

IAF Advisors  
Energy Market Outlook  
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April 25, 2014

**Price Action:** Prices slipped 9.4 cents (2.0%) to \$4.647 on a 17.3 cent range.

**Price Outlook:** Prices did establish a new high with yet another supportive EIA storage report helping to lift the market. However, prices fell as the week came to a close with apparent dismissal of the still rather small injections. While our fundamental bias is for stronger prices, the market is certainly reluctant to trade higher and that sentiment must be acknowledged. The CFTC data for April 22 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 4.20 million contracts. CME futures open interest fell to just 1.09 million contracts as of April 24. This is the lowest level of open interest since September 28, 2012.

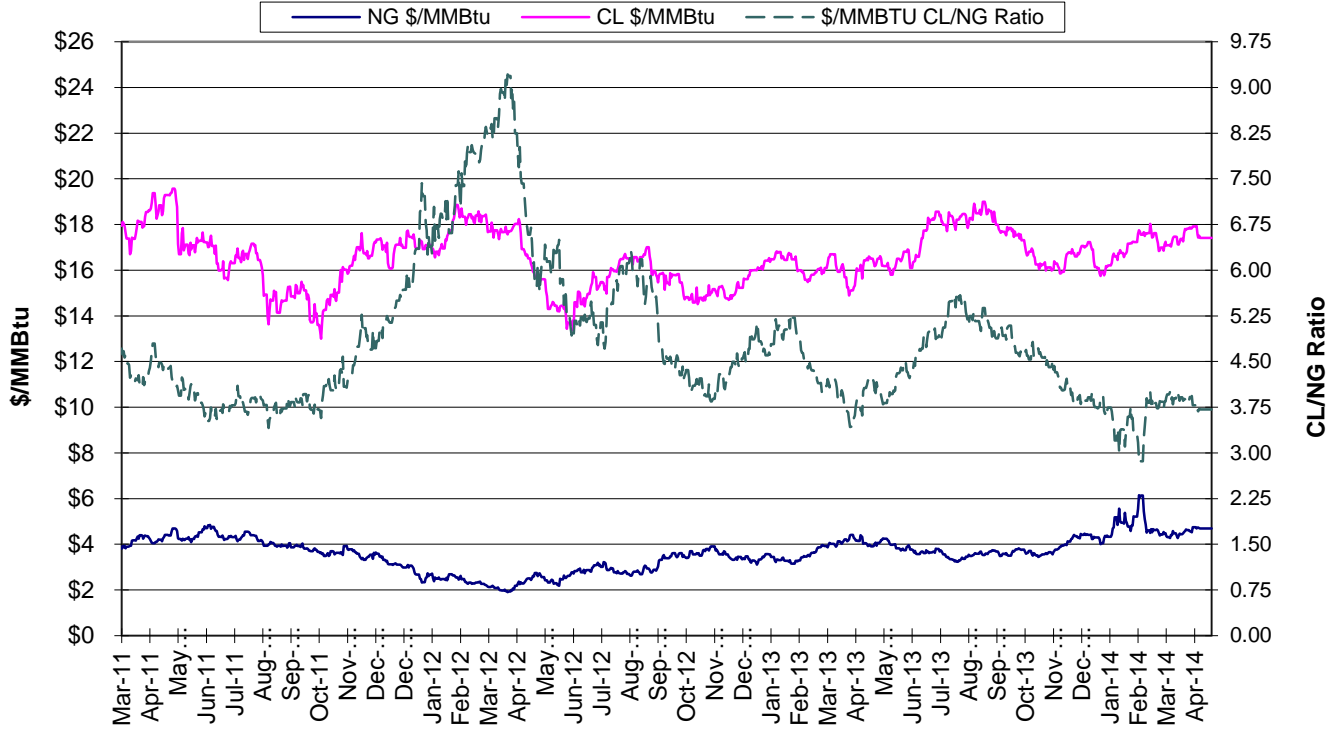
**Weekly Storage:** US working gas storage for the week ending April 18 indicated a build of 49 bcf. Current inventories of 899 bcf fall 835 bcf (48.2%) below last year and 1,002 bcf (52.7%) behind the 5 year average.

**Storage Outlook:** After peaking at 937 bcf on March 7, the pace of deficit reduction has been rather slow. At the same time, May and June 2013 witnessed decent injections and thus the yearly comparisons will certainly become more difficult. Our current expectation is that the storage deficit fall to less than 800 bcf in the latter half of May. However, this pace of deficit reduction is not very impressive. The implications of the latest EIA storage report do not yet indicate multiple ++100 bcf injections that is the market expectation. This week again did not meet or exceed the 5 year weekly maximum injection we are using as a simple benchmark. Thus, none of the 3 weeks have thus far equaled or exceeded that benchmark. We do see the impending possibility of beginning to match the 5 year weekly maximum injection for the week ending May 9. If injections match the 5 year maximum, and this implies injections every week into early December, 2,586 bcf will added to storage facilities and lift inventories to 3,489 bcf. We are also introducing a 2nd simple metric. We will track and measure how each injection needs to compare against the 5 year average injection to reach 3,400 bcf by early November. As of the latest week, injections must equal 129% of the 5 year average. Again, this metric is simple, straight forward and unemotional.

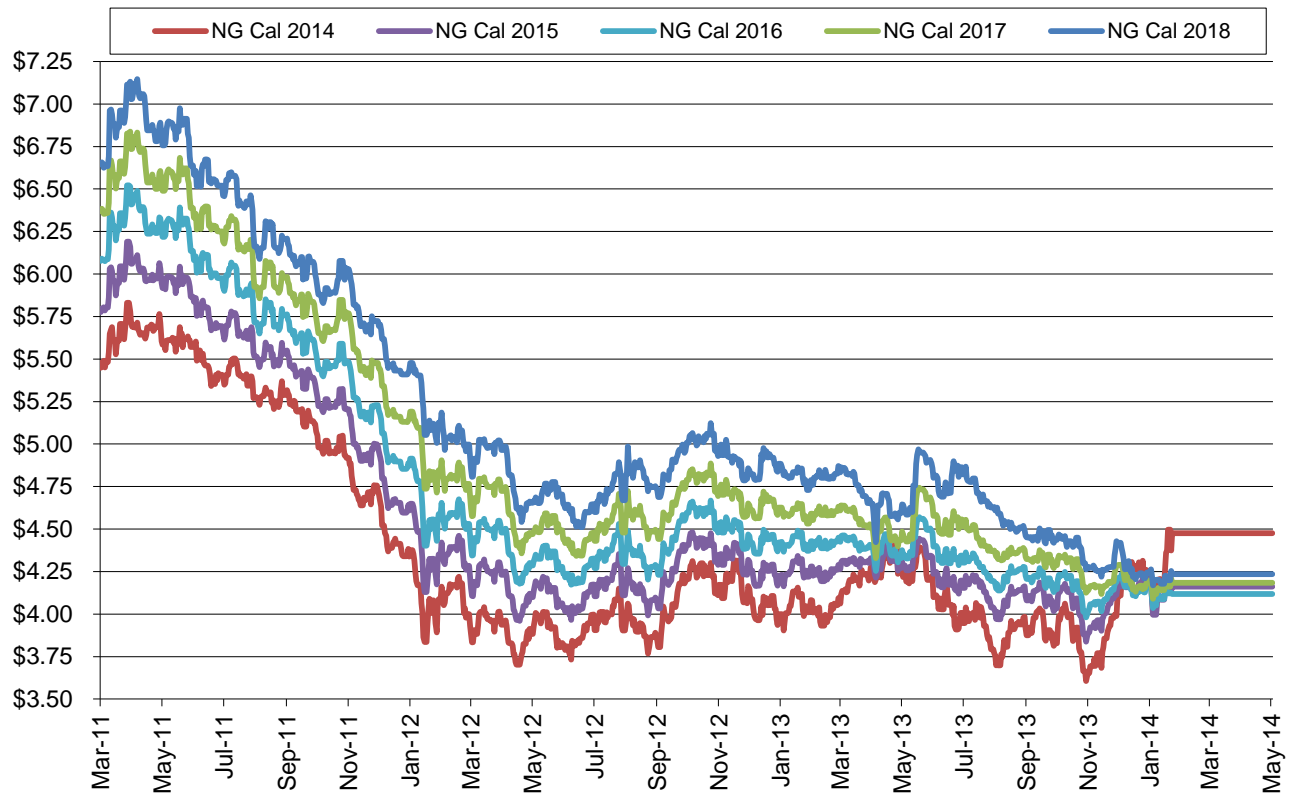
**Supply Trends:** Total supply rose 0.4 bcf/d to 70.1 bcf/d. US production and Canadian imports rose. LNG imports and Mexican exports were unchanged. The US Baker Hughes rig count rose 30 with both oil and natural gas activity higher. The Canadian rig count dropped 31 as the normal seasonal decline remains in place. Thus, the total North American rig count fell 1 to 2,029 and now surpasses last year by 153. **The higher efficiency US horizontal rig count rose 21 to 1,245 and stands 161 above last year.**

**Demand Trends:** Total demand fell 0.3 bcf/d to 63.4 bcf/d. R&C lead the drop with power again actually slightly higher on the week. Electricity demand rose 352 gigawatt-hrs to 68,319, which trails last year by 1,393 (2.0%) while exceeding the 5 year average by 264 (0.4%).

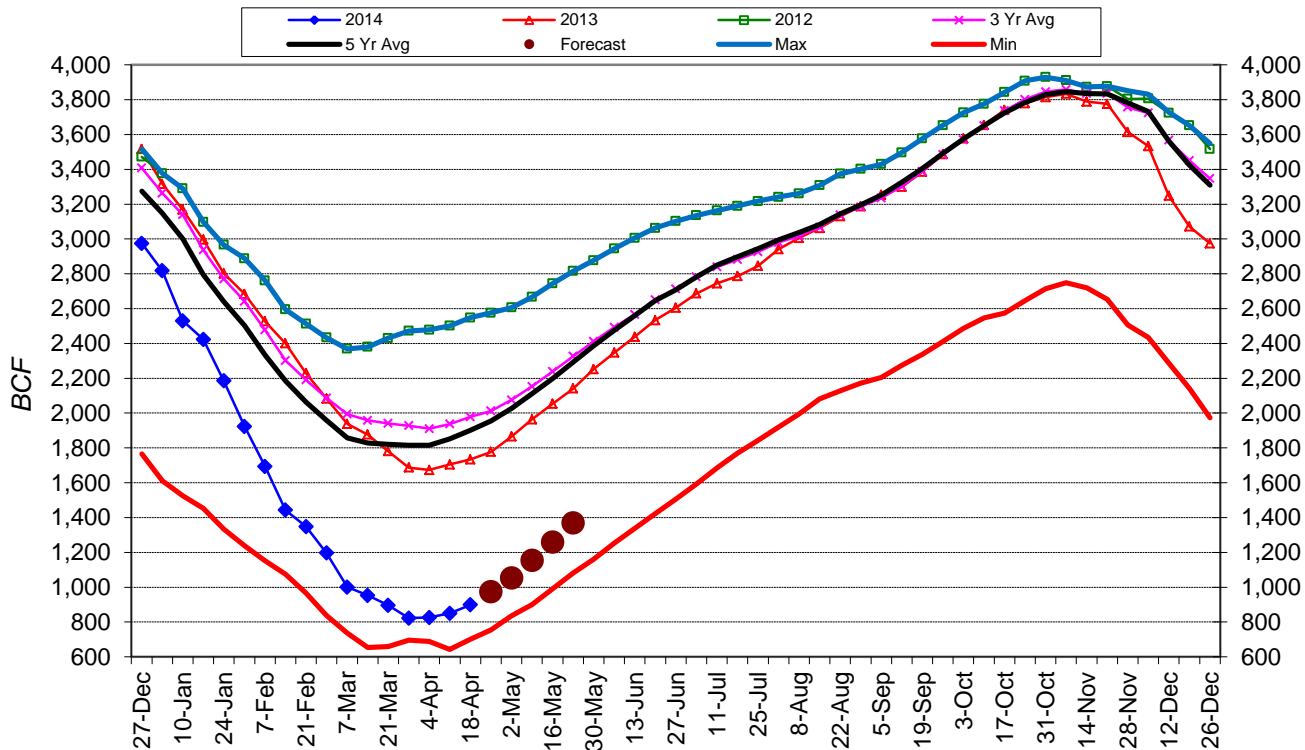
### \$/MMBtu Ratio of NYMEX CL and NG



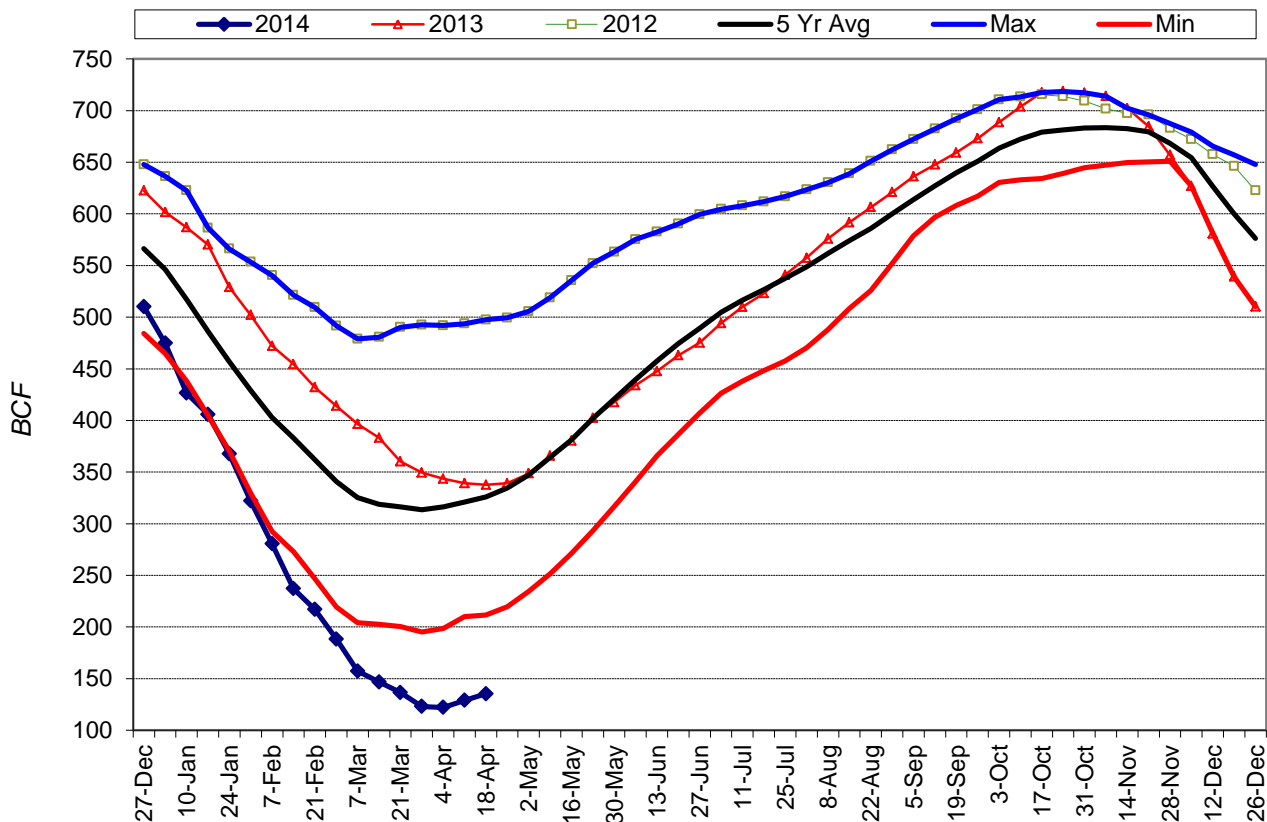
### NYMEX Calendar Strips



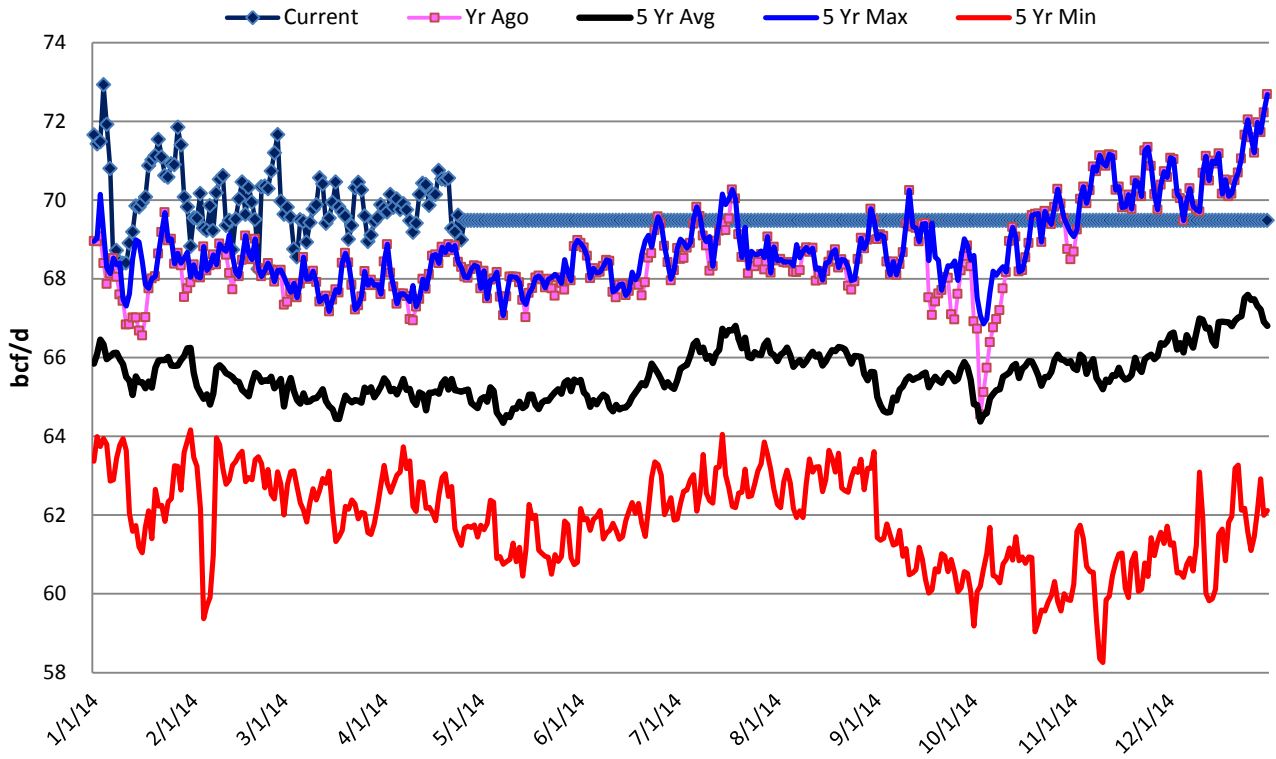
### US Working Gas Storage - Source - EIA



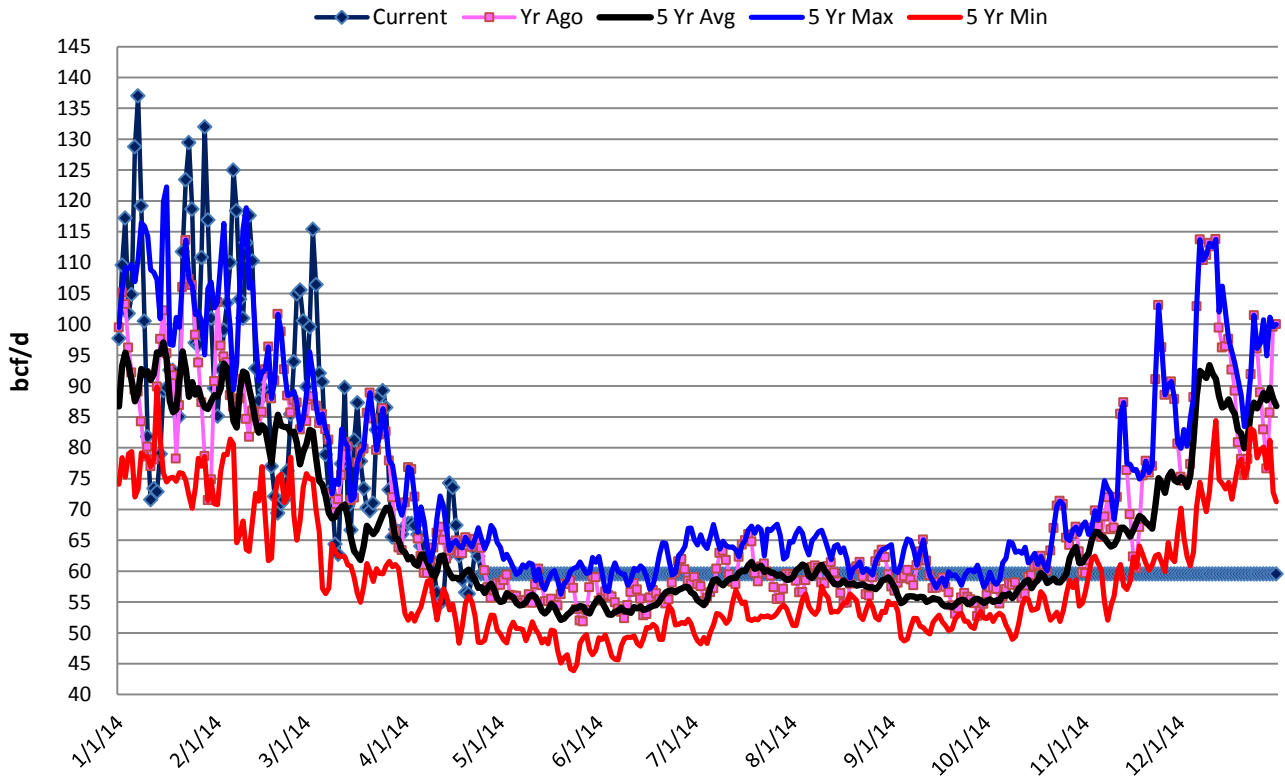
### Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



**ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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