IAF Advisors

Energy Market Outlook

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Price Action: The July contract rose 16.8 cents (3.7%) to $4.710 on a 21.4 cent range.

Price Outlook: **The market continued higher for the 3rd week in a row and the 15 day forecast is now beginning to suggest increased demand. At the same time, with prices settling near the weekly high, a new high is expected next week. Since 2000, there have been 57 occurrences of exactly 3 weeks higher in a row with 37 times witnessing exactly 4 weeks higher. A 4th week higher would not yet be considered extreme. The CFTC data revealed another drop in speculative managed money net long position. It does remain above the December 10, 2013 level. Total open interest fell to the lowest on record since ICE contracts were added in January 2010. CME futures open interest returned to just above 1 million as of June 5.**

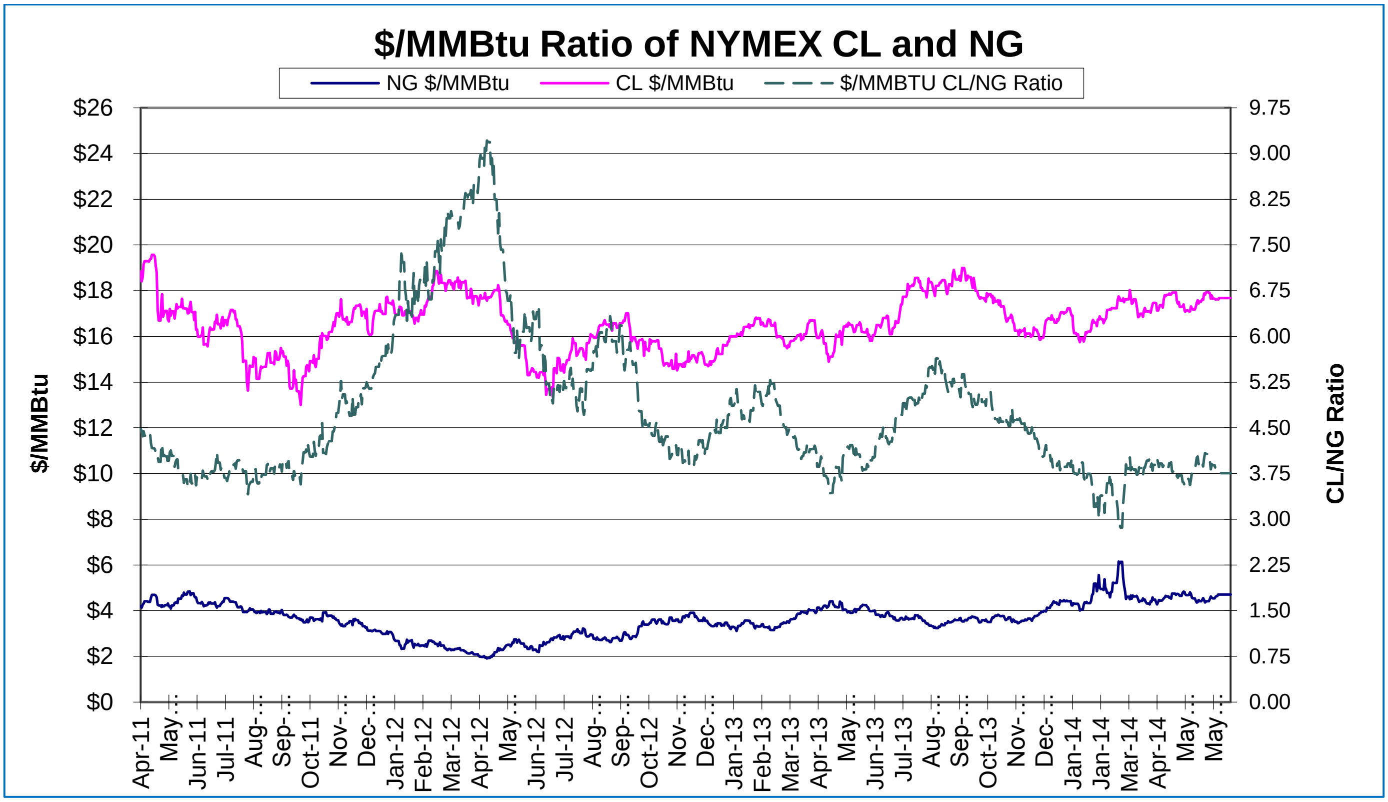
Weekly Storage: US working gas storage for the week ending May 30 indicated a build of 119 bcf. Thus total working gas inventories rose to 1,499 bcf. Current inventories fall 753 bcf (33.4%) below last year and 887 bcf (37.2%) behind the 5 year average.

Storage Outlook: **This week failed to meet the 5 year weekly maximum and also did not exceed the 5 year average by 130% as needed to reach 3,400 bcf in early November. It did exceed the 5 year average on an absolute basis by enough to reach 3,400 bcf. For our storage injection metrics, the 5 year weekly maximum for the upcoming week is 106 bcf. An injection of 117 bcf is required to equal 131% of the 5 year average and an injection of 109 bcf is needed to exceed the 5 year average by 19 bcf to put inventories on pace to reach 3,400 bcf in early November.**

Supply Trends: Total supply rose 0.1 bcf/d to 70.8 bcf/d. US production rose with Canadian imports lower. LNG imports unchanged while Mexican exports were higher. The US Baker Hughes rig count dropped 6 with oil activity unchanged and natural gas lower at 1,860. The Canadian rig count rose 16 to 214. Thus, the total North American rig count rose 10 to 2,074 and now surpasses last year by 157. **The higher efficiency US horizontal rig count fell 1 to 1,250 and stands 162 above last year.**

Demand Trends: Total demand fell 0.5 bcf/d to 56.8 bcf/d. Power demand rose while R&C and industrial demand fell. Electricity demand rose 2,757 gigawatt-hrs to 74,664, which trails last year by 1,723 (2.3%) and the 5 year average by 1,888 (2.5%).

Other Factors: **The storage situation in Canada is worth mentioning. Canadian storage levels have actually been increasing at a below average pace. While the yearly storage has been decreased from the March 7 peak, the deficit to the 5 year average now stands at the largest deficit of the year.** The S&P 500 surged to yet another new record at 1,949 as the ECB moved to negative interest.


$/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
Apr-11
Jun-11
Jul-11
Oct-11
Jan-12
Feb-12
Mar-12
Apr-12
Jun-12
Jul-12
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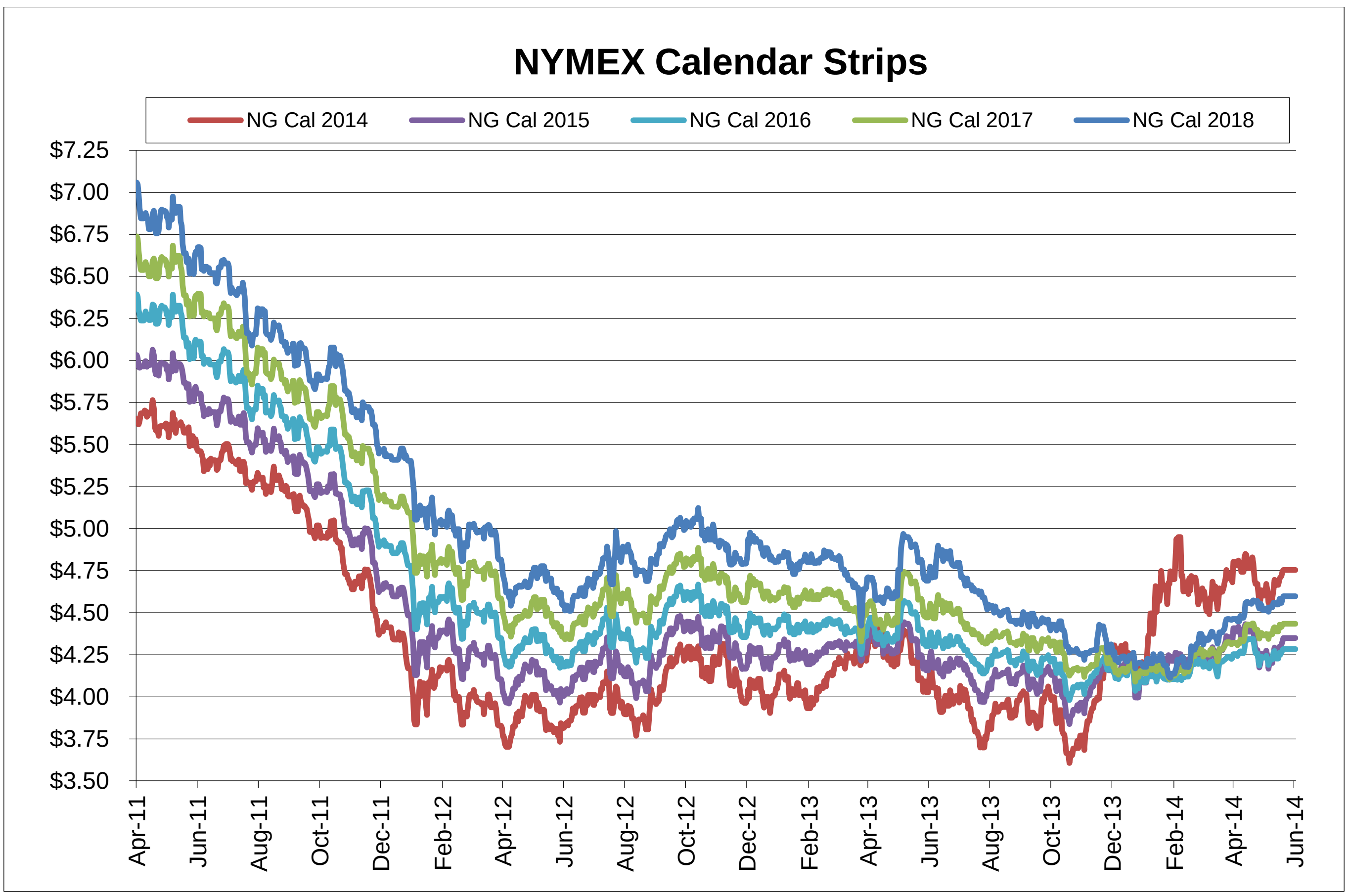
Jan-14
Mar-14
Apr-14


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
Apr-11
Jun-11
Aug-11
Oct-11
Dec-11
Feb-12
Apr-12
Jun-12
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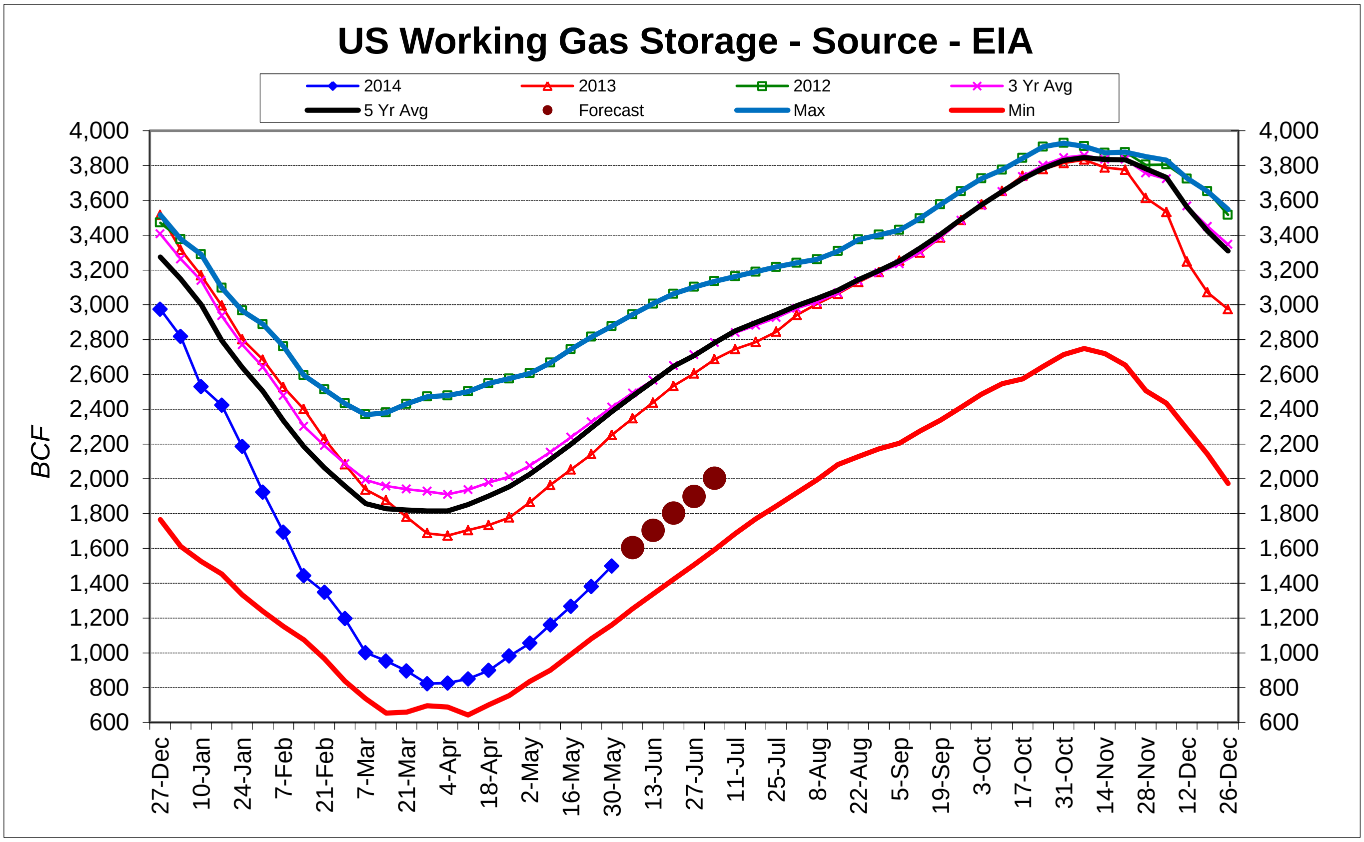
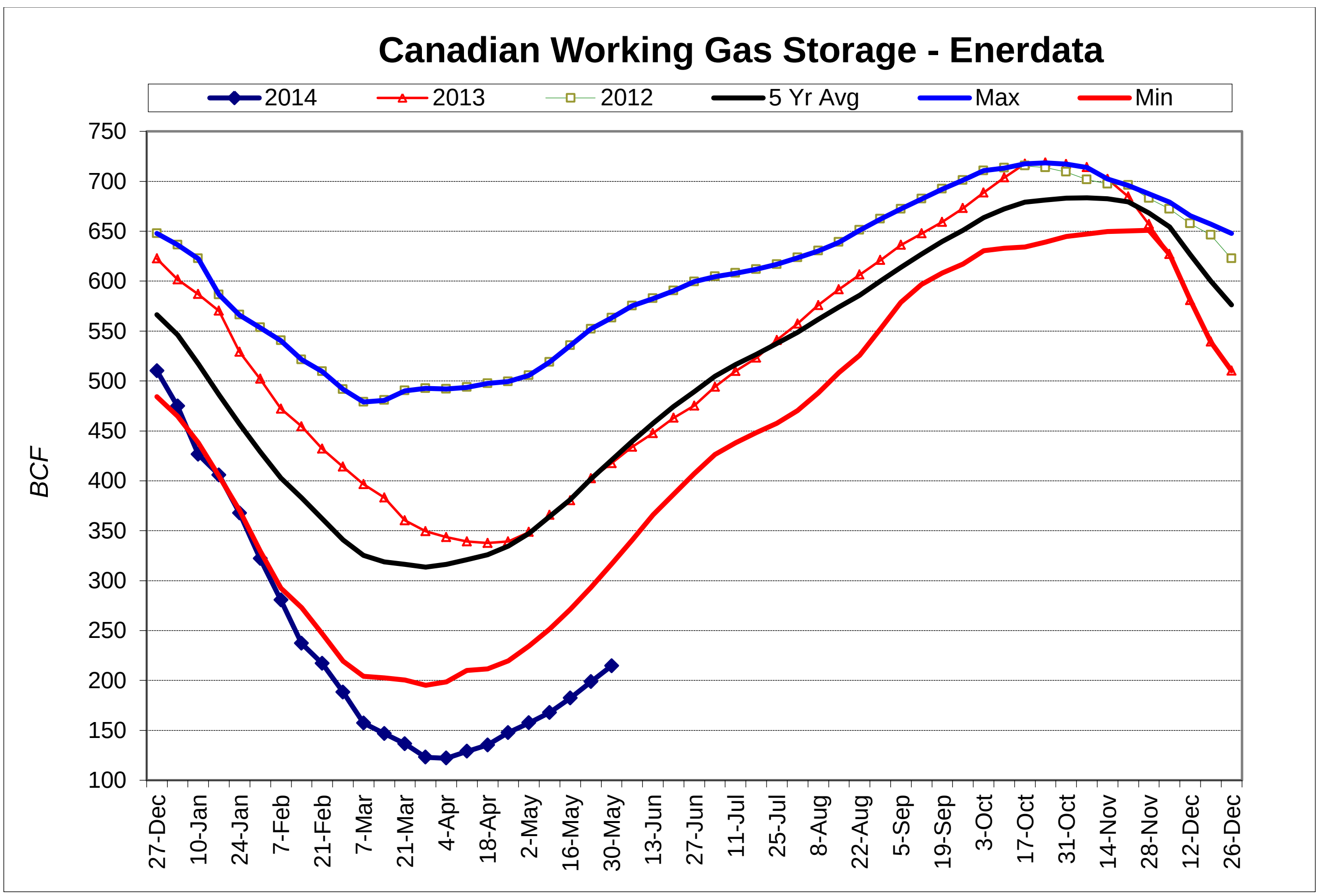
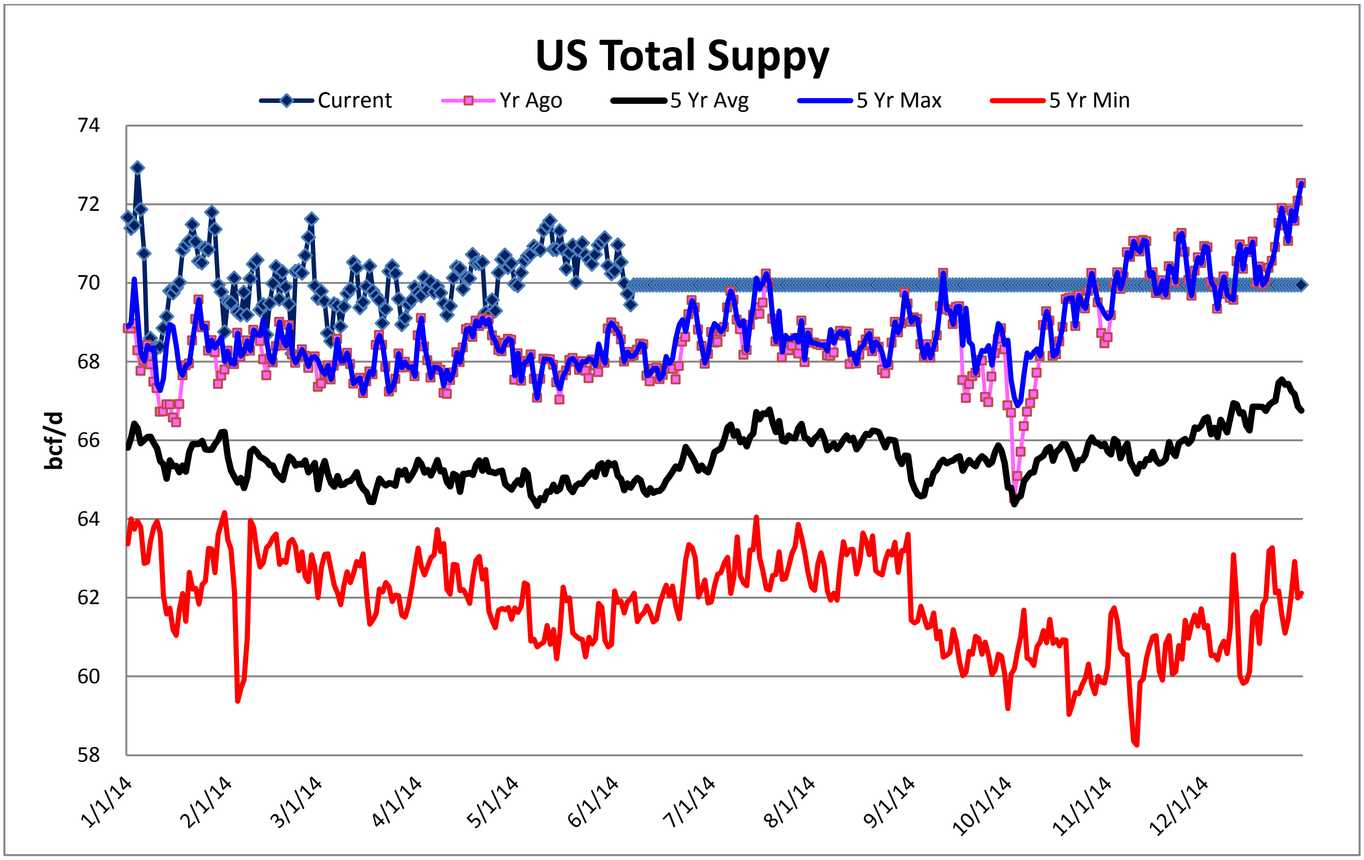
Feb-14
Apr-14
Jun-14



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
8-Aug
22-Aug
5-Sep
19-Sep
3-Oct
17-Oct
31-Oct
14-Nov
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
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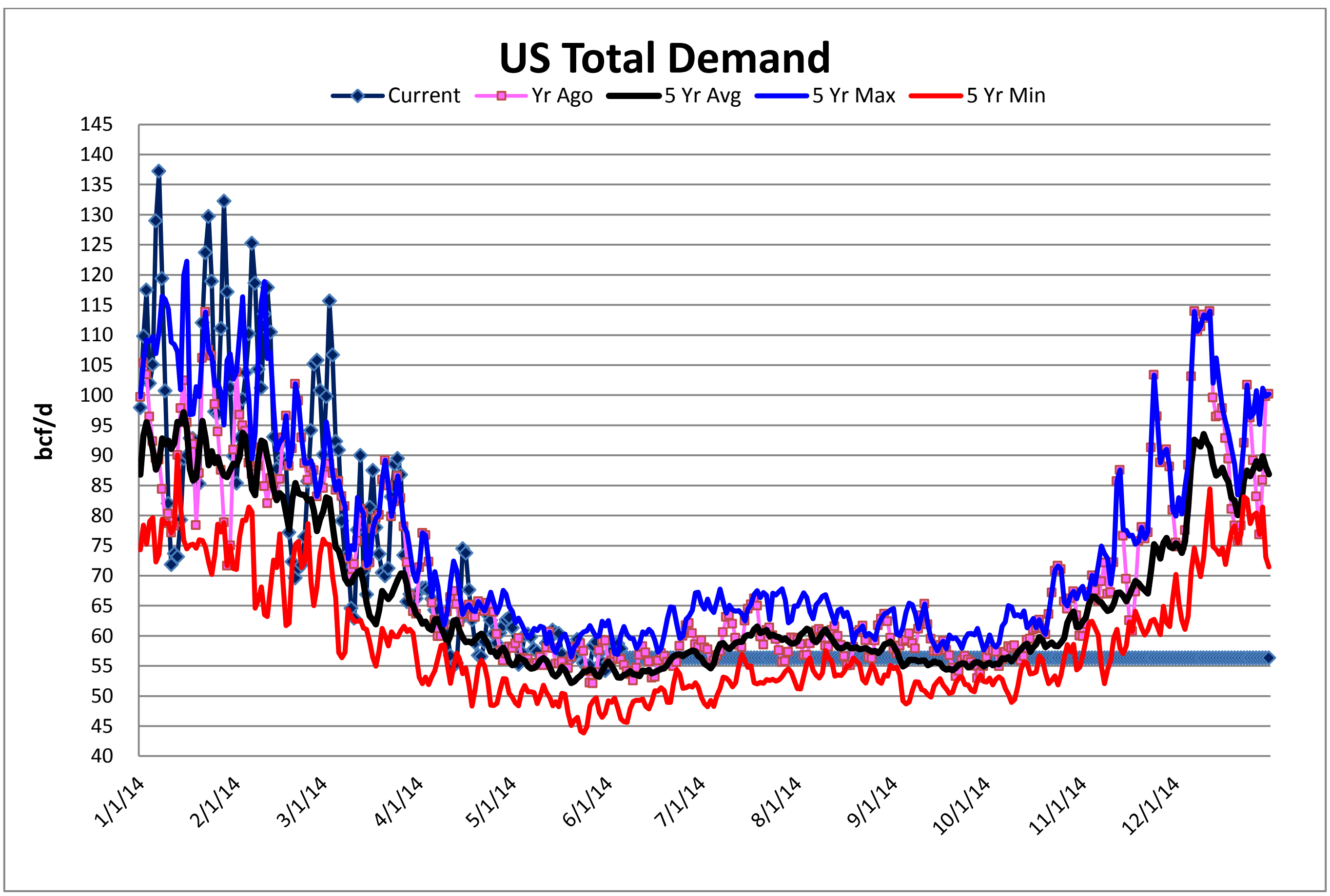
10/1/14
11/1/14
12/1/14



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
