

IAF Advisors
Energy Market Outlook
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Price Action: Prices slipped 4.6 cents (1.0%) to \$4.439 on a 26.6 cent range.

Price Outlook: Prices did indeed continue to exhibit the historical volatility associated with natural gas as a new low was made before a rebound left prices only marginally lower on the week. Although moderating temperatures and the 1st injection of the season may suggest a new low this week, the intimidating task of the storage refill season may help lend support until larger injections occur at the end of April and May. The CFTC data for April 1 revealed a rather dramatic reduction in the net long position of the managed money category. However, with a continued decline of total open interest to just 4.11 million contracts, the net long position as a percentage of open interest again actually established a new record. CME futures open interest remains very depressed at 1.10 million contracts as of April 3.

Weekly Storage: US working gas storage for the week ending March 28 indicated a withdrawal of 74 bcf. Current inventories of 822 bcf fall 865 bcf (51.3%) below last year and 933 bcf (54.7%) behind the 5 year average. The current 865 bcf shortfall actually exceeds the absolute level.

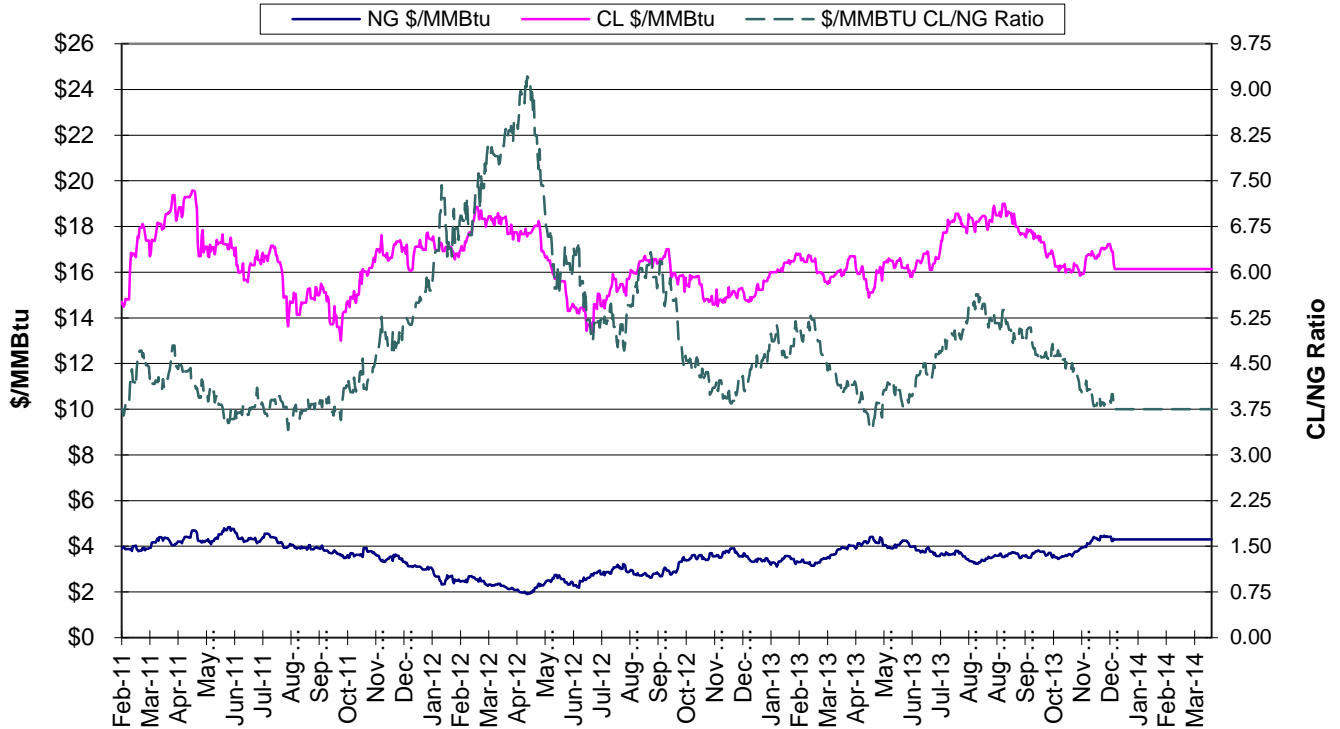
Storage Outlook: The daunting refill task is put into better perspective when analyzing the largest weekly injection observed each week of the injection season over the last 5 years. If this metric is used as the basis for injections, 2,777 bcf would be injected and additions would continue all the way into December. Despite increasing US production, equaling the loosest S&D witnessed each and every week over the last 5 years seems a formidable task and that would still lift inventories to just 3,599 bcf in early December. While some lingering heating loads continue in early April, the weeks ending April 18 and 25 are considered very important benchmarks for upcoming injections. In reference to weekly maximum injections, none of the upcoming injections are expected to meet or exceed the 5 year maximum.

Supply Trends: Total supply slipped 0.1 bcf to 69.5 bcf/d. US production was higher. Canadian imports were lower while LNG imports were unchanged. Mexican exports rose slightly. The US Baker Hughes rig count rose 9 as a rise in oil activity outpaced a decline in natural gas. The Canadian count dropped 63 as the normal seasonal decline continues in earnest. Thus the total North American rig count fell by 54 to 2,053 and now surpasses last year by 109. The higher efficiency US horizontal rig count rose 13 to 1,224 and stands 140 above last year. The EIA monthly natural gas report indicated a rather surprising increase in January US production despite pipeline data points indicating weather related production curtailments.

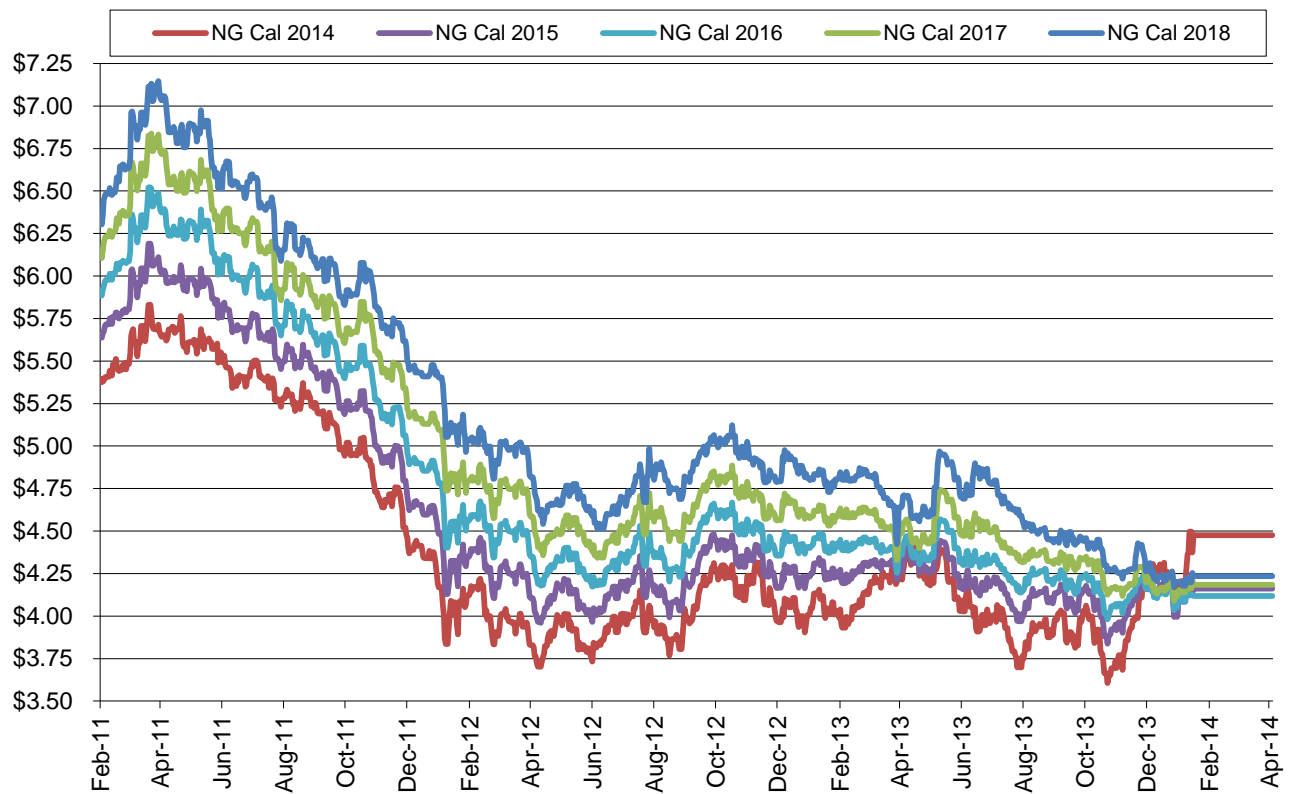
Demand Trends: Total demand rose 4.8 bcf/d to 80.1 bcf/d. R&C lead the increase with power second. Electricity demand slipped 150 gigawatt-hrs to 72,716, which exceeds last year by 877 (1.2%) and the 5 year average by 3,218 (4.6%).

Other Factors: The S&P 500 rose on the week, but slipped on Friday even after a positive US jobs report.

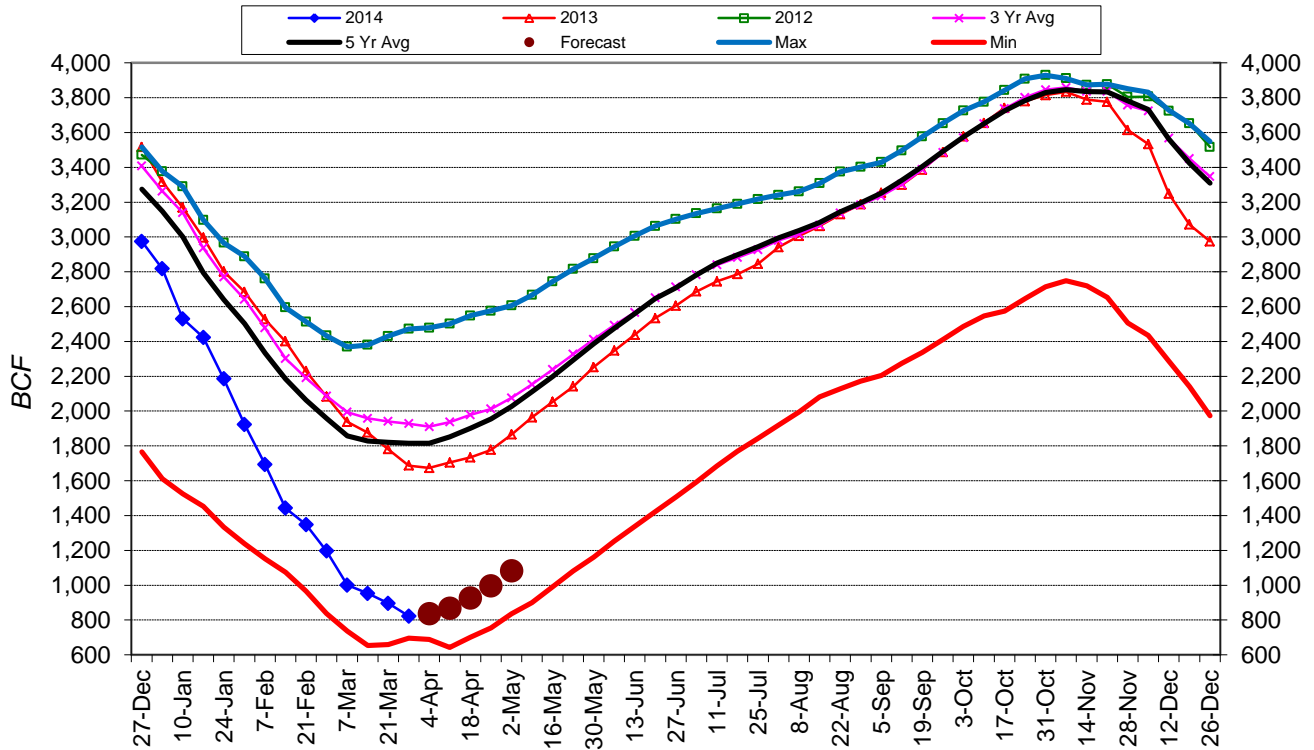
\$/MMBtu Ratio of NYMEX CL and NG



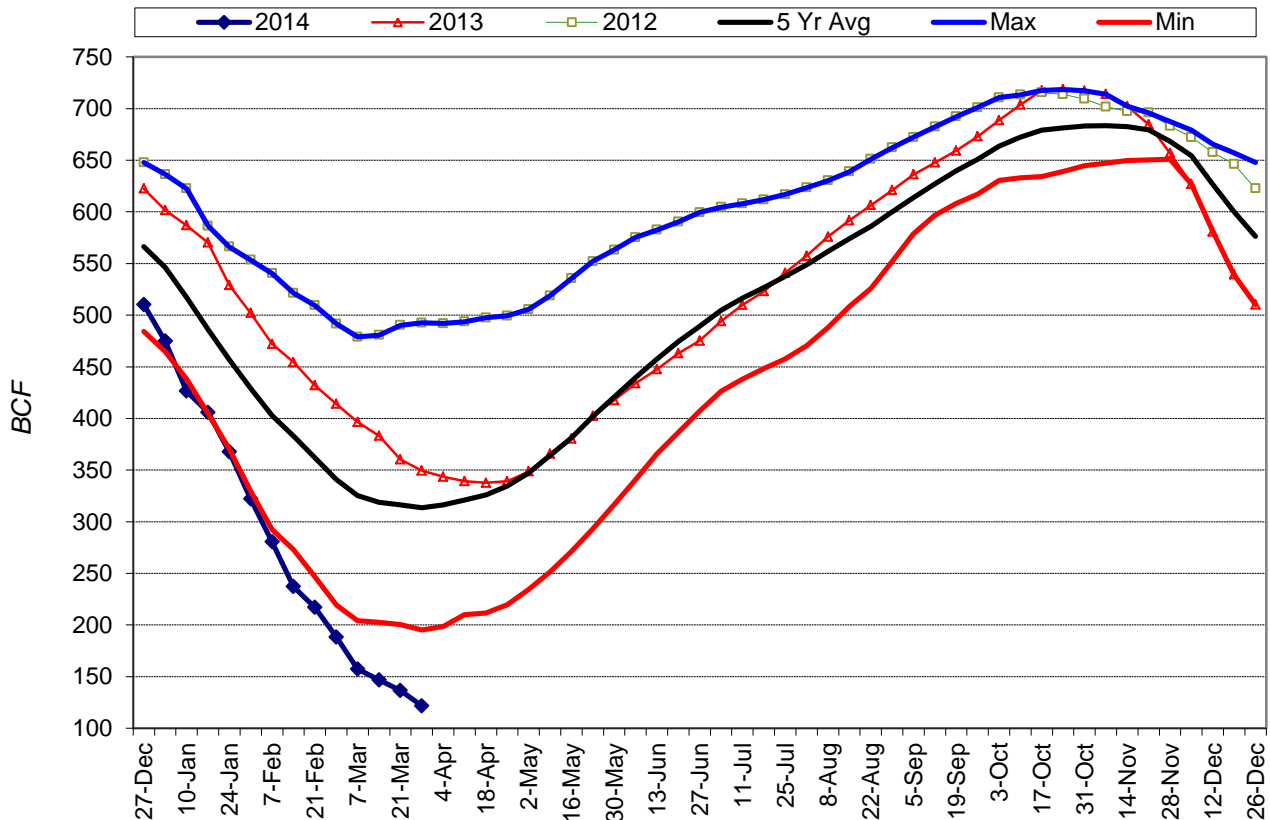
NYMEX Calendar Strips



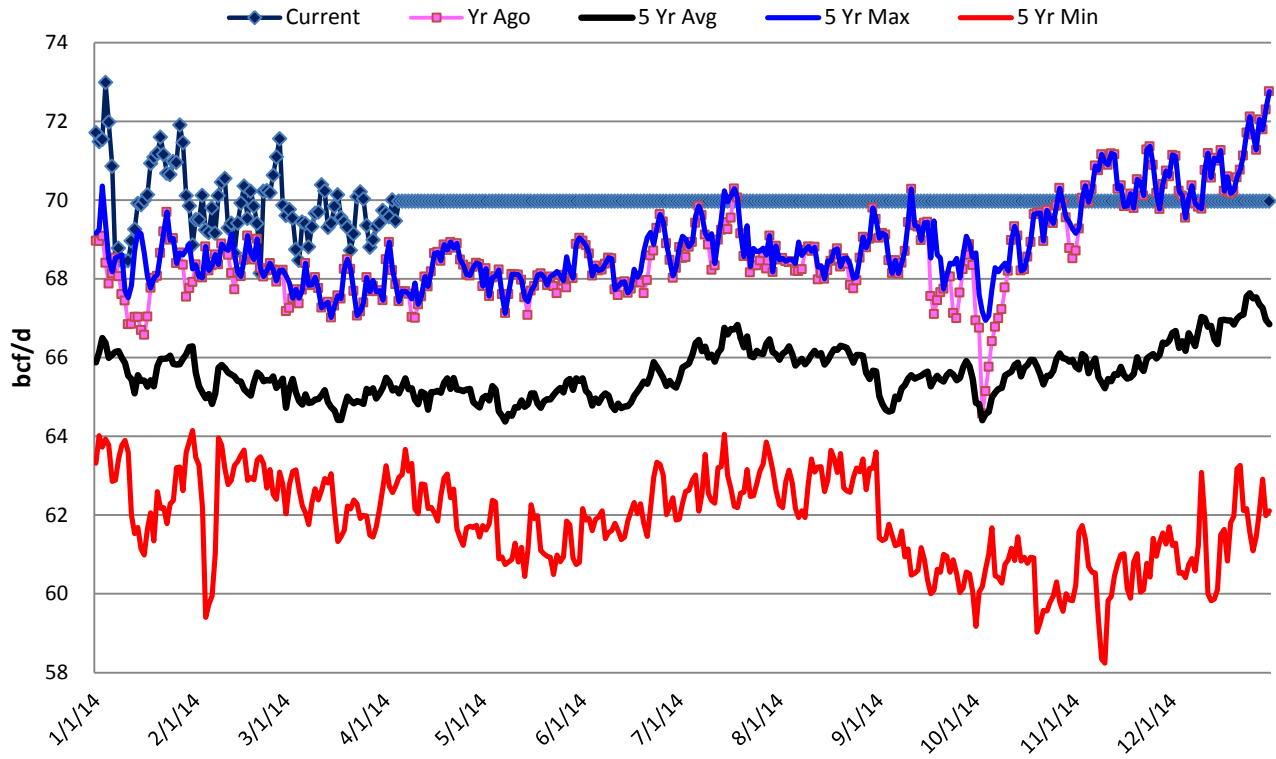
US Working Gas Storage - Source - EIA



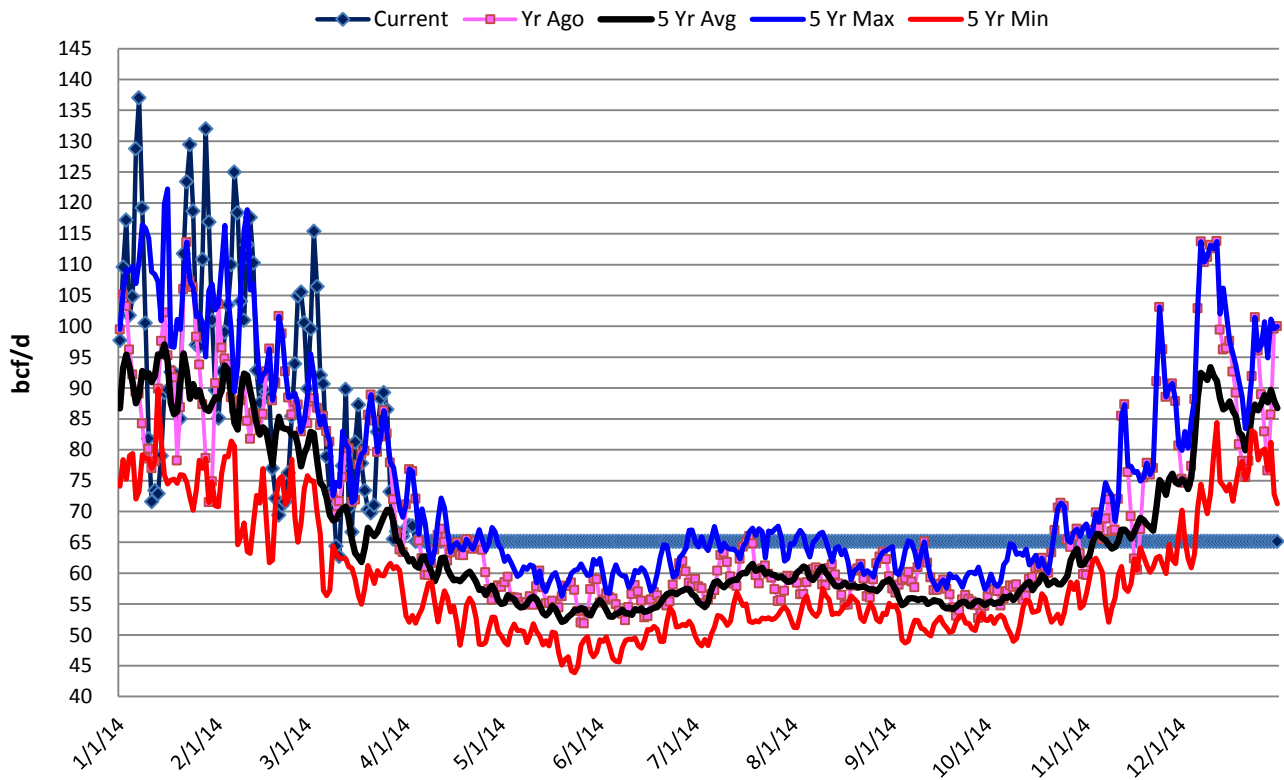
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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