IAF Advisors
Energy Market Outlook

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Price Action: Prices slipped 14.3 cents (3.1%) to $4.531 on a 32.9 cent range.

Price Outlook: **Prices did end the string higher and true to form, established a new low instead. Considering recent price action and projected large injections in the coming weeks, another new low is expected next week. This would require a print of just $4.497. The CFTC data for May 6 revealed a continued slide in the managed money net long position. Total open interest was slightly higher and thus the position on a percentage basis experienced an even more dramatic drop. Total open interest rose to 4.06 million contracts. CME futures open interest was down to just 1.05 million contracts as of May 8. This is the lowest open interest since January 5, 2012.**

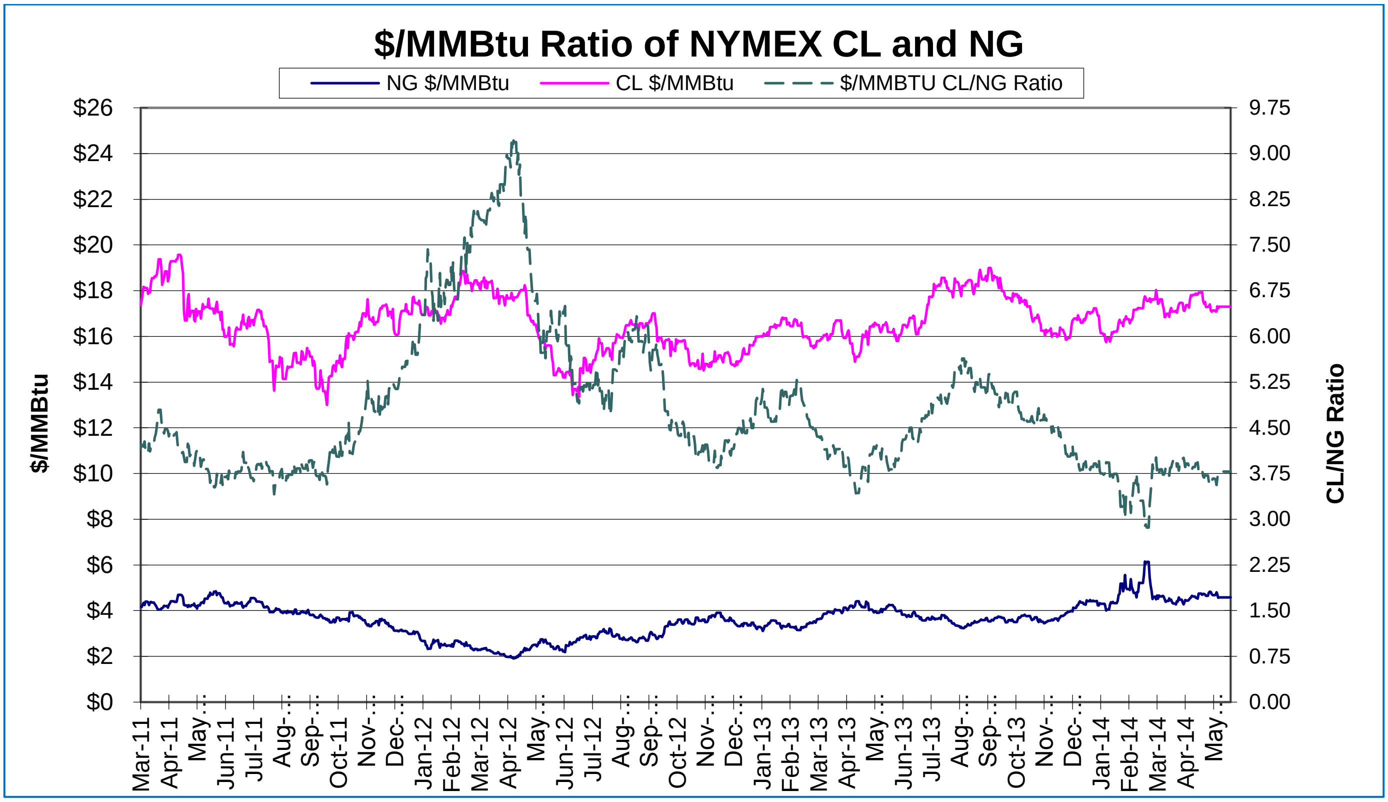
Weekly Storage: US working gas storage for the week ending May 2 indicated a build of 74 bcf. Current inventories of 1,055 bcf fall 810 bcf (43.4%) below last year and 972 bcf (47.9%) behind the 5 year average.

Storage Outlook: **The yearly storage deficit actually expanded this week while it was barely reduced compared to the 5 year average. The supply/demand balance is appearing to loosen as temperatures across the county moderate and US production grows. However, with one full month now complete, the pace of injections must rise quickly before summer heat increases demand. The weekly injections have yet to meet or exceed the 5 year weekly maximum. If injections match the 5 year maximum, 2,415 bcf will added to storage facilities and lift inventories to 3,470 bcf. This week needs to equal a 99 bcf injection to match the 5 year maximum. Injections must equal 129% of the 5 year average to reach 3,400 bcf by early November and for this week must equal 108 bcf.**

Supply Trends: Total supply rose 0.2 bcf/d to 70.3 bcf/d. US production and Canadian imports were both higher with Mexican exports and LNG imports unchanged. The US Baker Hughes rig count rose 1 to 1,855 with oil activity higher while natural gas was unchanged. The Canadian rig count dropped another 18 to 145 as the seasonal decline continues. Thus, the total North American rig count fell 17 to 2,000 and now surpasses last year by 113. **The higher efficiency US horizontal rig count fell 4 to 1,243 and stands 144 above last year. Recent pipeline data suggests rising production and US lower 48 dry gas production has likely now equaled the November 2013 record. Production should continue to grow as drilling efficiencies remain impressive.**

Demand Trends: Total demand rose 1.2 bcf/d to 61.0 bcf/d. Power demand was higher while R&C and industrial demand slipped. Electricity demand rose 572 gigawatt-hrs to 68,002, which surpasses last year by 8 (0.0%) while trailing the 5 year average by 1,587 (2.3%).

Other Factors: The S&P 500 was barely higher as investors were divided over Q1 earnings and global growth expectations.



$/MMBtu Ratio of NYMEX CL and NG
NG $/MMBtu
CL $/MMBtu
$/MMBTU CL/NG Ratio
$/MMBtu
CL/NG Ratio
$26
$24
$22
$20
$18
$16
$14
$12
$10
$8
$6
$4
$2
$0
9.75
9.00
8.25
7.50
6.75
6.00
5.25
4.50
3.75
3.00
2.25
1.50
0.75
0.00
Mar-11
Apr-11
Jun-11
Jul-11
Oct-11
Jan-12
Feb-12
Mar-12
Apr-12
Jun-12
Jul-12
Oct-12
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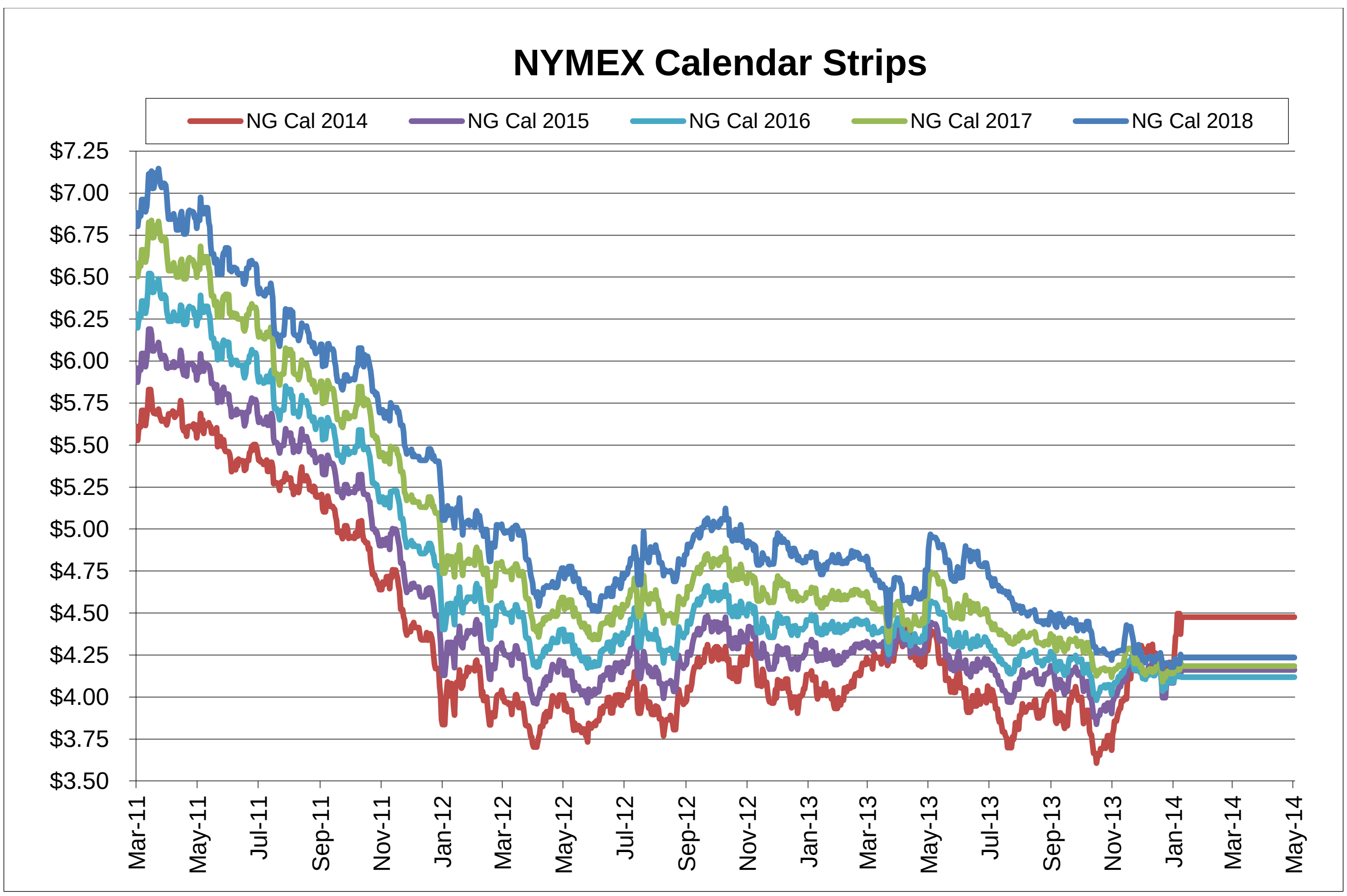
Feb-14
Mar-14
Apr-14



NYMEX Calendar Strips
NG Cal 2014
NG Cal 2015
NG Cal 2016
NG Cal 2017
NG Cal 2018
$7.25
$7.00
$6.75
$6.50
$6.25
$6.00
$5.75
$5.50
$5.25
$5.00
$4.75
$4.50
$4.25
$4.00
$3.75
$3.50
Mar-11
May-11
Jul-11
Sep-11
Nov-11
Jan-12
Mar-12
May-12
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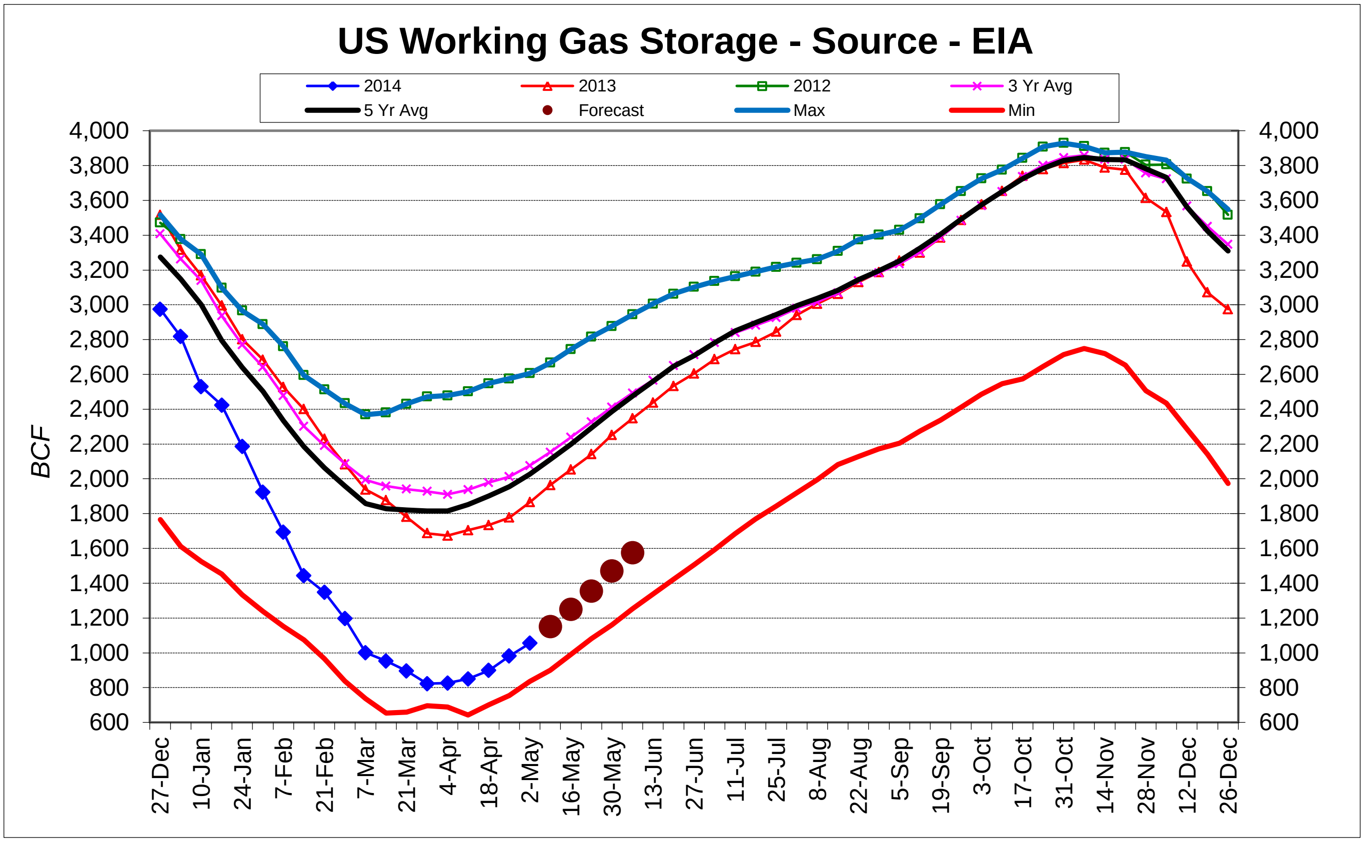
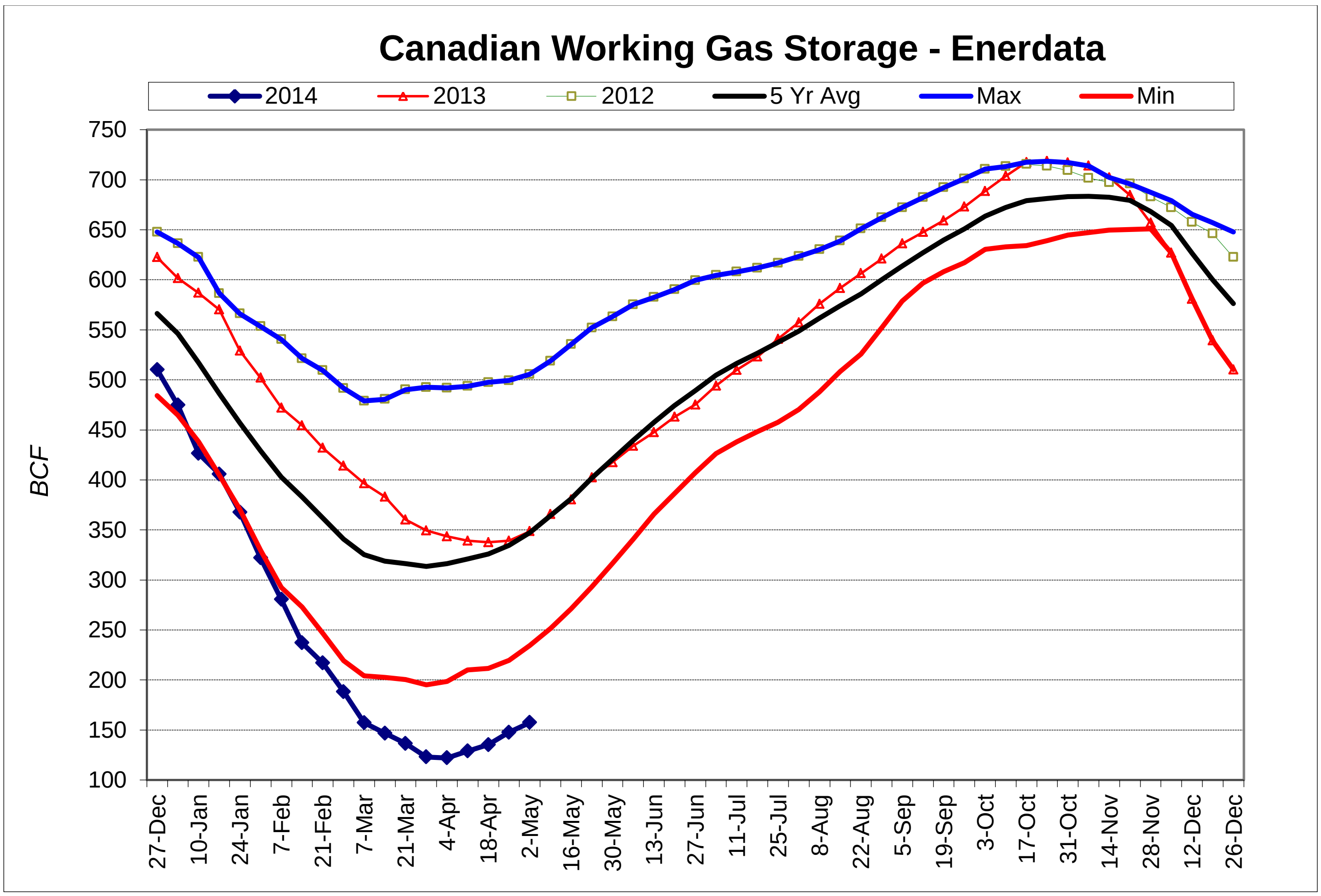
Jan-14
Mar-14
May-14


US Working Gas Storage - Source - EIA
2014
2013
2012
3 Yr Avg
5 Yr Avg
Forecast
Max
Min
BCF
4,000
3,800
3,600
3,400
3,200
3,000
2,800
2,600
2,400
2,200
2,000
1,800
1,600
1,400
1,200
1,000
800
600
27-Dec
10-Jan
24-Jan
7-Feb
21-Feb
7-Mar
21-Mar
4-Apr
18-Apr
2-May
16-May
30-May
13-Jun
27-Jun
11-Jul
25-Jul
8-Aug
22-Aug
5-Sep
19-Sep
3-Oct
17-Oct
31-Oct
14-Nov
28-Nov
12-Dec
26-Dec


Canadian Working Gas Storage - Enerdata
2014
2013
2012
5 Yr Avg
Max
Min
BCF
750
700
650
600
550
500
450
400
350
300
250
200
150
100
27-Dec
10-Jan
24-Jan
7-Feb
21-Feb
7-Mar
21-Mar
4-Apr
18-Apr
2-May
16-May
30-May
13-Jun
27-Jun
11-Jul
25-Jul
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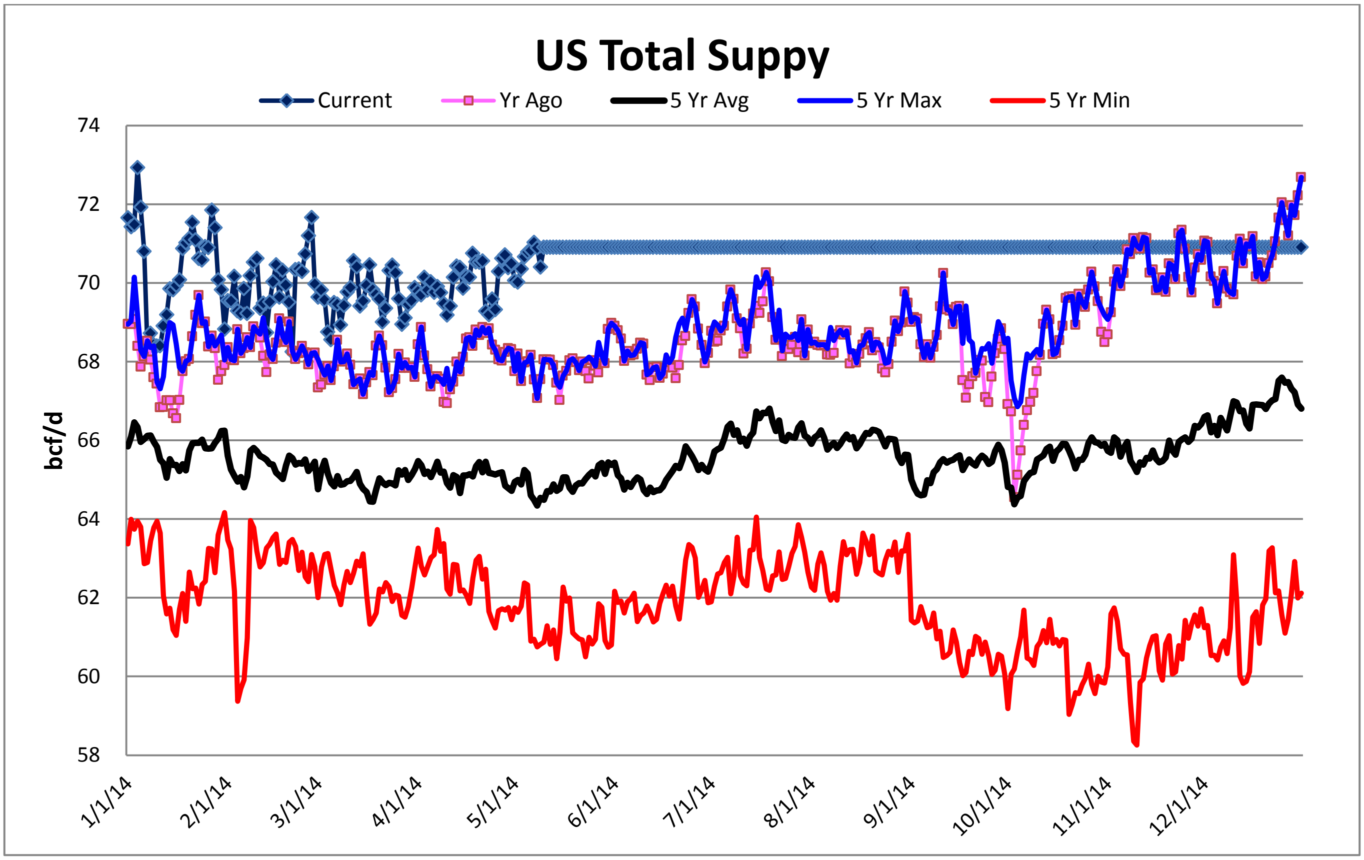
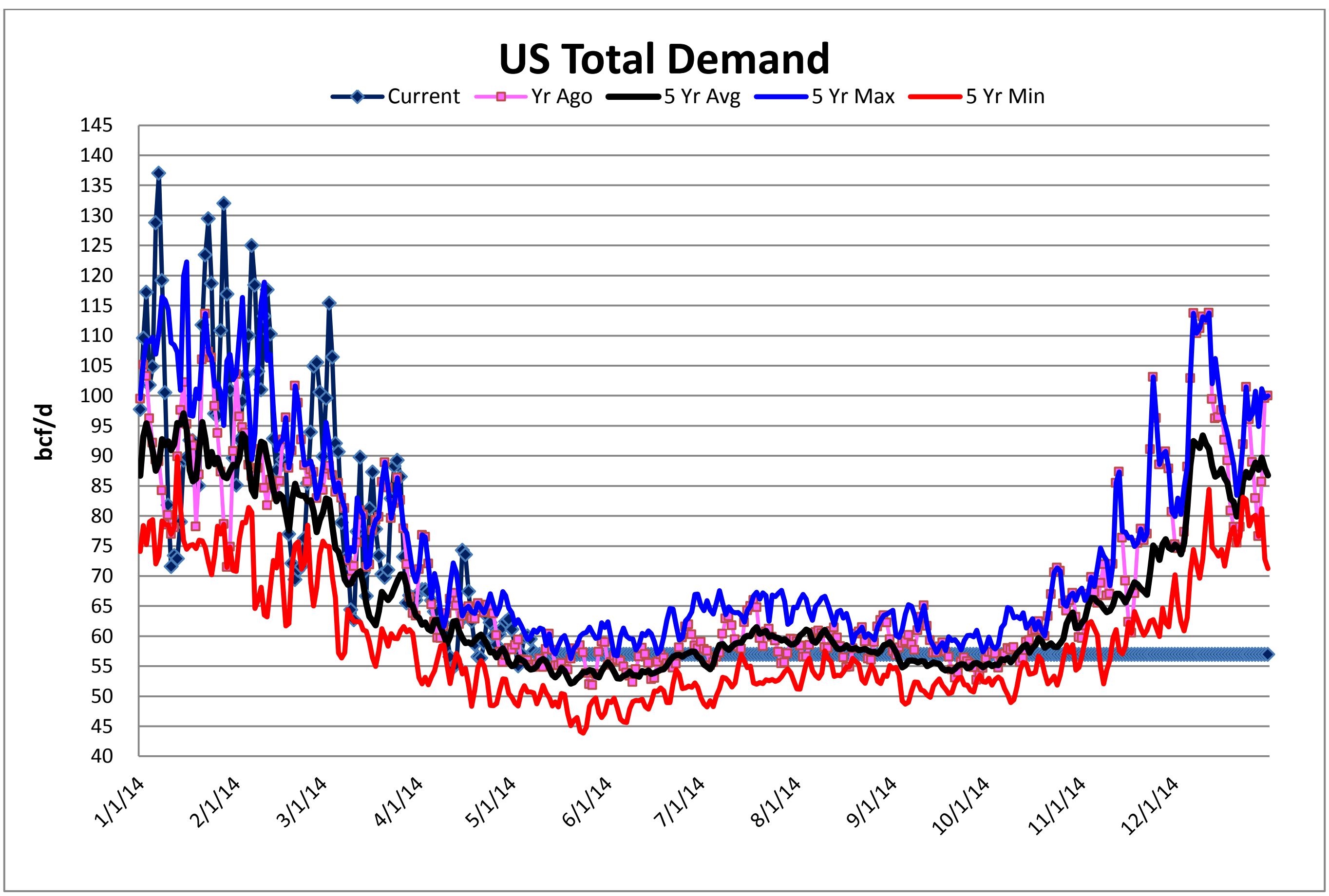
28-Nov
12-Dec
26-Dec


US Total Suppy
Current
Yr Ago
5 Yr Avg
5 Yr Max
5 Yr Min
bcf/d
74
72
70
68
66
64
62
60
58
1/1/14
2/1/14
3/1/14
4/1/14
5/1/14
6/1/14
7/1/14
8/1/14
9/1/14
10/1/14
11/1/14
12/1/14


US Total Demand
Current
Yr Ago
5 Yr Avg
5 Yr Max
5 Yr Min
bcf/d
145
140
135
130
125
120
115
110
105
100
95
90
85
80
75
70
65
60
55
50
45
40
1/1/14
2/1/14
3/1/14
4/1/14
5/1/14
6/1/14
7/1/14
8/1/14
9/1/14
10/1/14
11/1/14
12/1/14

ADDITIONAL INFORMATION AVAILABLE UPON REQUEST
