

IAF Advisors  
Energy Market Outlook  
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**Price Action:** The July contract rose 2.9 cents (0.6%) to \$4.739 on a 28.9 cent range.

**Price Outlook:** The market continued higher for the 4th week in a row. However, that is misleading as prices forged a new low before catapulting higher to end the week. Thus, the market established both a new high and low during the week. Admittedly biased by use of the generic contract, the market has recorded both a new high and low 85 times since 2000, more than the just 66 times that neither has been established. The CFTC data revealed yet another drop in the speculative managed money net long position. It still remains above the December 10, 2013 level. Total open interest did rebound to 3.86 million as of June 10. CME futures rose to 1.06 million as of June 12.

**Weekly Storage:** US working gas storage for the week ending June 6 indicated a build of 107 bcf. Thus total working gas inventories rose to 1,606 bcf. Current inventories fall 741 bcf (31.6%) below last year and 869 bcf (35.1%) behind the 5 year average.

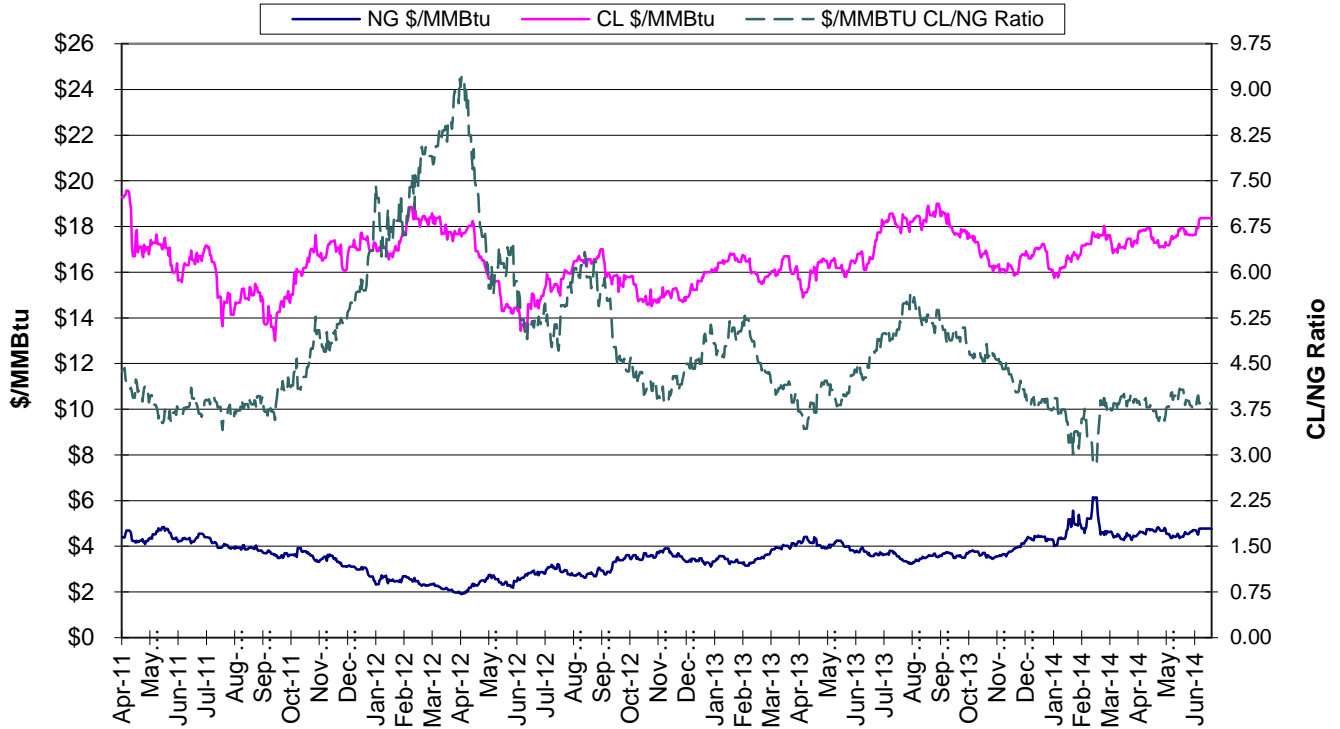
**Storage Outlook:** This week did establish a new 5 year weekly maximum while it failed to meet either of the comparisons to the 5 year average we use as storage injection metrics. For our storage injection metrics, the 5 year weekly maximum for the upcoming week is 114 bcf. An injection of 111 bcf is required to equal 131% of the 5 year average and an injection of 104 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. If weekly injections match the 5 year weekly maximum injection, inventories will rise to 3,484 bcf in early December. Injections must equal 131% of the 5 year average or exceed the 5 year average by 19 bcf per week to reach 3,400 bcf by early November.

**Supply Trends:** Total supply fell 0.5 bcf/d to 70.3 bcf/d. US production fell with Mexican exports higher. Canadian and LNG imports were unchanged. The US Baker Hughes rig count dropped 6 with oil activity higher while natural gas fell with the total count now at 1,854. The Canadian rig count rose 30 to 214. Thus, the total North American rig count rose 24 to 2,098 and now surpasses last year by 151. The higher efficiency US horizontal rig count fell 2 to 1,248 and stands 162 above last year.

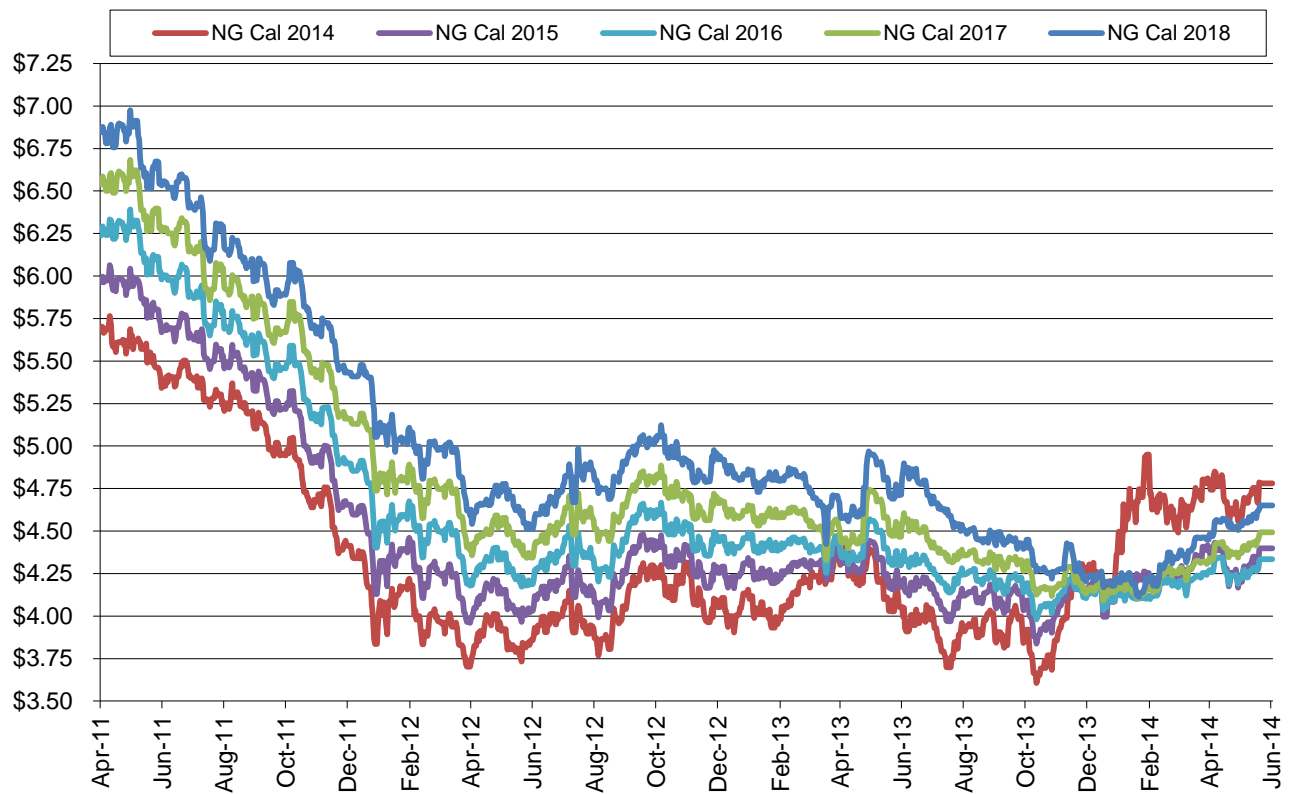
**Demand Trends:** Total demand rose 0.1 bcf/d to 56.9 bcf/d. Power demand rose while R&C and industrial demand fell. Electricity demand rose 4,898 gigawatt-hrs to 79,562, which exceeds last year by 3,472 (4.6%) and the 5 year average by 2,254 (2.9%). While total US supply growth remains restrained by net imports, temperature adjusted demand slipped rather substantially at the end of the week and that is a bearish factor in need of further analysis.

**Other Factors:** The S&P 500 slipped slightly after last week's surge as the situation in Iraq deteriorates.

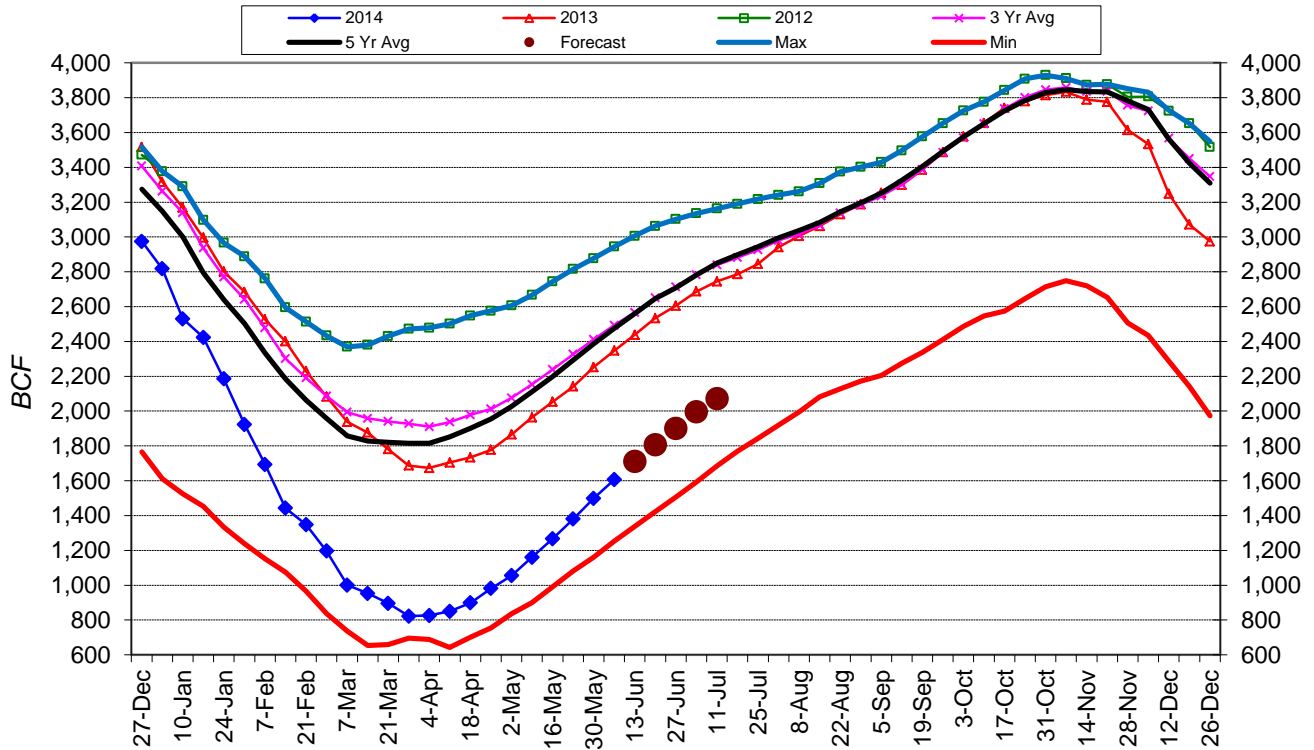
## \$/MMBtu Ratio of NYMEX CL and NG



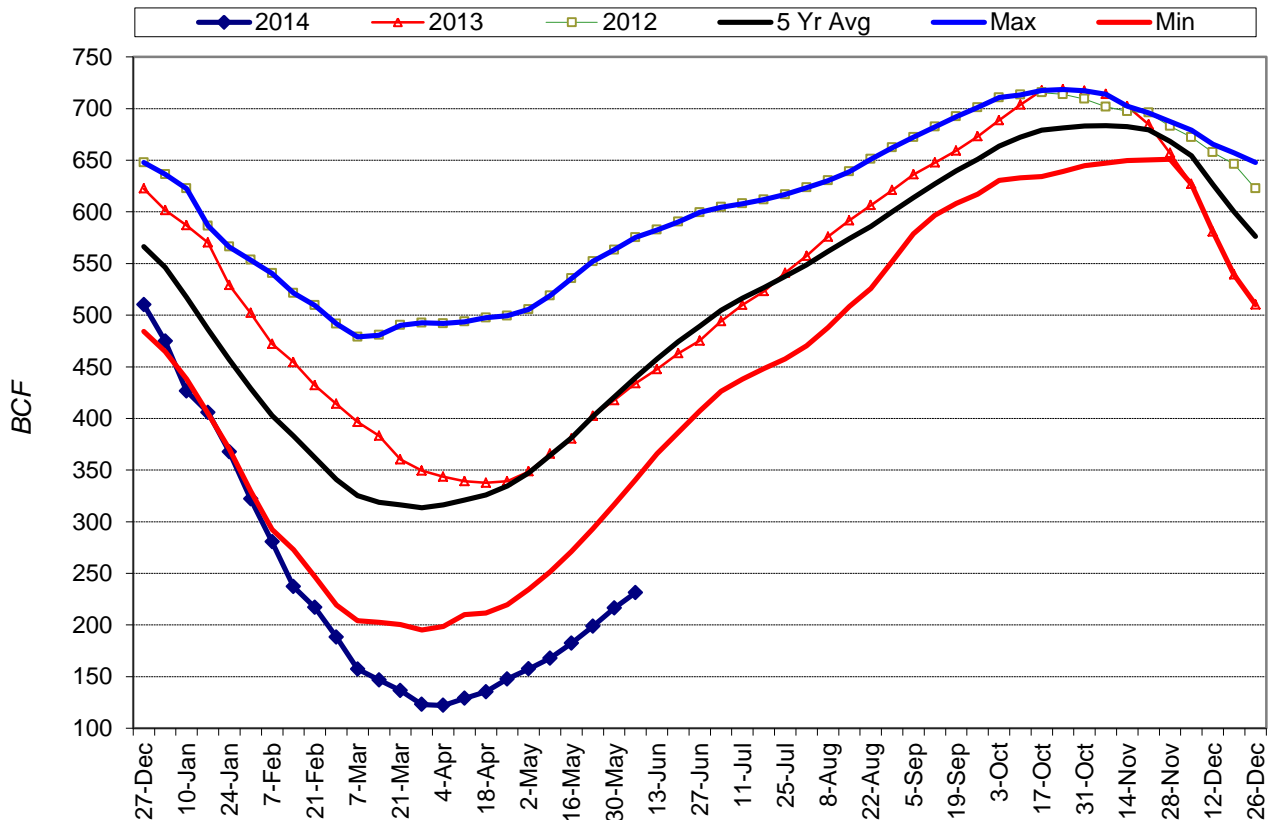
## NYMEX Calendar Strips



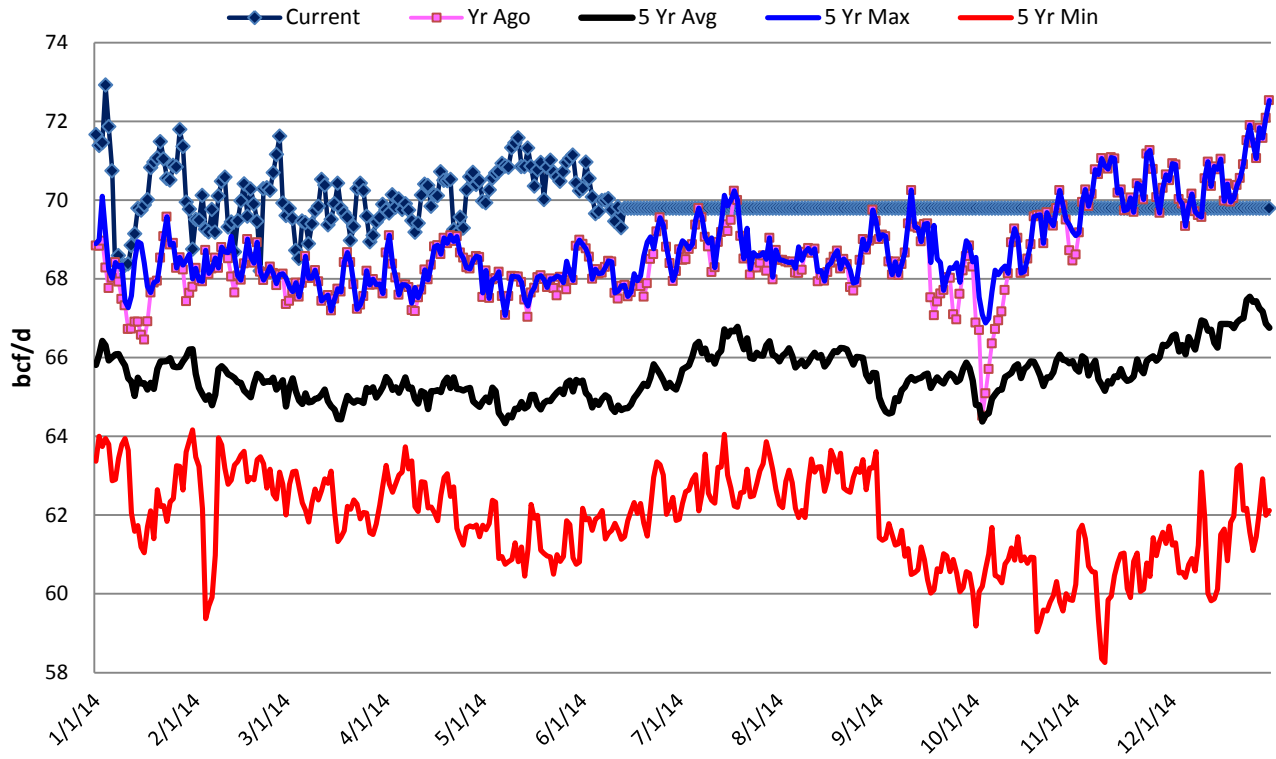
## US Working Gas Storage - Source - EIA



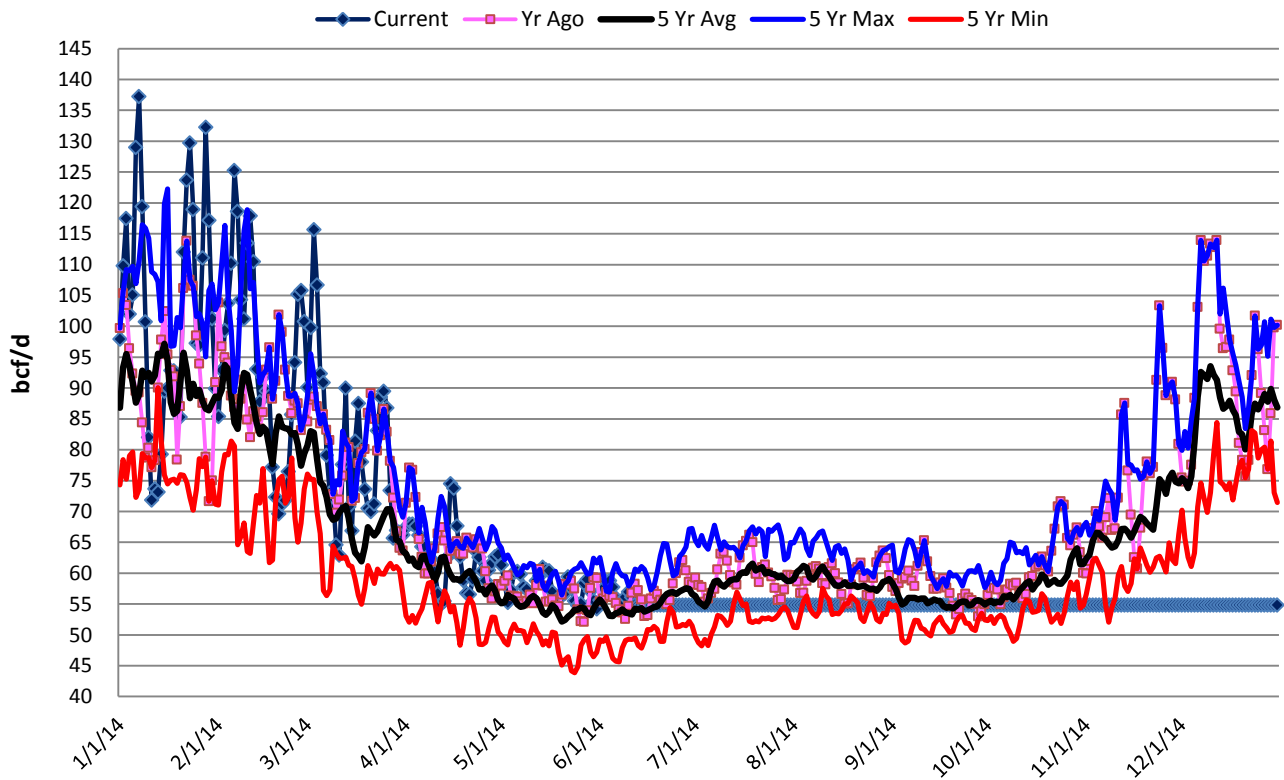
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



#### **ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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