

IAF Advisors
Energy Market Outlook
Kyle Cooper, (713) 722-7171, Kyle.Cooper@IAFAdvisors.com
June 27, 2014

Price Action: The August contract fell 14.3 cents (3.1%) to \$4.409 on a 23.3 cent range.

Price Outlook: The market easily established a new low as the EIA reported another large injection. With prices ending on a weak note and temperature forecasts indicating no extreme heat, the market is expected to make a new low this week, which requires a print of \$4.349. The CFTC data revealed a rather dramatic drop in the speculative managed money net long position to the lowest level since December 2013. Total open interest also fell to 3.95 million as of June 24. CME futures aggregated open interest fell to 1.04 million as of June 26. There is no bias from the CFTC data with the ability to easily add length or further weakness precipitating more selling.

Weekly Storage: US working gas storage for the week ending June 20 indicated a build of 110 bcf. Thus total working gas inventories rose to 1,829 bcf. Current inventories fall 704 bcf (27.8%) below last year and 816 bcf (30.9%) behind the 5 year average.

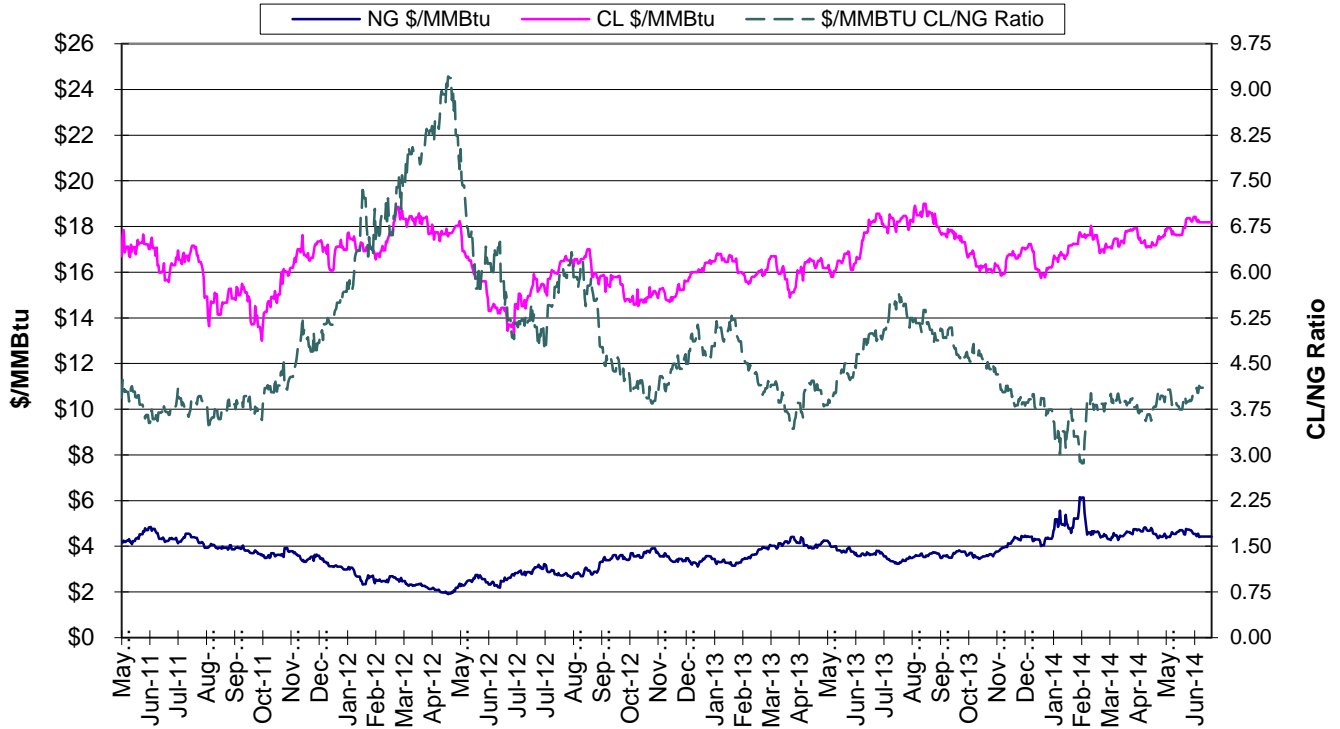
Storage Outlook: This week easily established a new record 5 year maximum and exceeded the 5 year average by the 19 bcf needed for a pace for inventories to reach 3,400 bcf in early November. The injection barely missed the 131% level of the 5 year average, which required a 112 bcf change. For our storage injection metrics, the 5 year weekly maximum for the upcoming week is 78 bcf. An injection of 84 bcf is required to equal 131% of the 5 year average and an injection of 83 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 3,495 bcf in early December.

Supply Trends: Total supply rose 0.6 bcf/d to 70.6 bcf/d. US production and Canadian imports rose with Mexican exports and LNG imports unchanged. The US Baker Hughes rig count rose 15 with both oil and natural gas activity higher with the total count now at 1,873. The Canadian rig count fell 29 to 236. Thus, the total North American rig count fell 14 to 2,109 and now surpasses last year by 155. The higher efficiency US horizontal rig count rose 13 to 1,263 and stands 196 above last year.

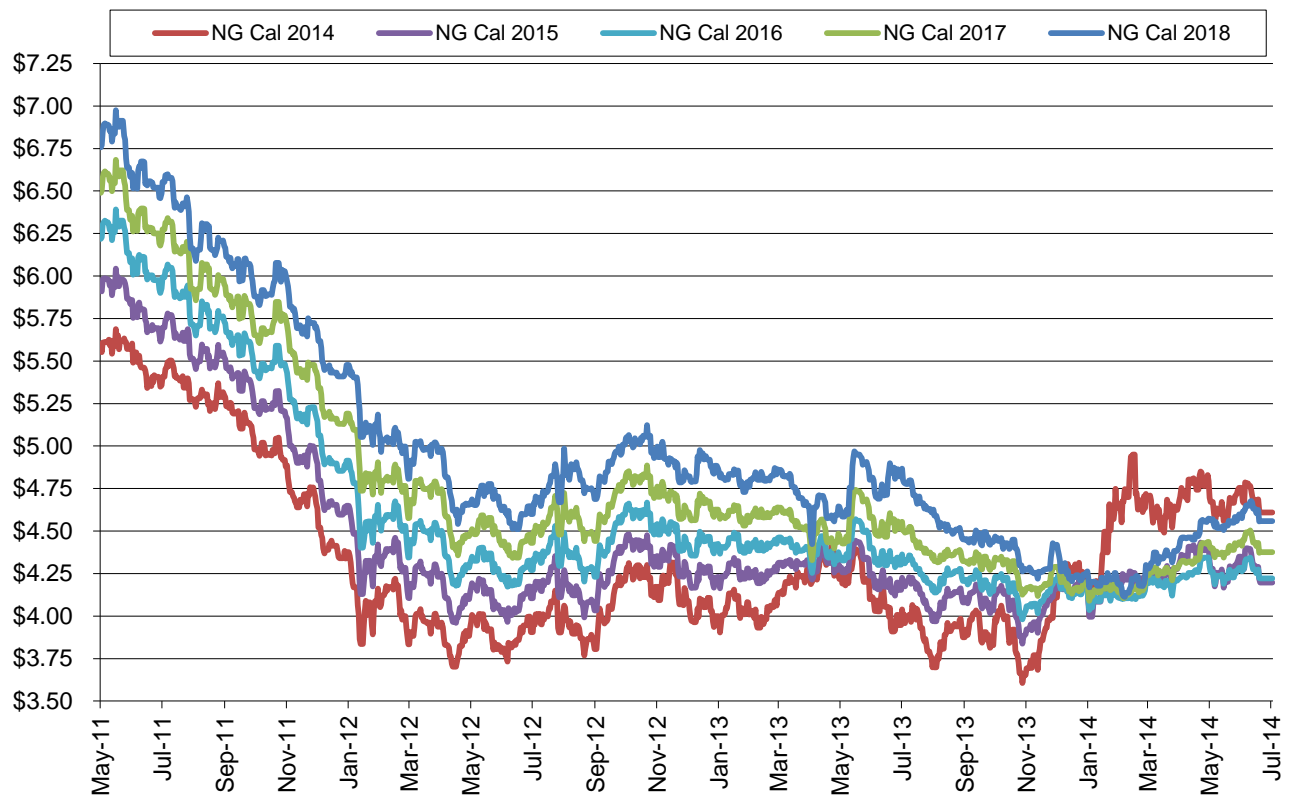
Demand Trends: Total demand rose 1.1 bcf/d to 55.6 bcf/d. Power and industrial demand rose with R&C barely lower. Electricity demand rose 5,532 gigawatt-hrs to 83,790, which surpasses last year by 2,095 (2.6%) and the 5 year average by 766 (0.9%).

Other Factors: The EIA will release their monthly natural gas report and US production will again be a focal point that will likely generate a headline reaction. The S&P 500 remains near all-time highs.

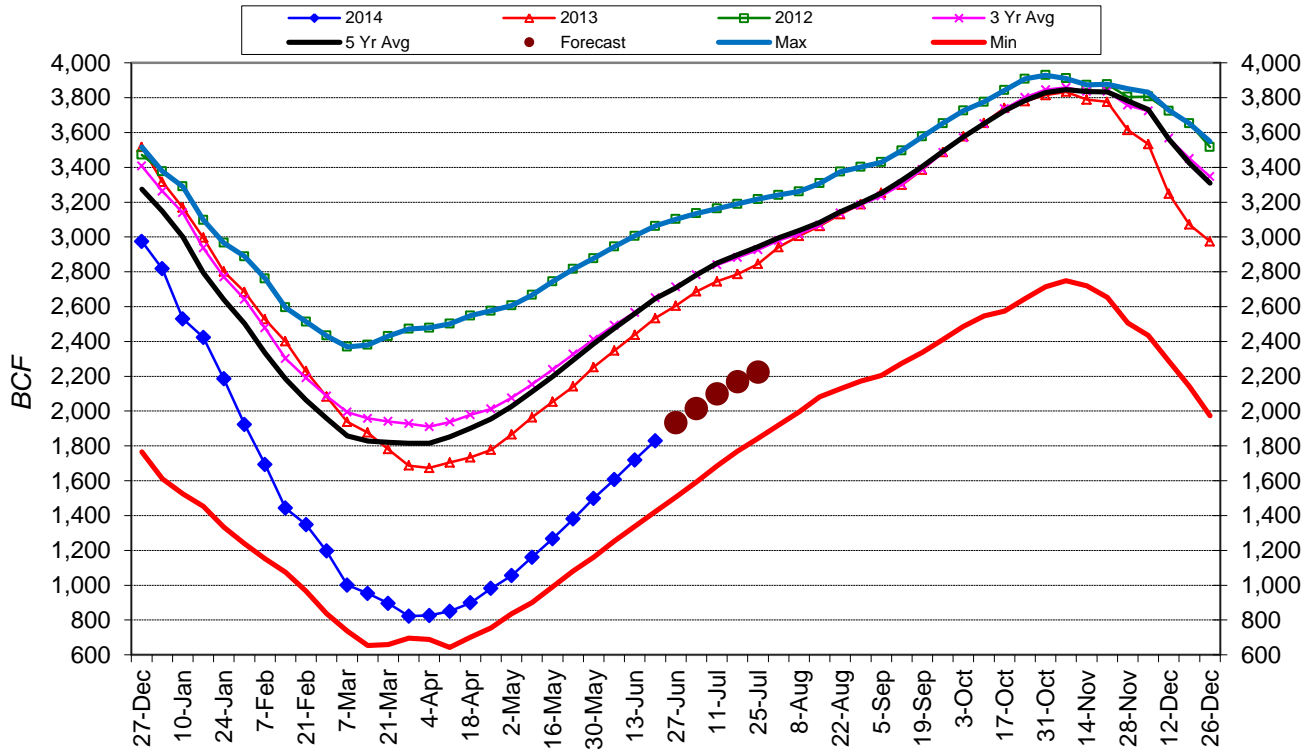
\$/MMBtu Ratio of NYMEX CL and NG



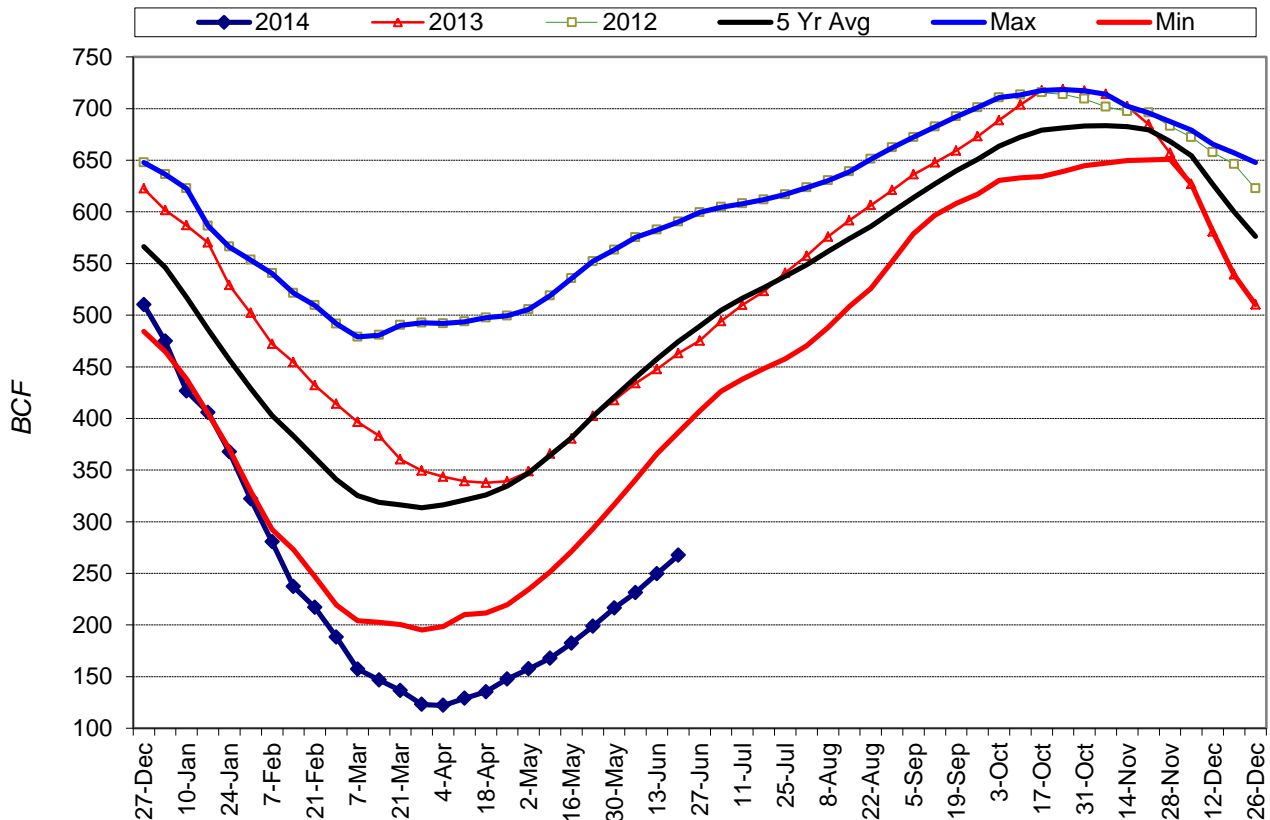
NYMEX Calendar Strips



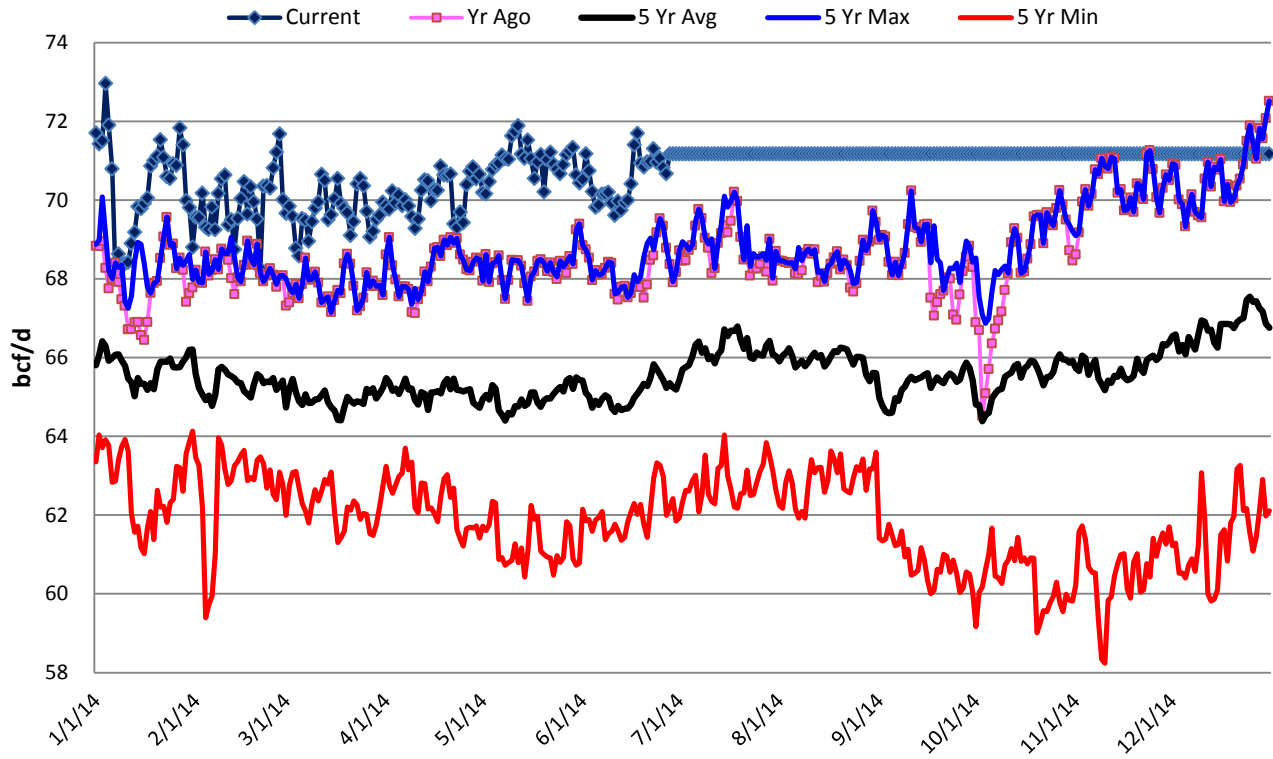
US Working Gas Storage - Source - EIA



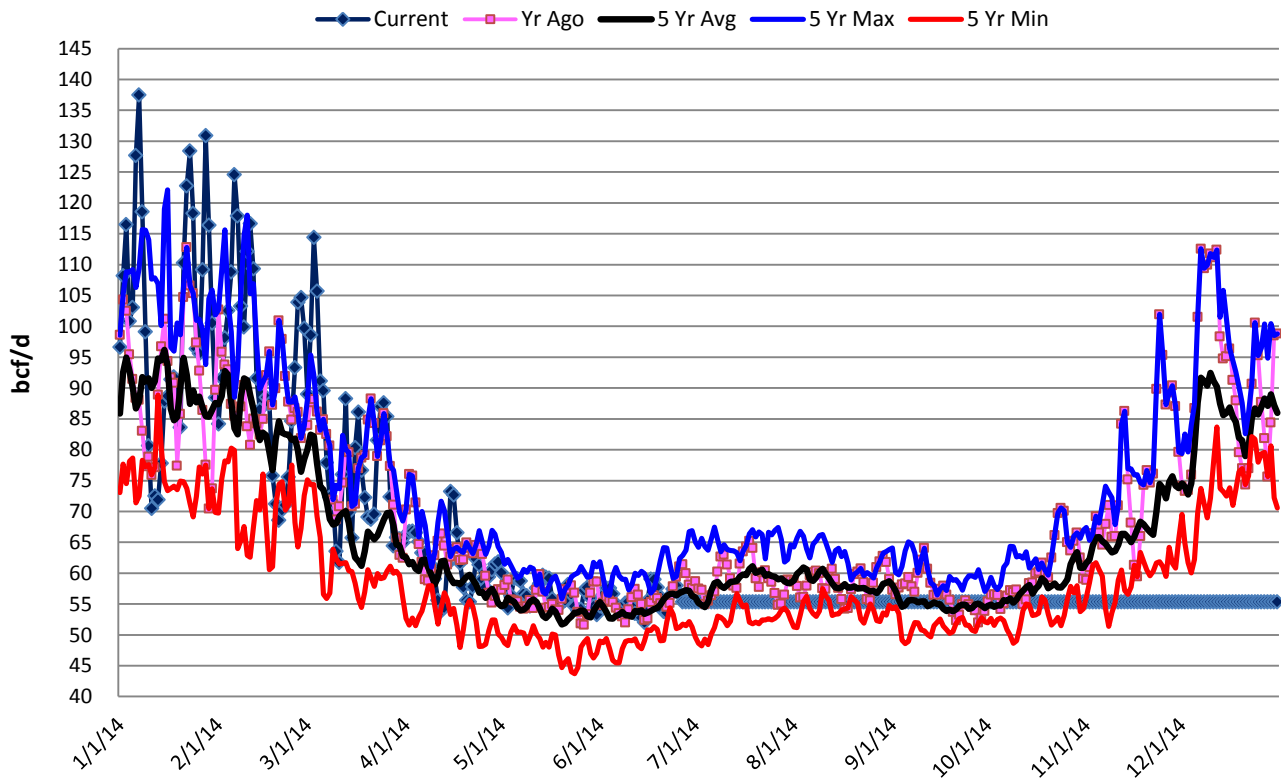
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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