

IAF Advisors
Energy Market Outlook
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Price Action: Prices rose another 12.1 cents (2.6%) to \$4.741 on a 26.2 cent range.

Price Outlook: Prices rose as a 2nd supportive EIA storage report continued to fuel the recent rally. With prices near the weekly high and the first full week of April in the books, the clear bias is for a new weekly high. Still there remains a great deal of bearish sentiment and the managed money net long position as a percentage of open interest is concerning. The CFTC data for April 15 revealed a continuation in the recent trend of establishing yet another new record managed money net long position on a percentage basis while remaining well below the absolute net long record. The absolute net long position did increase at the same time overall total open interest also rose to 4.16 million contracts. CME futures open interest fell to just 1.11 million contracts as of April 16. This is the lowest level of open interest since October 1, 2012.

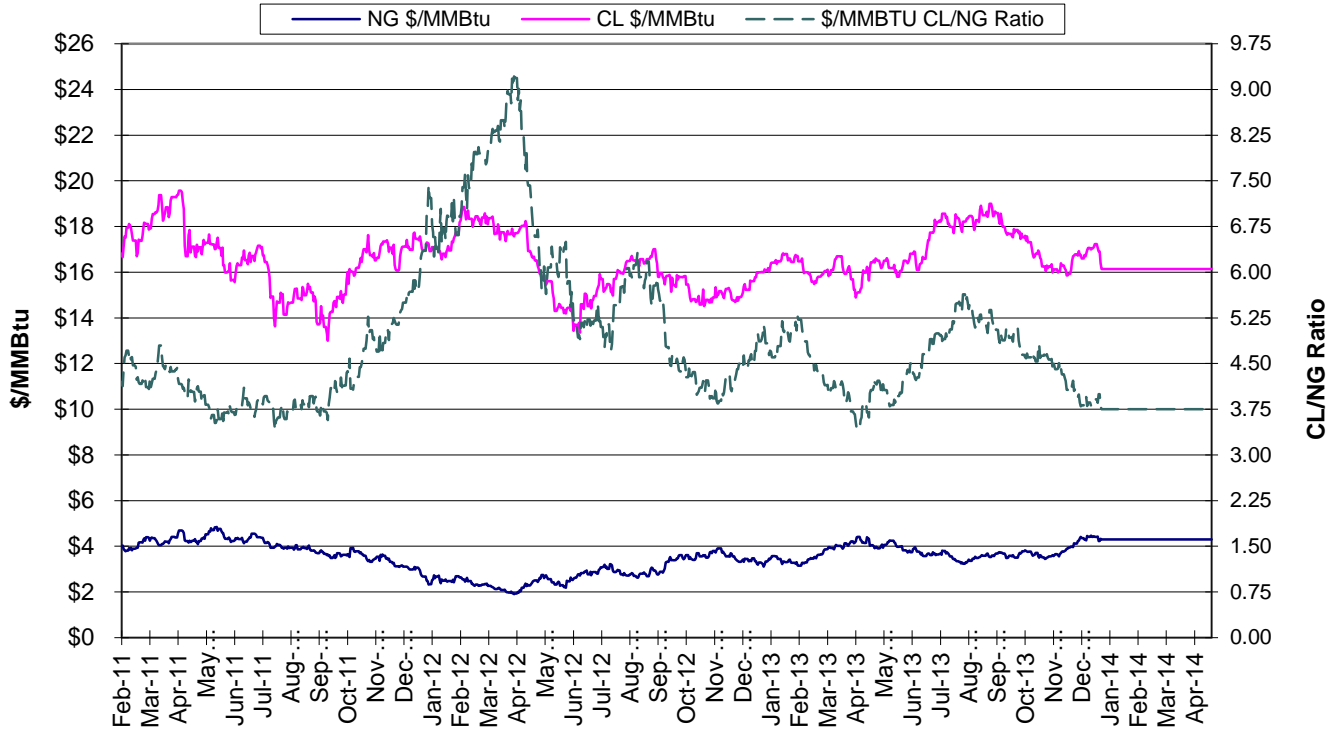
Weekly Storage: US working gas storage for the week ending April 18 indicated a paltry build of 24 bcf. Current inventories of 850 bcf fall 854 bcf (50.1%) below last year and **1,003 bcf (54.1%) behind the 5 year average.**

Storage Outlook: The first full week of April revealed yet another well below expected injected as the S&D balance revealed so far is indicative of a market that will be hard pressed to refill storage facilities before November. We have previously pointed to the importance of data for the week ending April 18. Although there can still be some dismissal of yet another low storage injection due to the latest cold snap, those expecting huge injections need larger injections and need them soon. This week again did not meet or exceed the 5 year weekly maximum injection we are using as a simple benchmark. While we still do not see an injection meeting or exceeding the 5 year maximum in the upcoming weeks, if injections match the 5 year weekly maximum injection, and this implies injections every week into early December, 2,659 bcf will added to storage facilities and lift inventories to 3,509 bcf. As Ricky Ricardo would declare, "there's some explainin' to do," so too do those projecting a very loose S&D balance will develop and increase storage injections at a record pace. There were indications of very large storage injections over the weekend of April 12-13. However, our model projections indicated injections should indeed have been very close to the maximum injections and the industry needs well above historical or model injections.

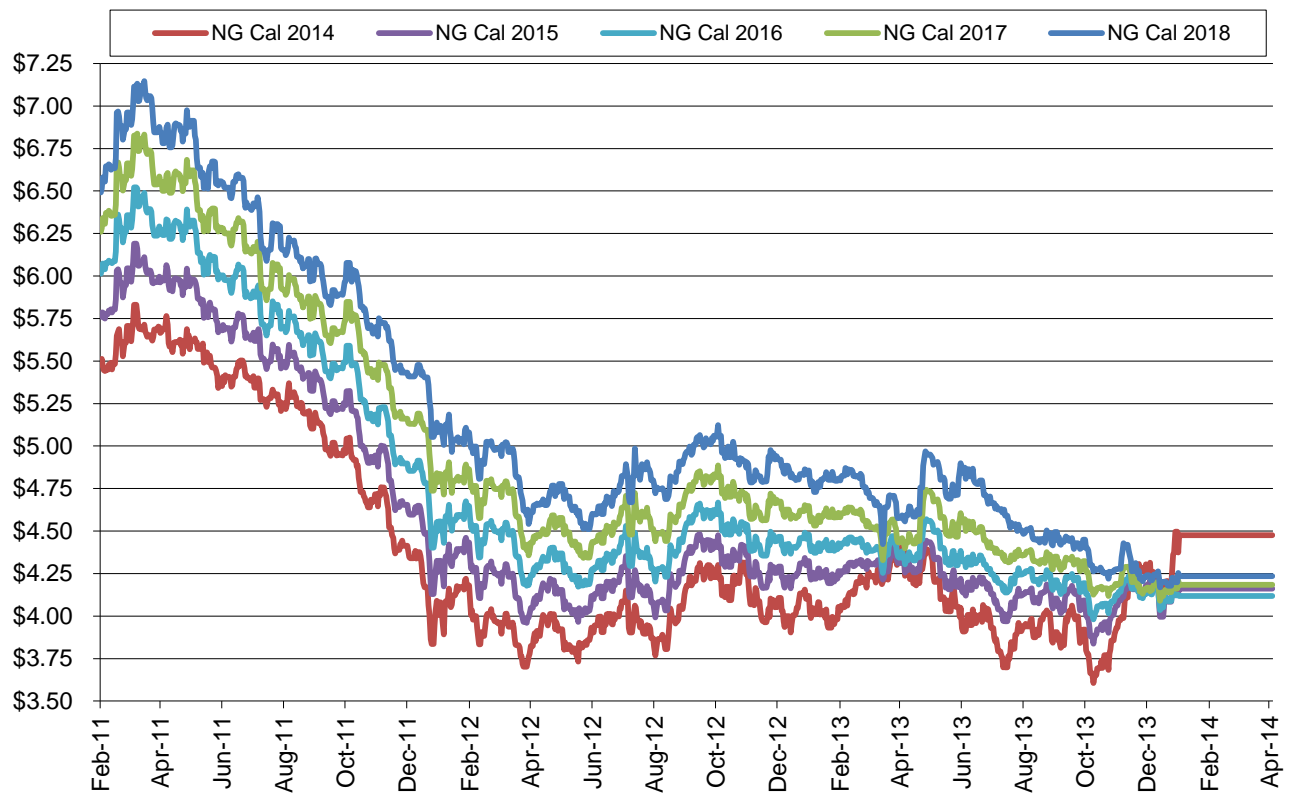
Supply Trends: Total supply was unchanged at 69.7 bcf/d. US production slipped while Canadian imports rose. LNG imports were unchanged and Mexican exports dropped. The US Baker Hughes rig count was unchanged as a rise in natural gas activity was offset by a decline in oil. The Canadian count dropped 13 as the normal seasonal decline remains in place at a slowing pace. Thus, the total North American rig count fell by 13 to 2,030 and now surpasses last year by 146. **The higher efficiency US horizontal rig count was unchanged at 1,224 and stands 127 above last year.**

Demand Trends: Total demand fell 3.0 bcf/d to 63.7 bcf/d. R&C lead the drop with power actually slightly higher on the week. Electricity demand fell 1,036 gigawatt-hrs to 67,967, which trails last year by 866 (1.3%) and the 5 year average by 485 (0.7%).

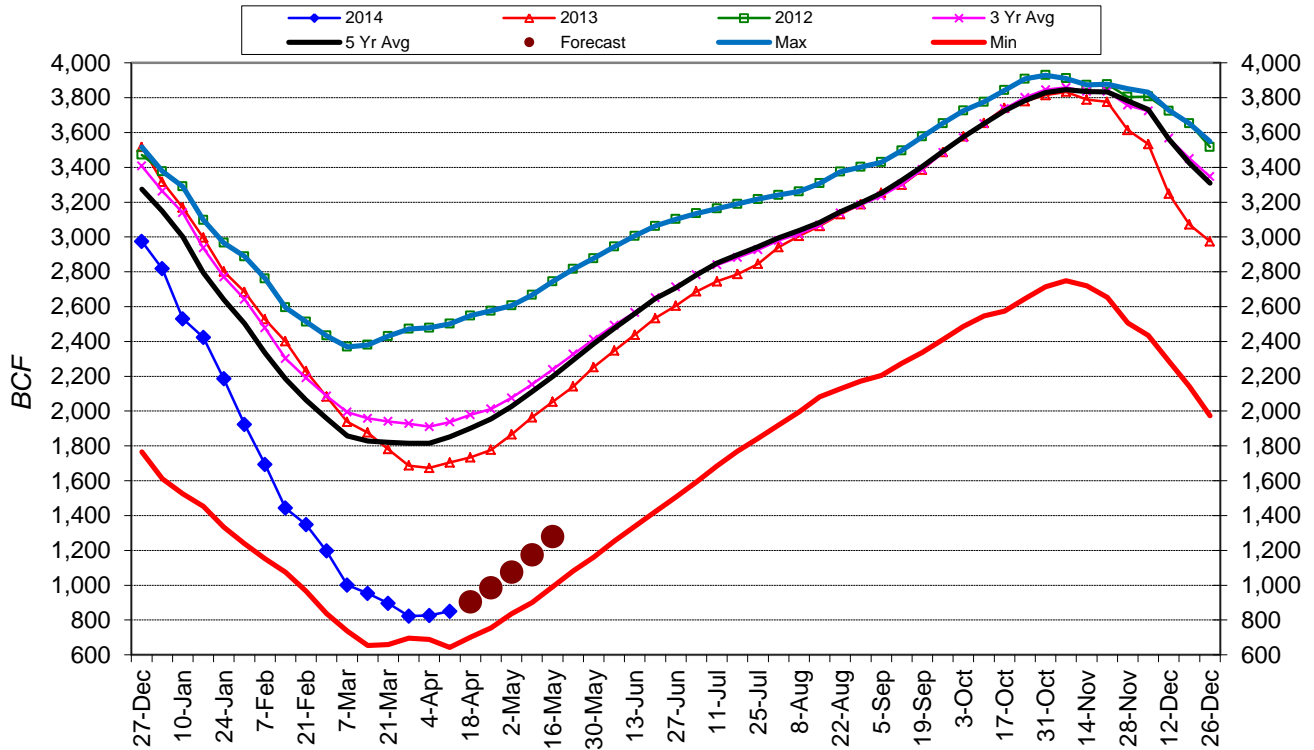
\$/MMBtu Ratio of NYMEX CL and NG



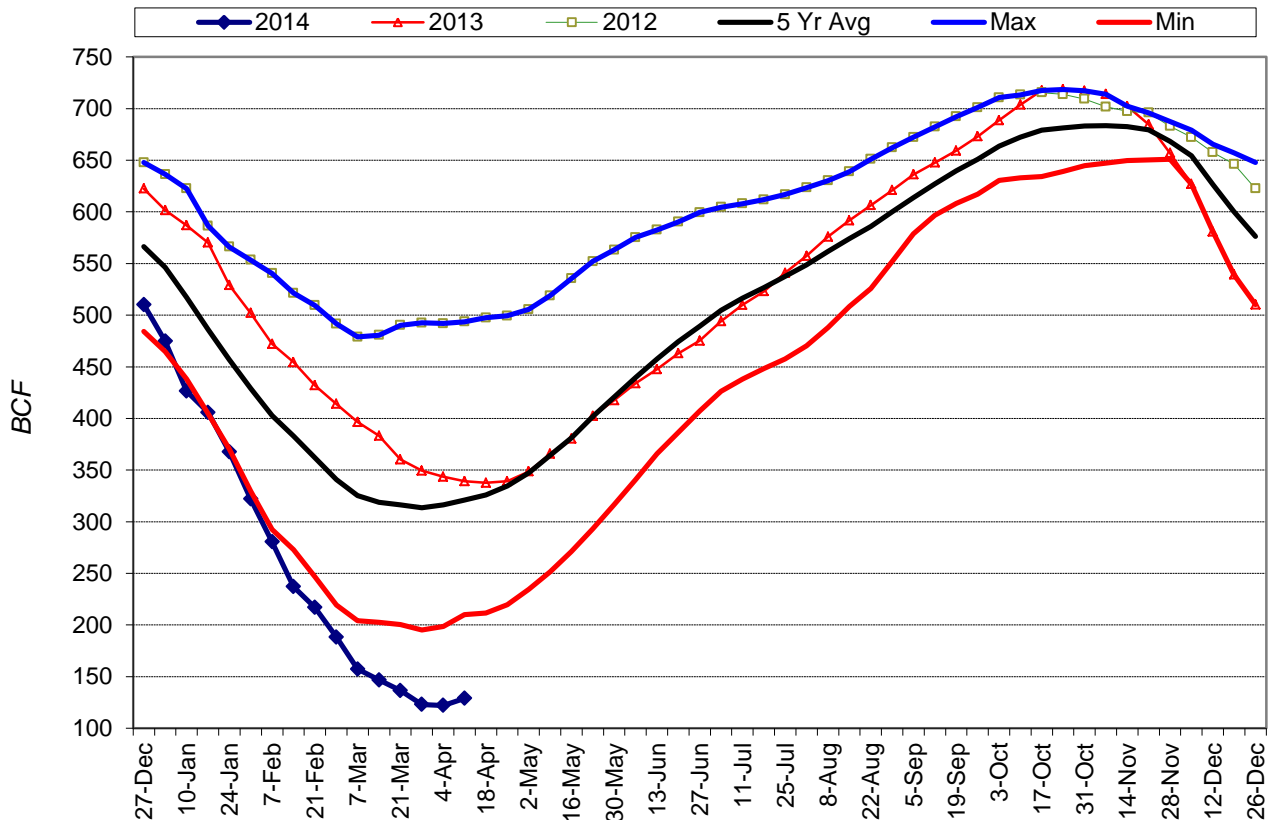
NYMEX Calendar Strips



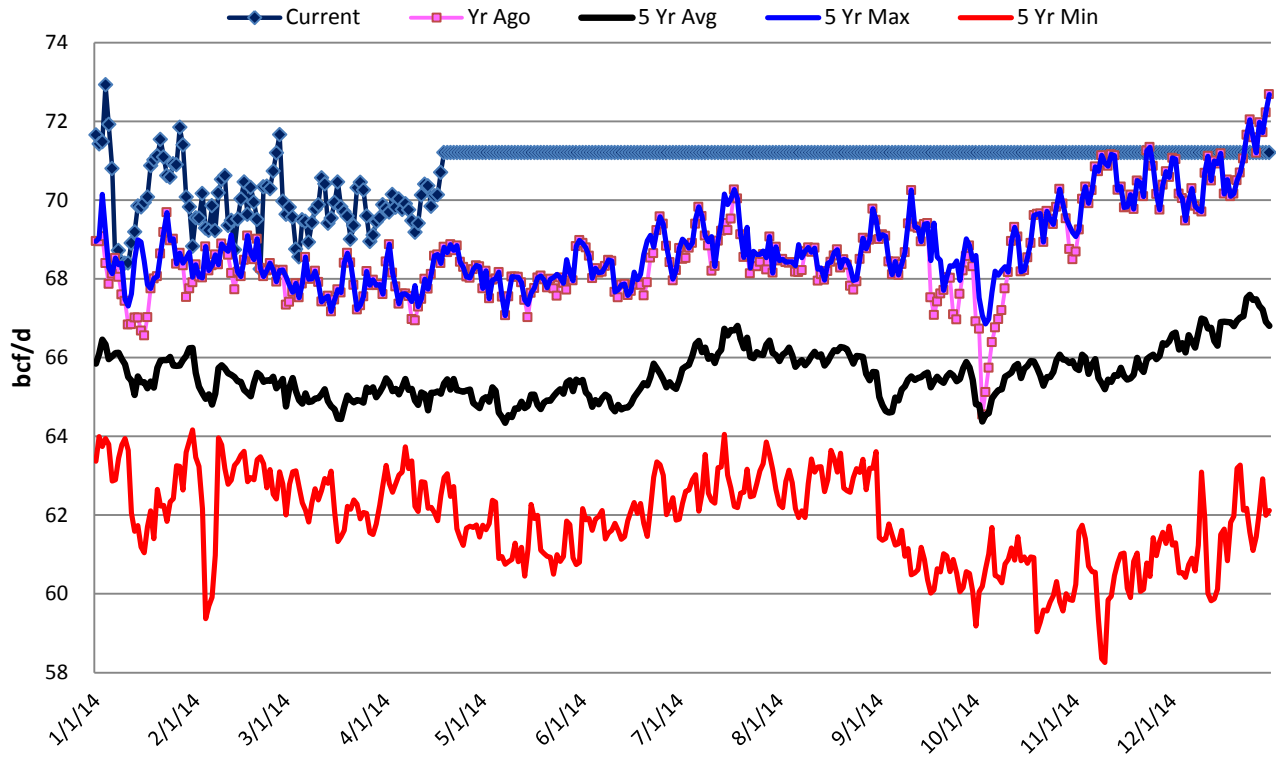
US Working Gas Storage - Source - EIA



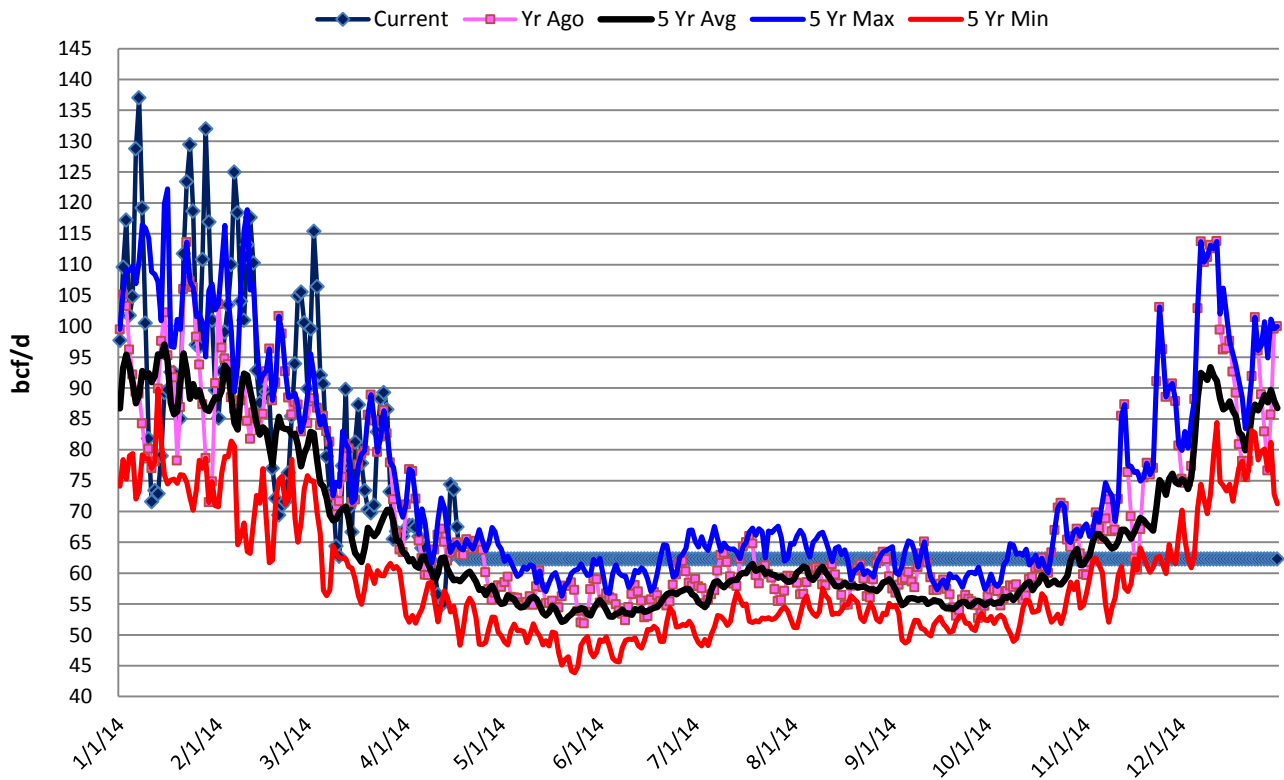
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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