

IAF Advisors
Energy Market Outlook
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Price Action: May prices rose 18.8 cents (4.4%) to \$4.485 on a 31.4 cent range.

Price Outlook: Prices continued to exhibit the historical volatility attendant to natural gas by establishing both a new high and low even considering the now prompt May prices only. While a new high is much closer and with a large withdrawal expected this week, a new high seems the logical choice. Still, as temperatures warm and pipeline data indicates rising US production, a new low is not out of the question. The CFTC data for March 25 indicated a slight increase from the previous week in the net long position of the managed money category. With a continued decline of total open interest to just 4.39 million contracts, the net long position as a percentage of open interest actually established a new record. CME futures open interest remains quite depressed at 1.13 million contracts as of March 27.

Weekly Storage: US working gas storage for the week ending March 21 indicated a withdrawal of 57 bcf. Current inventories of 896 bcf fall 885 bcf (49.7%) below last year and 925 bcf (50.8%) behind the 5 year average. While the 885 bcf shortfall remains below the 957 bcf YOY peak deficit of February 14, the percentage gap is actually the largest with the percentage calculated on the declining overall level. The 925 bcf deficit to the 5 year average is the largest both in absolute and percentage terms.

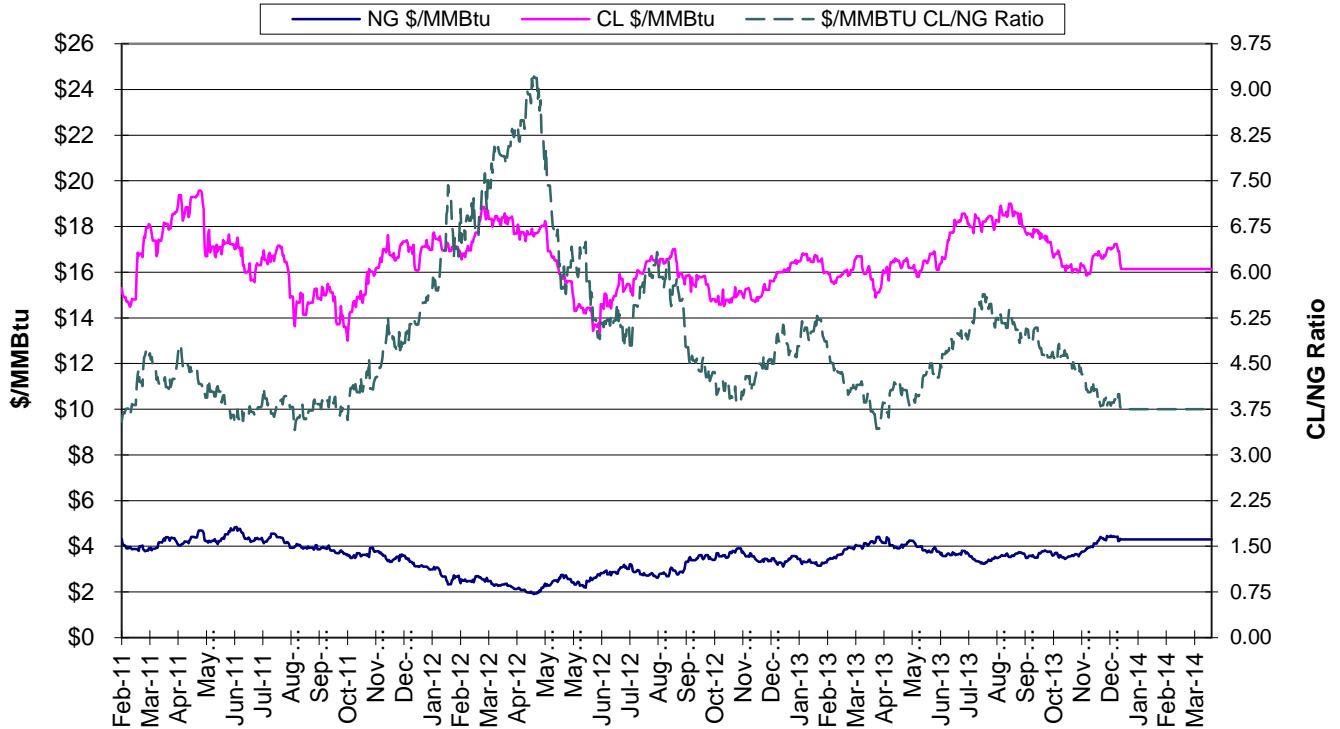
Storage Outlook: The required storage refill remains daunting and should provide overall support to the market. The market seemingly remains very comfortable with an ability to inject a record level of natural gas into storage facilities this season. At the same time, the market is also possibly eyeing a lower November storage level than our 3,800 bcf expectation. As mentioned, there are numerous other forecasters indicating that 3,600 bcf will be an adequate level to begin the winter of 2014/15. This is quite a difference but will clearly factor in market sentiment.

Supply Trends: Total supply slipped 0.1 bcf to 69.6 bcf/d. US production and was barely higher. Canadian imports were unchanged while LNG imports lower. Mexican exports rose slightly. The US Baker Hughes rig count rose 6 as a rise in oil activity outpaced a decline in natural gas. The Canadian count dropped 91 as the normal seasonal decline continues in earnest. Thus the total North American rig count fell by 85 to 2,107 and now surpasses last year by 113. The higher efficiency US horizontal rig count rose 5 to 1,211 and stands 112 above last year. Headlines have focused on US production edging back toward the November peaks after the weather induced curtailments. However, with net Canadian imports below 4 bcf and Mexican exports at 2 bcf, total US supply growth remains below 1 bcf/d. Total US supply is not growing at near the pace of US production.

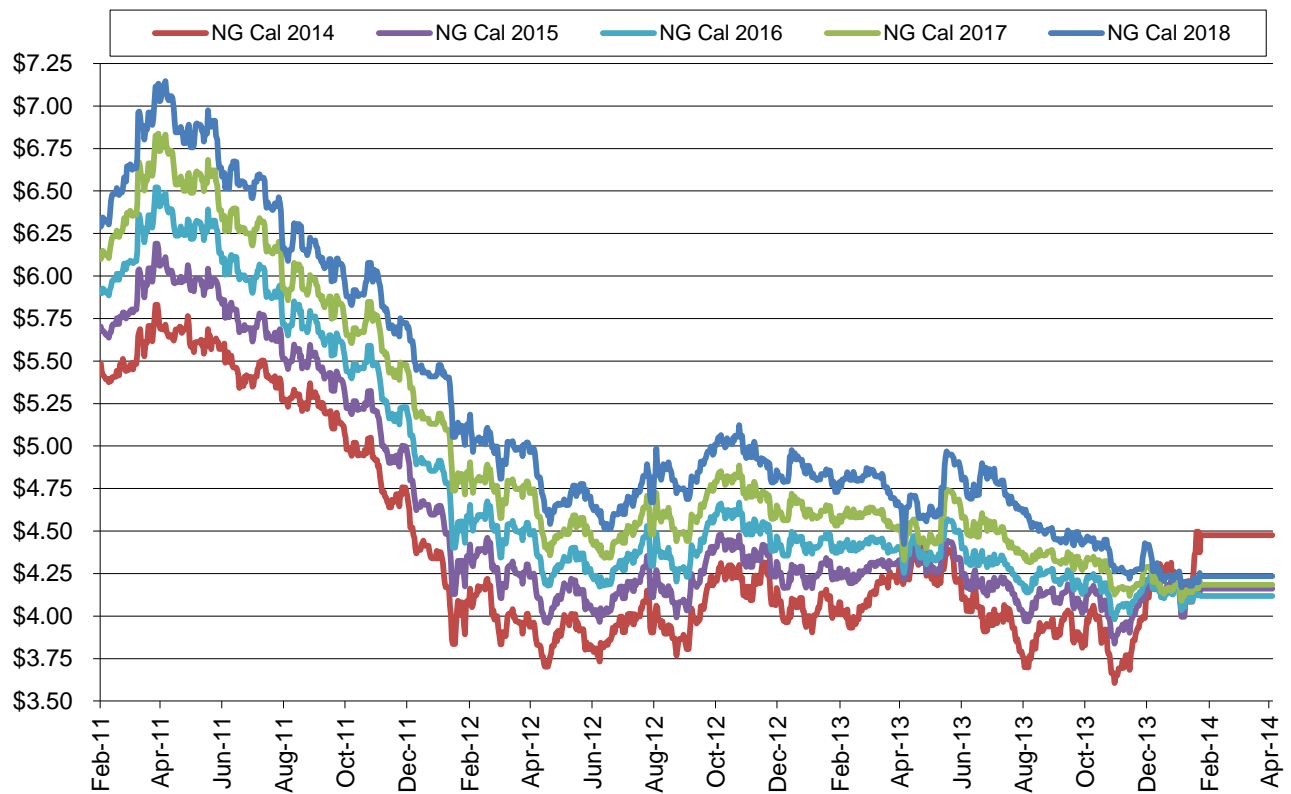
Demand Trends: Total demand rose 1.3 bcf/d to 75.3 bcf/d. R&C and power demand contributed equally to the increase with all sectors slightly higher. Electricity demand rose 1,424 gigawatt-hrs to 72,866, which trails last year by 279 (0.4%) while exceeding the 5 year average by 3,117 (4.5%).

Other Factors: The S&P 500 slipped as various economic and geopolitical factors overall slightly weighed on the market.

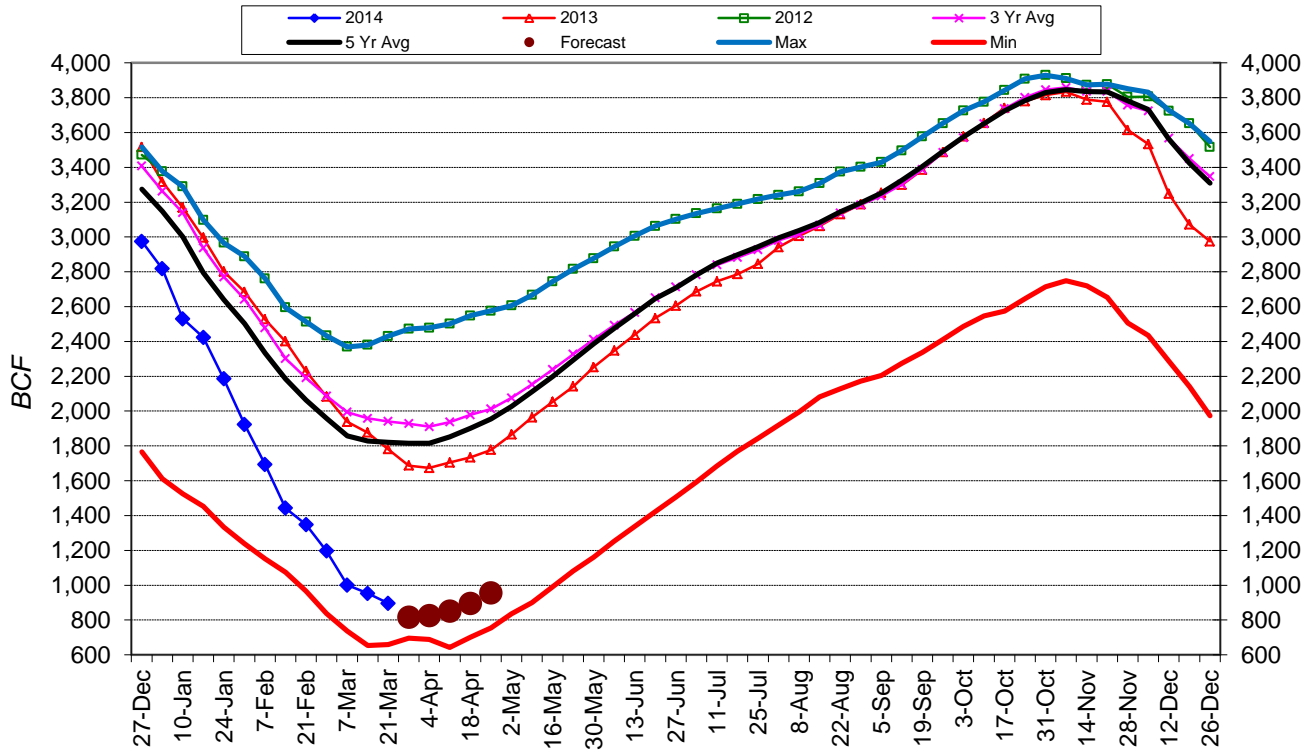
\$/MMBtu Ratio of NYMEX CL and NG



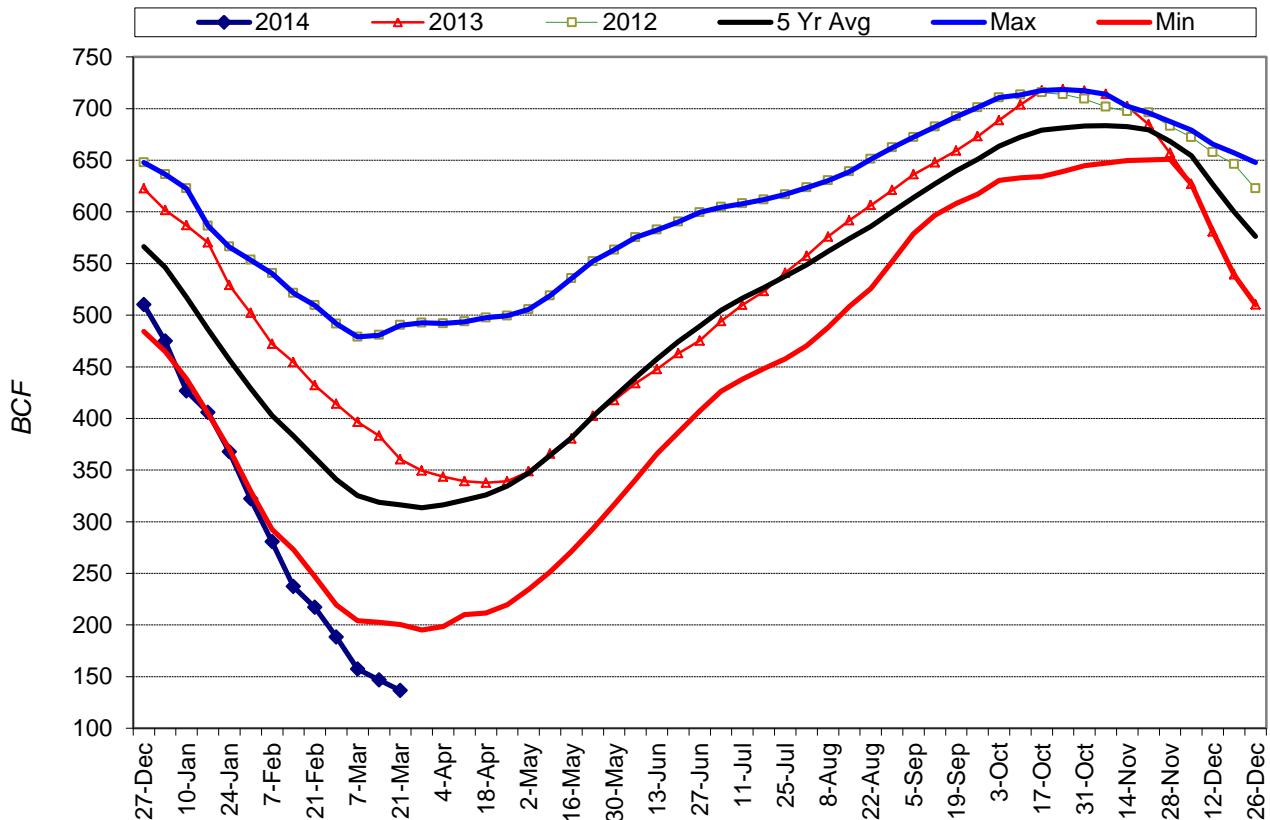
NYMEX Calendar Strips



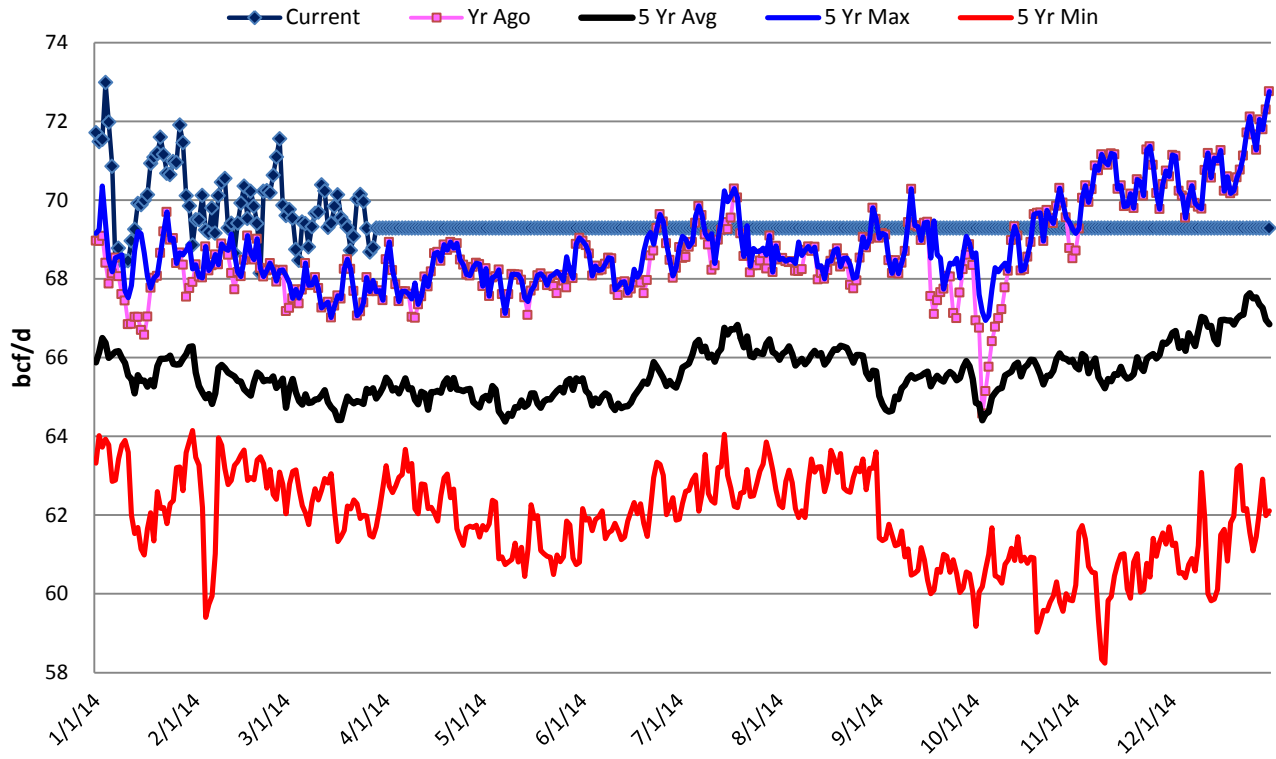
US Working Gas Storage - Source - EIA



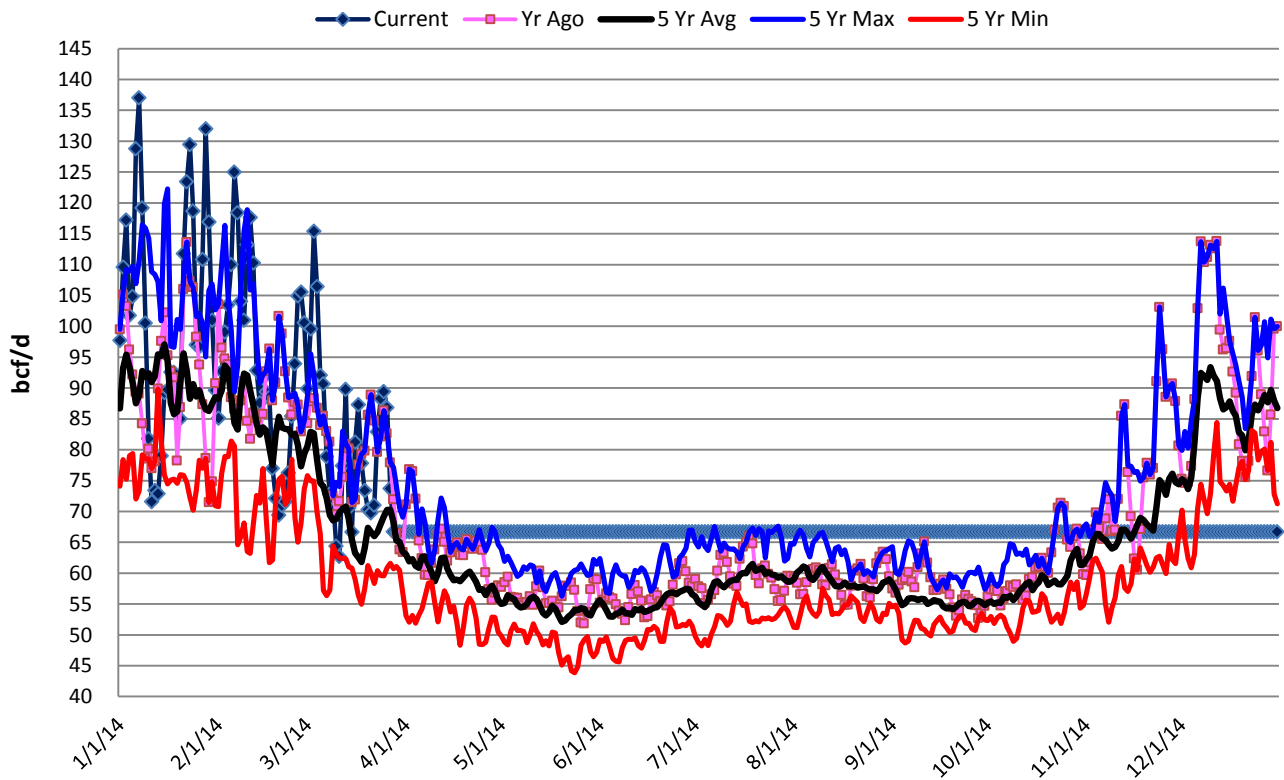
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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