

IAF Advisors  
Energy Market Outlook  
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**Price Action:** Prices rose just 9 ticks (0.2%) to \$4.618 on a 27.3 cent range.

**Price Outlook:** Prices largely traded sideways and recorded a very rare inside week, with neither a new high nor low established. With the possibility of a 200 bcf draw this week, there is a slight bias toward witnessing a new high this week. However, temperatures are moderating and the market has clearly accepted a low end of season storage level. Thus, weather forecasts are considered the more important market driver and if temperatures are forecast to rise dramatically, then a new low is more likely. The market is clearly trying to discern what the supply/demand balance will look like during the injection season and what storage level needs to be reached for comfort. Our belief remains that the market will look for a path to 3,800 bcf with this level achieved every year since 2009. However, we are cognizant that many believe the market will accept 3,600 bcf as adequate. This difference alone will likely be crucial in determining the market reaction to upcoming storage changes. Significant price surges to slightly bullish storage reports will suggest the 3,800 bcf level is where the market is aiming. Muted price reactions will obviously suggest 3,600 bcf is comfortable. The CFTC data for March 4 indicated a further reduction in the speculative net long position in the managed money category. Total open interest across the complex also continued to fall and stands at just 4.45 million contracts. Thus the net long position as a percentage of open interest remains just shy of the record from a percentage basis. CME futures open interest was slightly lower at 1.19 million contracts as of March 7.

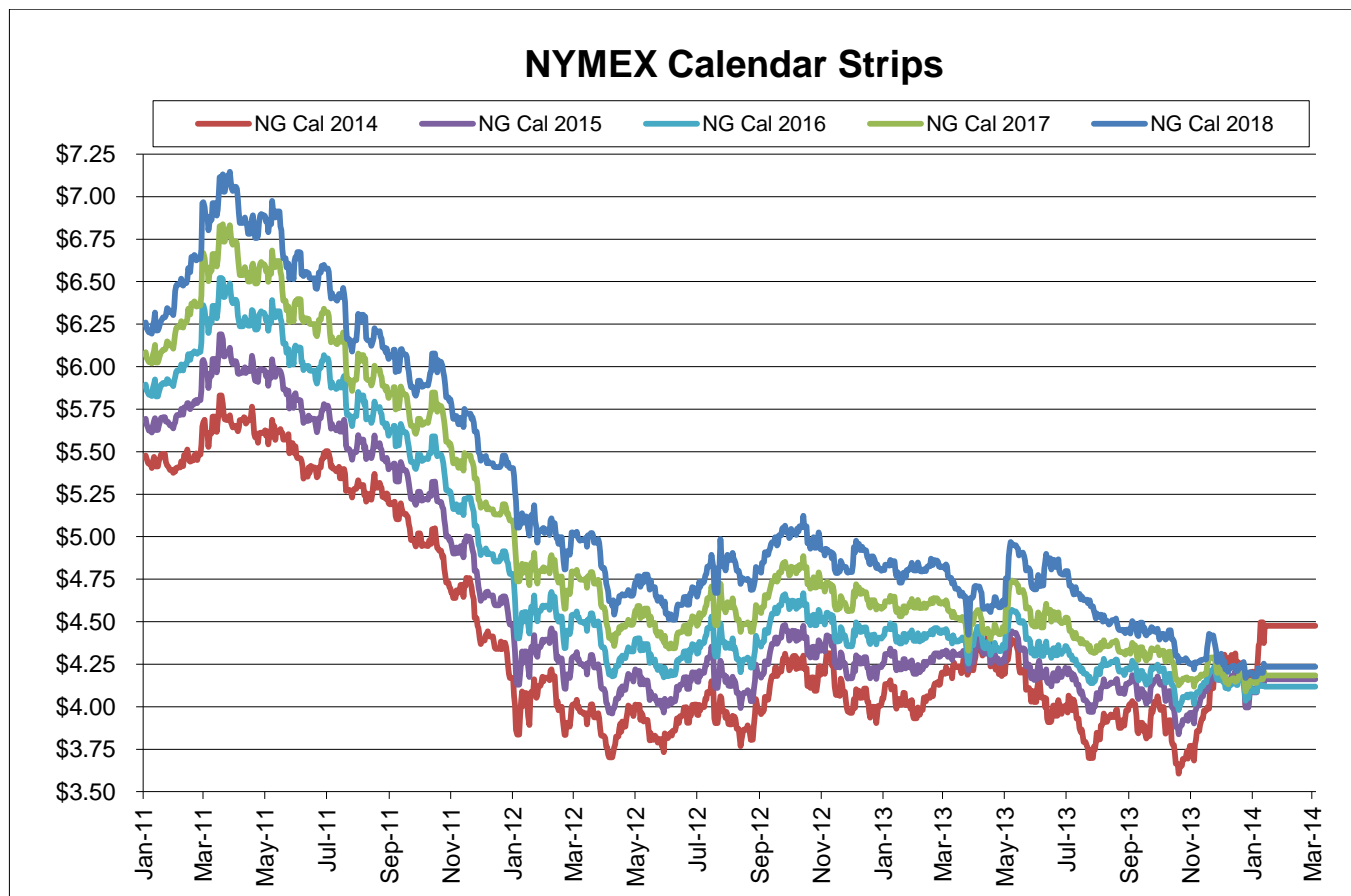
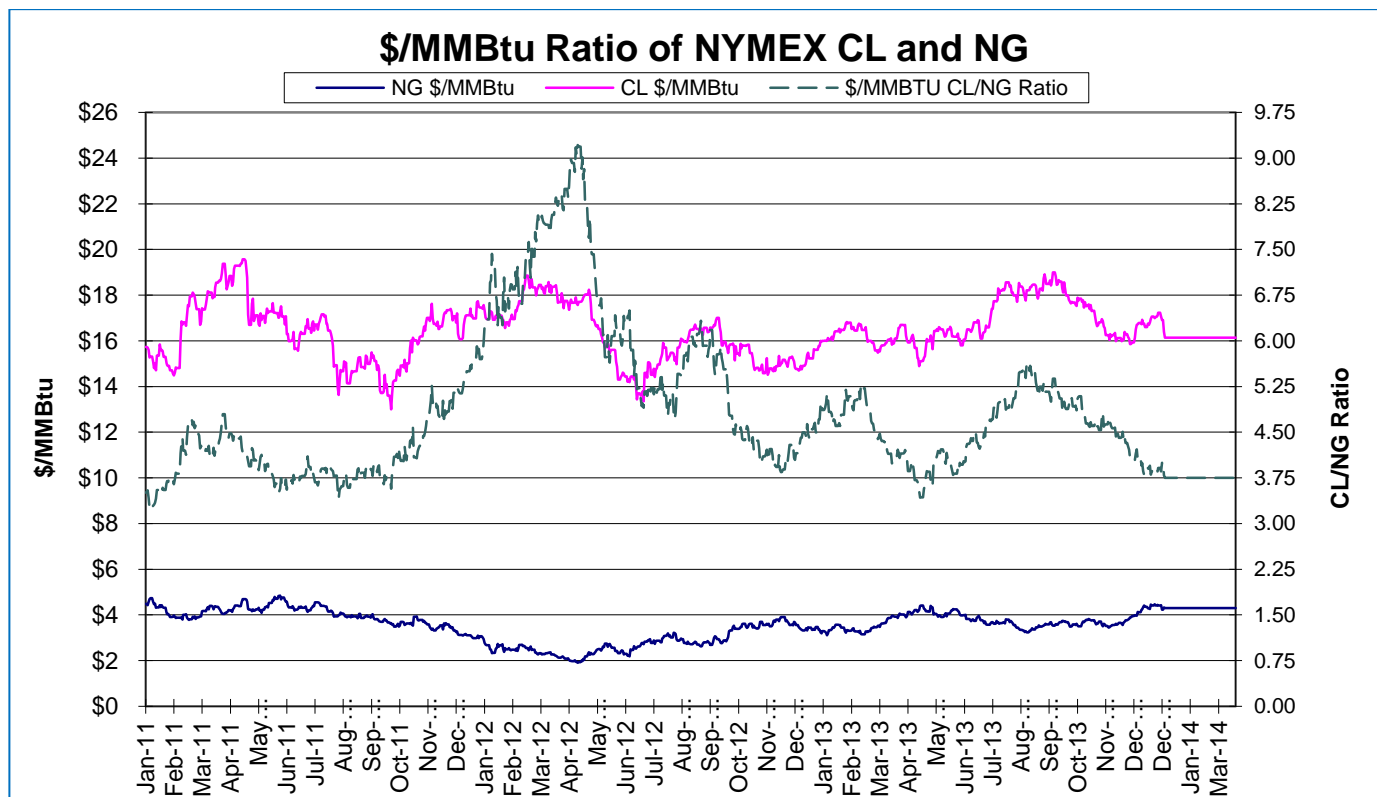
**Weekly Storage:** US working gas storage for the week ending February 28 indicated a withdrawal of 152 bcf. Current inventories of 1,196 bcf fall 887 bcf (42.6%) below last year and 762 bcf (38.9%) behind the 5 year average.

**Storage Outlook:** Considering weather forecasts and storage changes last year, the yearly storage deficit is now expected to peak during the week ending March 14 at around 960 bcf. From there, the yearly storage deficit is projected to steadily decrease throughout the injection season. A declining storage deficit is typically considered a bearish market factor. The significance of the bearish influence remains to be seen.

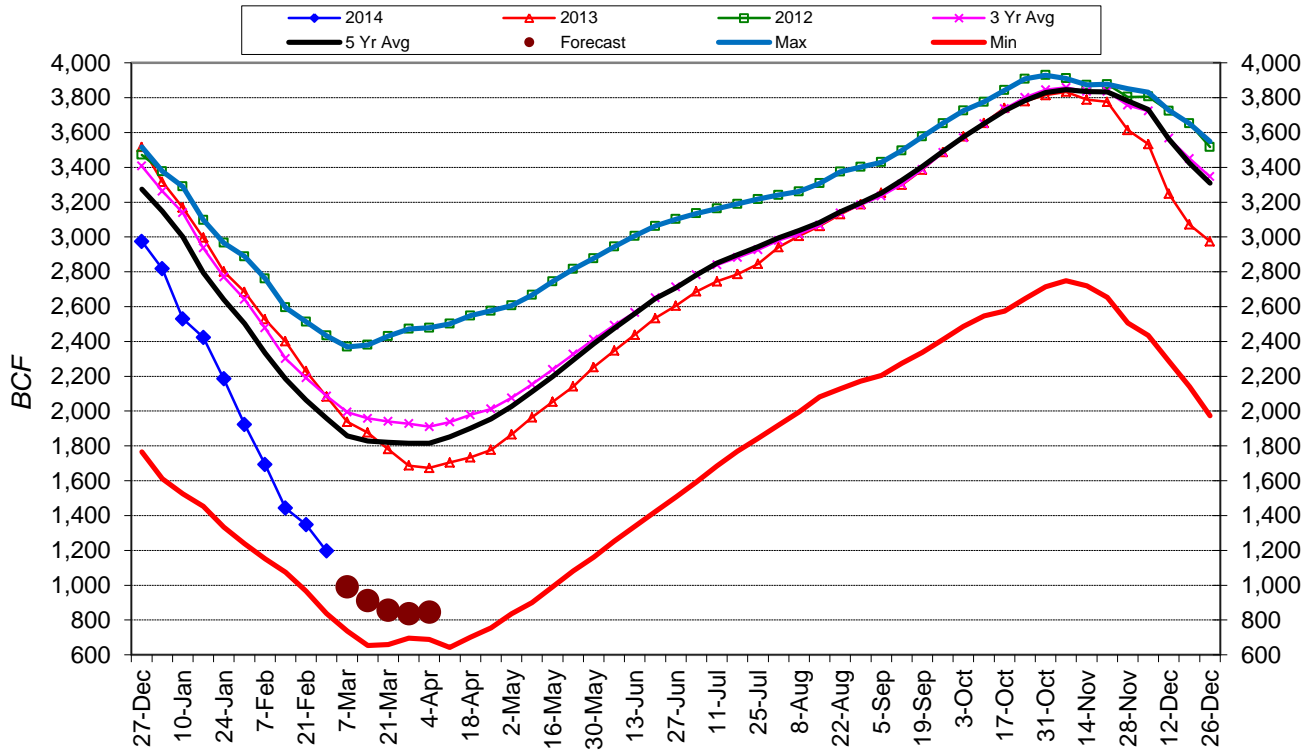
**Supply Trends:** Total supply rose 0.5 bcf to 70.4 bcf/d. US production continued to rebound with Canadian and LNG imports lower. Slightly higher Mexican exports limited supply. The US Baker Hughes rig count rose with both oil and natural gas increasing. The Canadian count dropped 39. Thus the total North American rig count fell by 16 to 2,379 and now surpasses last year by 47. The higher efficiency US horizontal rig count rose 21 to 1,202 and stands 72 above last year. While many headline E&P 4th quarter reports are truly impressive, there were many that were not and even some of the impressive reports were driven to some extent by oil and NGL production. Thus, combined with net imports, the total US dry natural gas supply picture remains much less bearish than many of the headlines.

**Demand Trends:** Total demand rose 4.7 bcf/d to 86.9 bcf/d. R&C demand lead the increase with power barely higher. Electricity demand rose 4,830 gigawatt-hrs to 78,087, which exceeds last year by 2,087 (2.7%) and the 5 year average by 3,420 (4.6%).

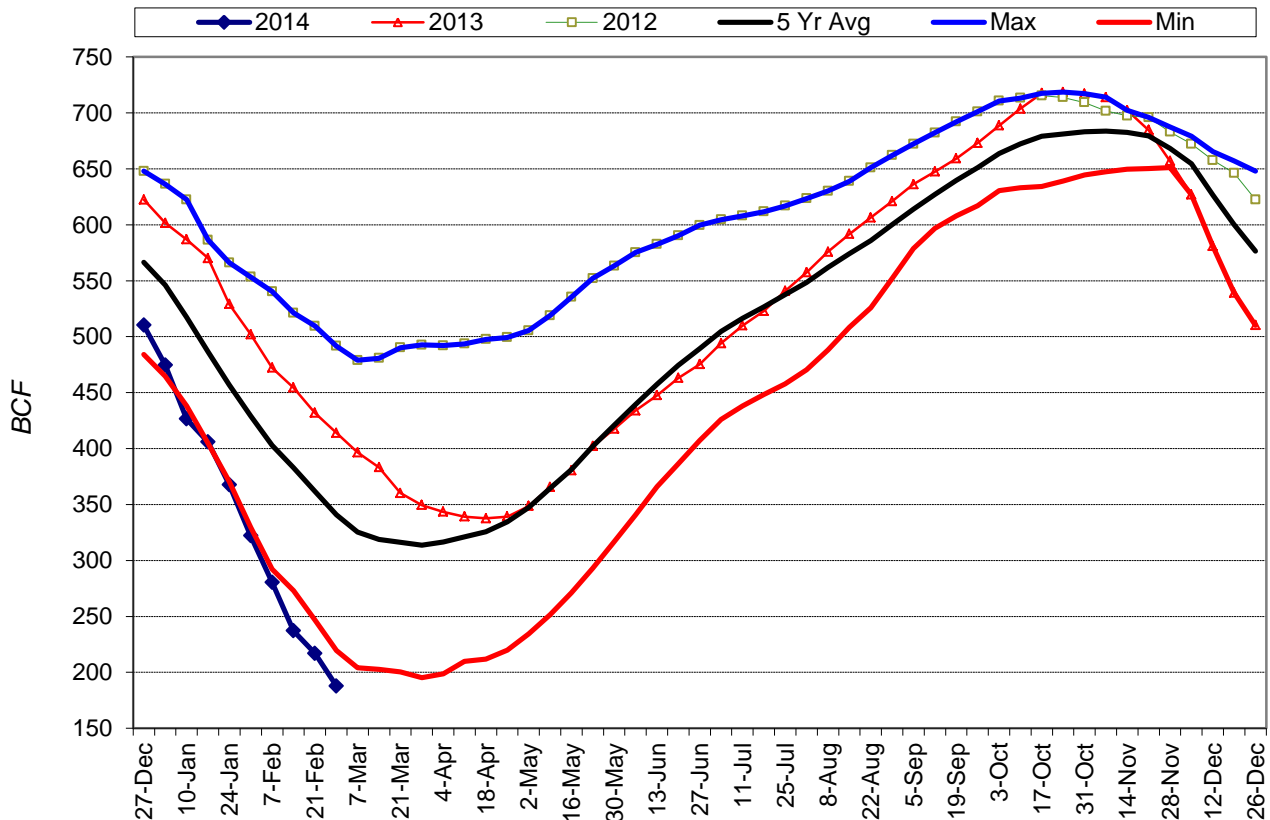
**Other Factors:** The S&P 500 rose to another record close as buying continues. There does remain a lot of cash on individual and corporate balance sheets.



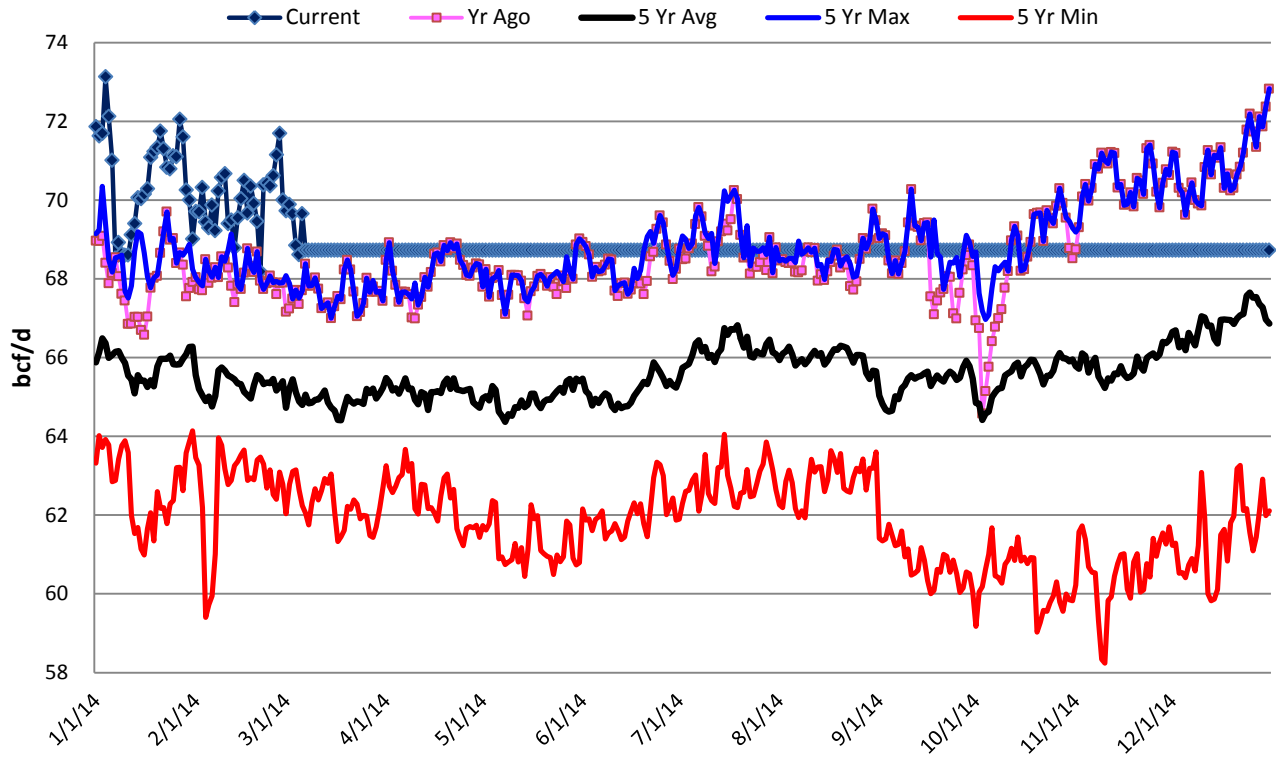
## US Working Gas Storage - Source - EIA



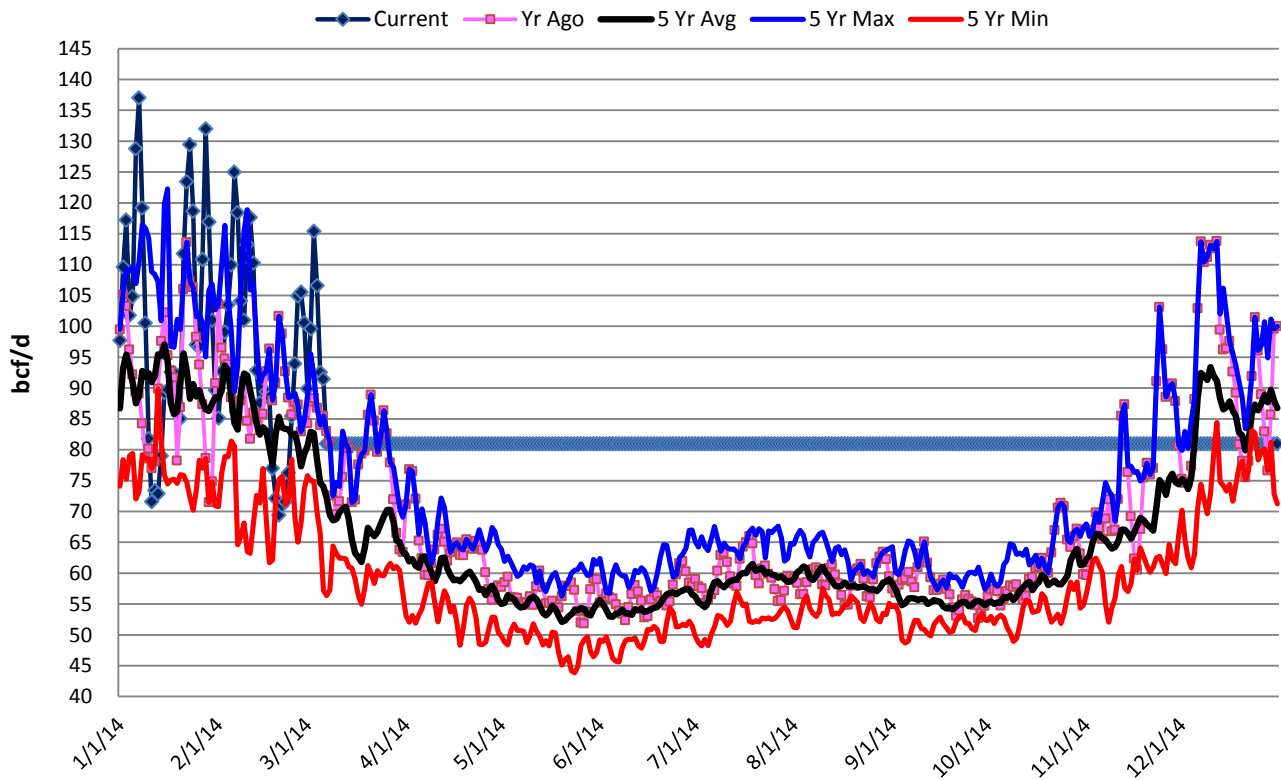
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



#### **ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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