

IAF Advisors
Energy Market Outlook
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Price Action: Prices fell just 0.8 cents (0.2%) to \$4.405 on a 22.6 cent range.

Price Outlook: The market held to historical form and established a new high for the week. However, prices ended on a weak note and a new low is expected next week as injections continue to rise. The CFTC data for May 20 revealed a very slight decrease in the speculative managed money net long position to the lowest level since December 10, 2013. Total open interest also fell and the speculative position as a percent of open interest actually increased. CME futures open interest was down to just 981,000 contracts as of May 15. This is the lowest open interest since December 12, 2011.

Weekly Storage: US working gas storage for the week ending May 16 indicated a build of 106 bcf. Thus total working gas inventories rose to 1,266 bcf. Current inventories fall 787 bcf (38.3%) below last year and 932 bcf (42.4%) behind the 5 year average.

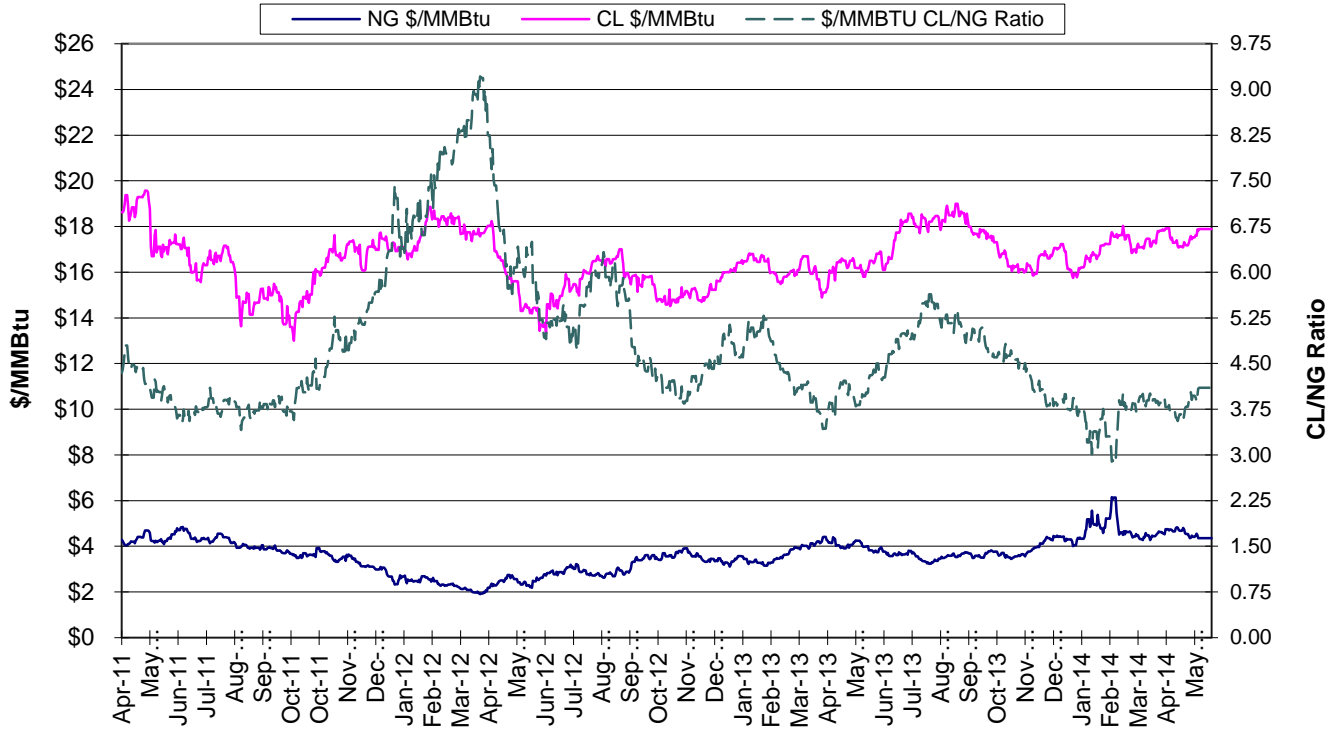
Storage Outlook: This week did establish a new weekly maximum for the first time this year. For our storage injection metrics, the 5 year weekly maximum for the upcoming week is 106 bcf. If weekly injections match the 5 year weekly maximum injection, inventories will rise to 3,398 bcf in early December. An injection of 123 bcf is required to equal 130% of the 5 year average and an injection of 114 bcf is needed to exceed the 5 year averaged by 20 bcf to put inventories on pace to reach 3,400 bcf in early November. The upcoming days will likely witness the lowest demand of the year and this is the time for very large injections. The injection for the week that encompasses Memorial Day may reveal an injection over 120 bcf. However, injections of that magnitude are needed to lift inventories from the still very low level. The recent storage injections indicate a pace suggesting a November inventory peak between 3,400 and 3,450 bcf.

Supply Trends: Total supply rose 0.6 bcf/d to 71.2 bcf/d. US production and Canadian imports were both higher with Mexican exports and LNG imports unchanged. The US Baker Hughes rig count fell 4 to 1,857 with both oil and natural gas activity lower. The Canadian rig count rose 1 to 154 as the seasonal decline may have come to an end. Thus, the total North American rig count fell 3 to 2,011 and now surpasses last year by 118. The higher efficiency US horizontal rig count fell 5 to 1,243 and stands 156 above last year.

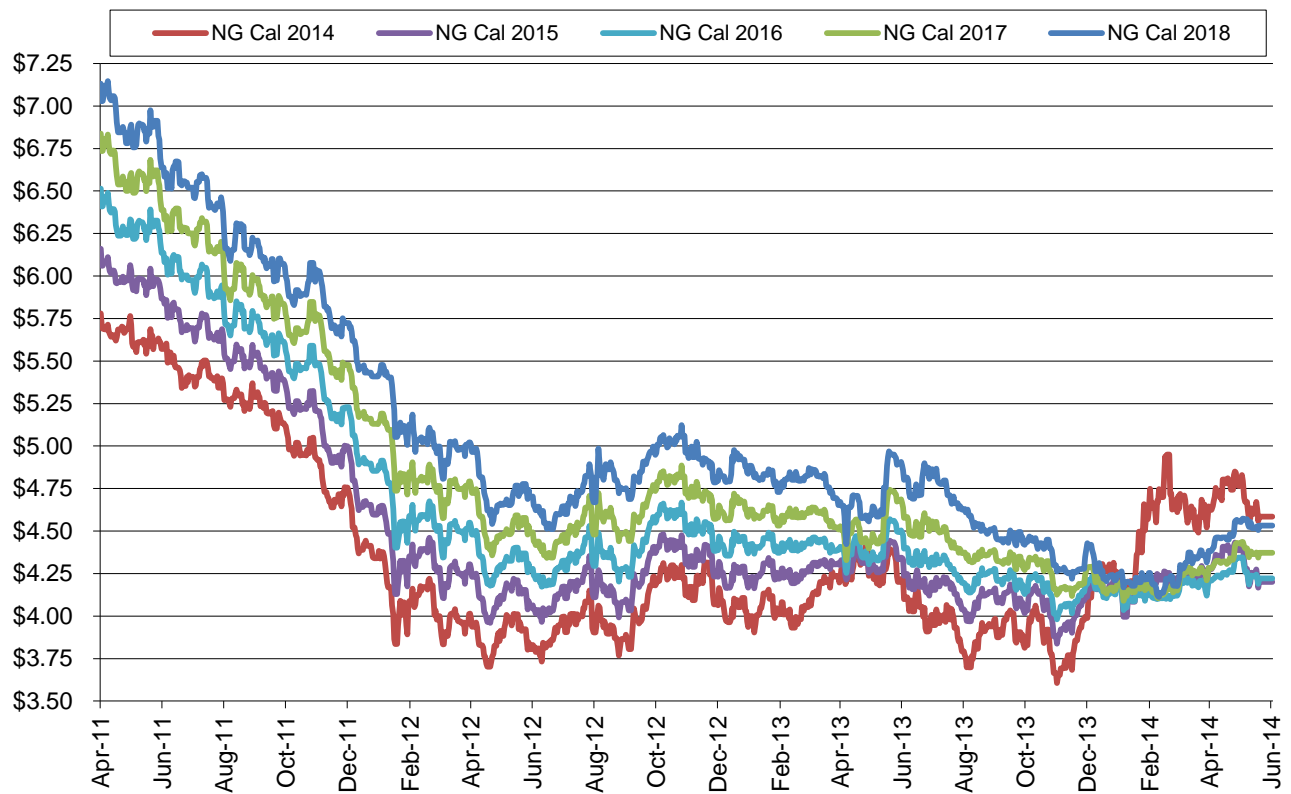
Demand Trends: Total demand fell 0.1 bcf/d to 58.4 bcf/d. Power demand was higher while R&C and industrial demand slipped. Electricity demand rose 1,406 gigawatt-hrs to 71,614, which surpasses last year by 490 (0.7%) and the 5 year average by 589 (0.8%). Despite a temperature profile suggesting very low demand, pipeline data suggest still relatively robust demand and this may limit injections.

Other Factors: The S&P 500 closed above 1,900 for the first time ever.

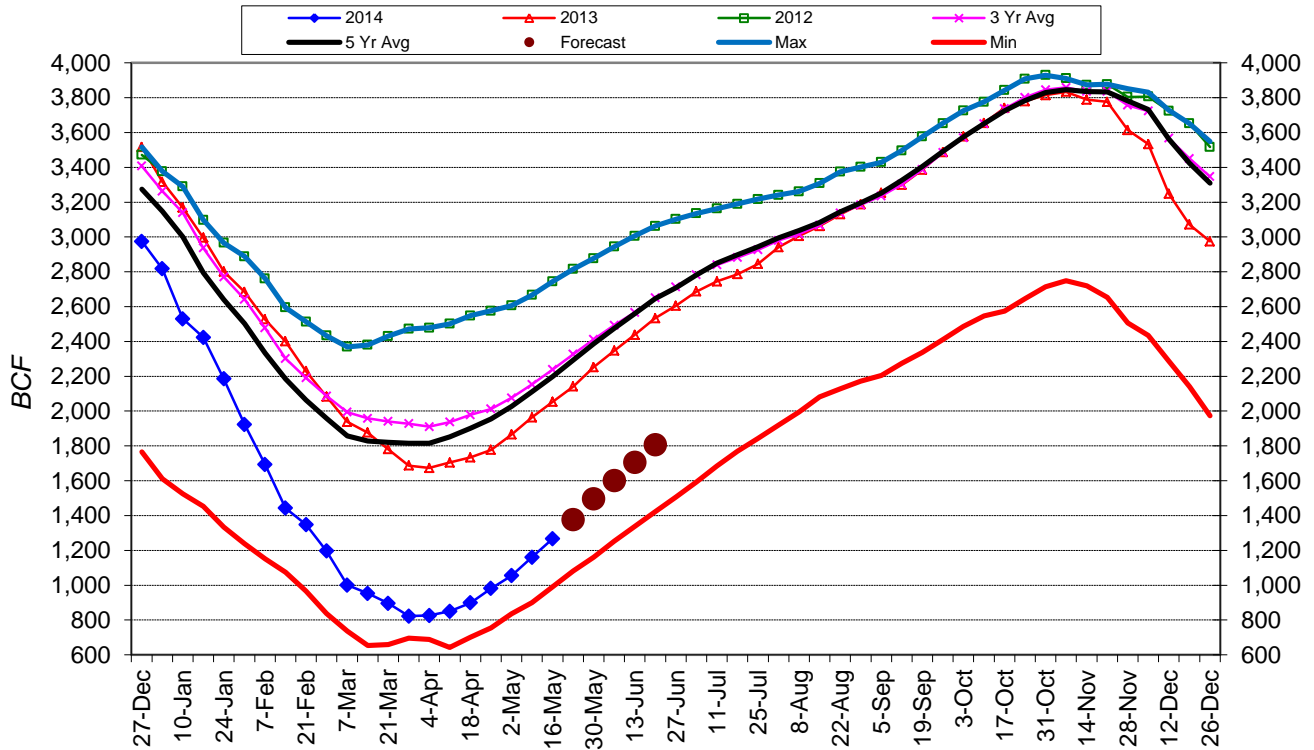
\$/MMBtu Ratio of NYMEX CL and NG



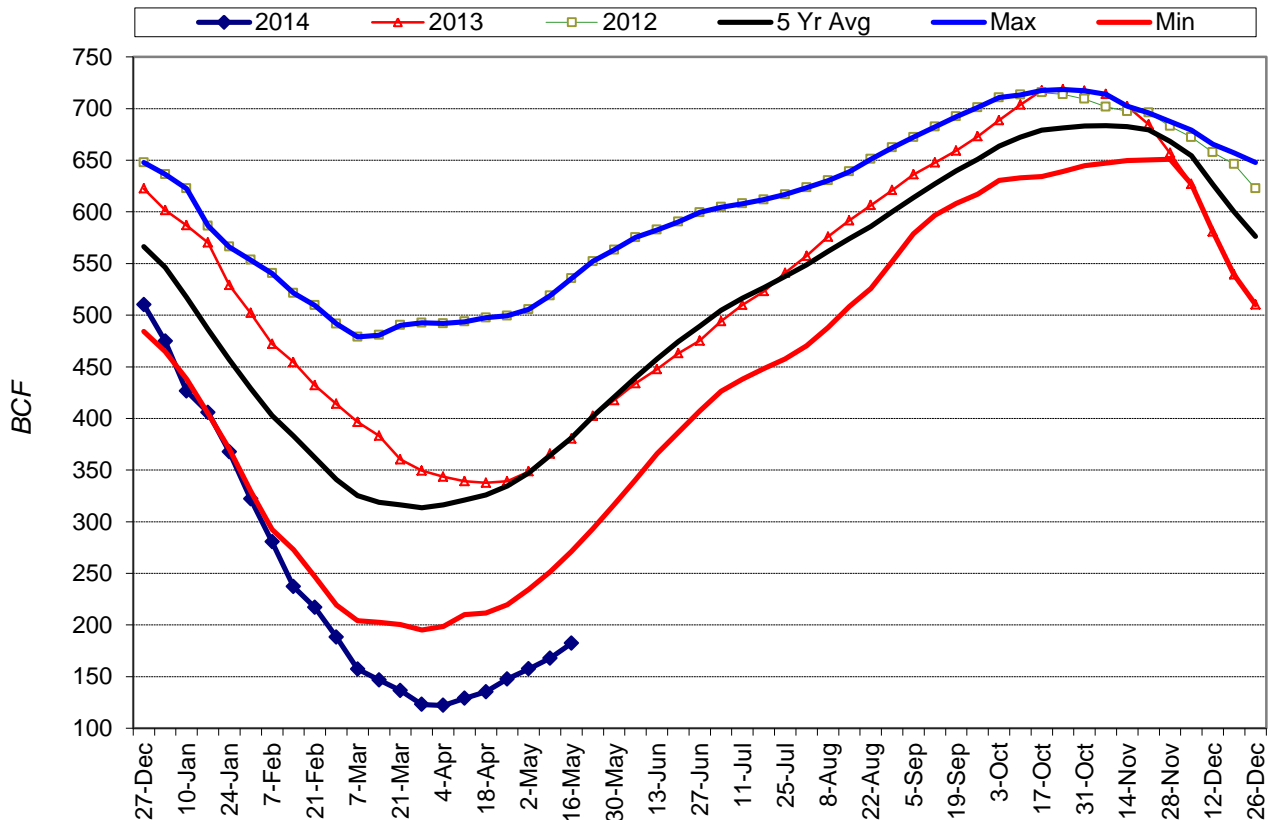
NYMEX Calendar Strips



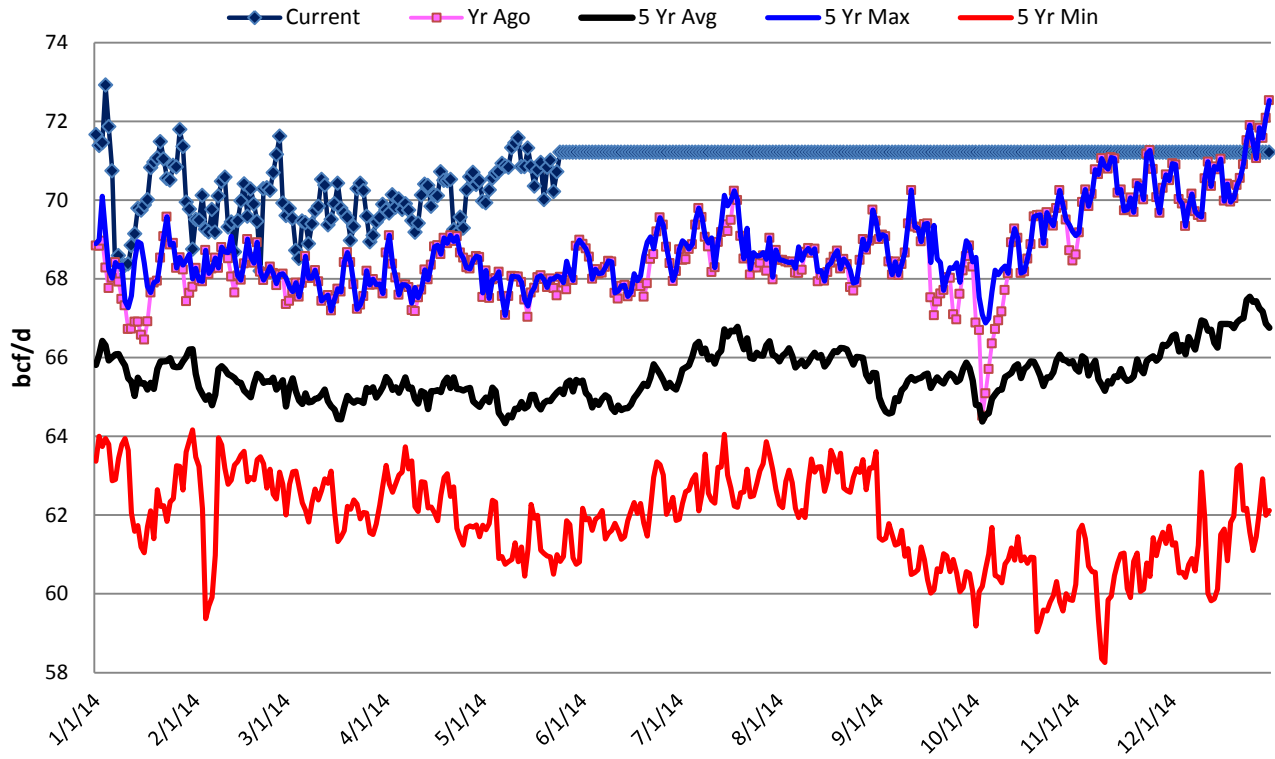
US Working Gas Storage - Source - EIA



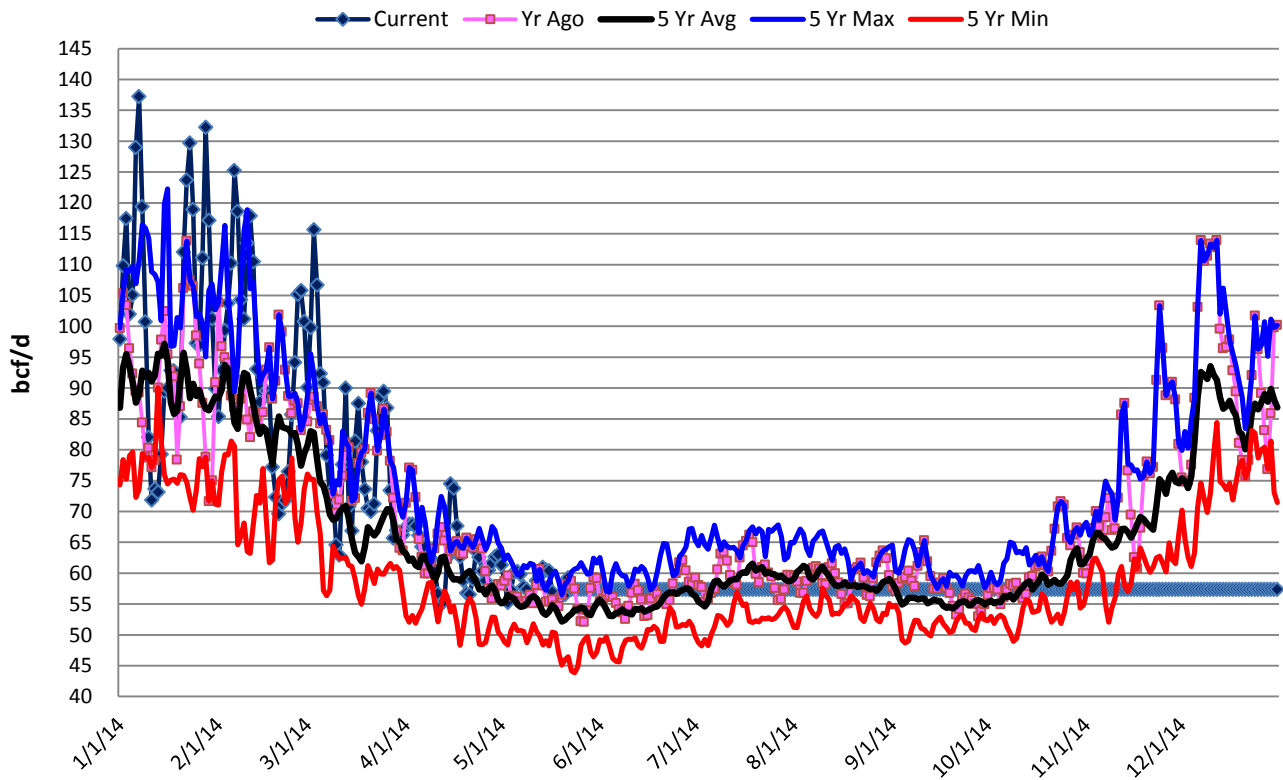
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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