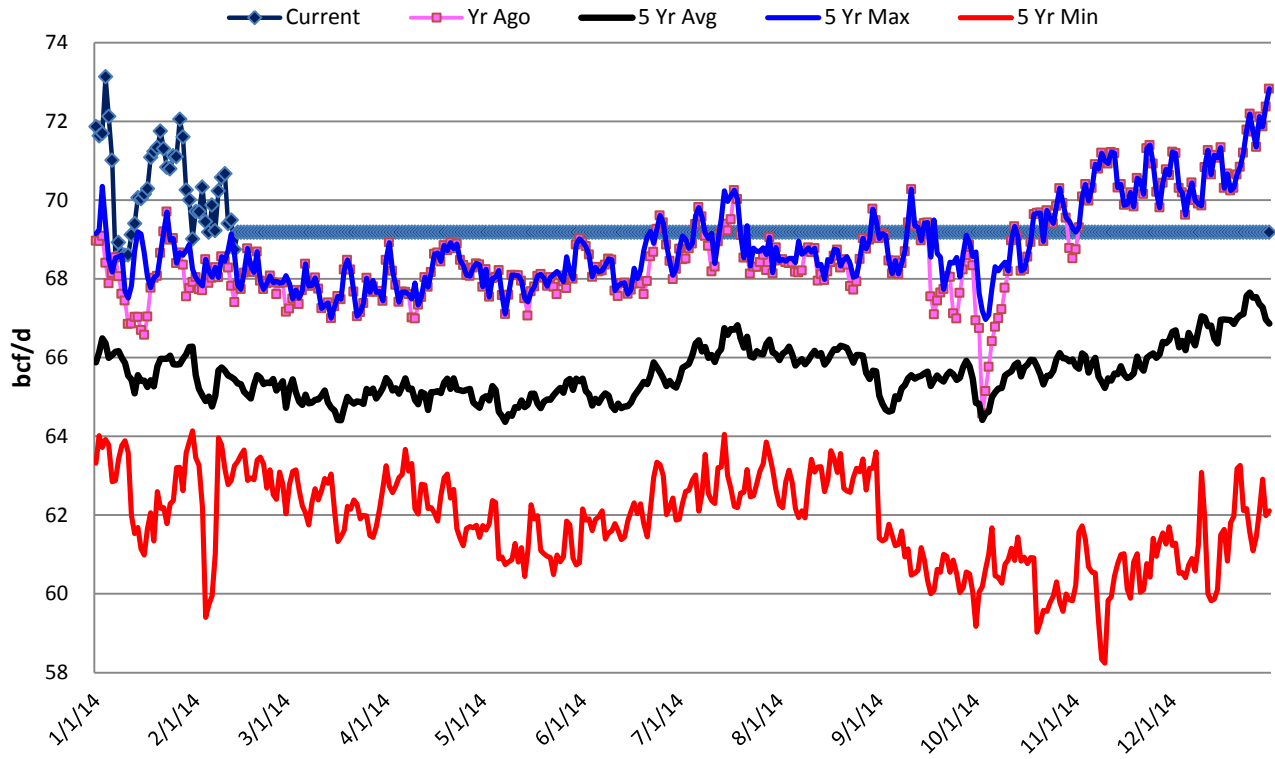
US Working Gas Storage - Source - EIA



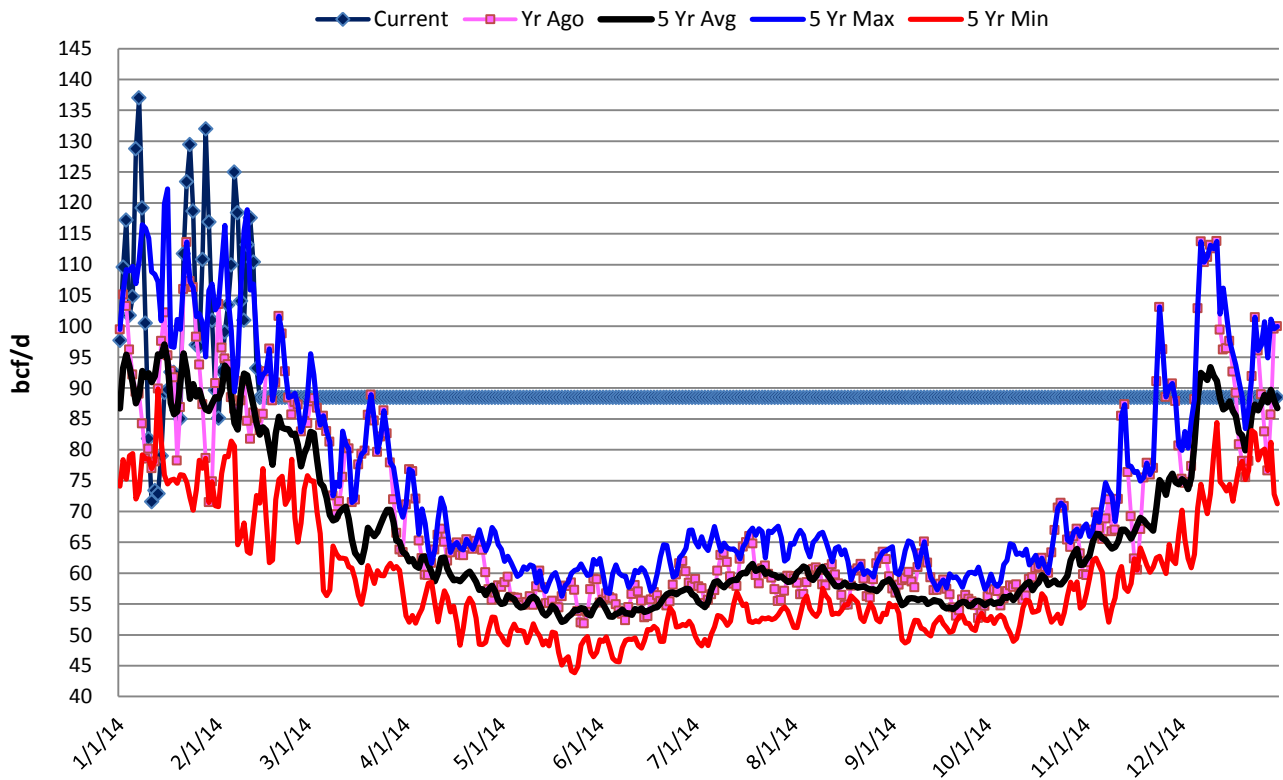
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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