

IAF Advisors
Energy Market Outlook
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Price Action: The August contract fell 0.3 cents (0.1%) to \$4.406 on a 16.4 cent range.

Price Outlook: Despite the narrow range, the market did establish a new low as the EIA reported another triple digit injection. However, this was likely the last triple digit injection until September and although prices ended near the previous weekly low, there is a slight bias to establishing a new high and it is considered possible, if not likely, that both a new high and low are posted this week. The CFTC data revealed another substantial drop in the speculative managed money net long position to the lowest level since December 2013. Total open interest also fell to 3.84 million as of July 1. CME futures aggregated open interest was barely lower at 1.04 million as of July 2. There remains no bias from the CFTC data with the ability to easily add length or further weakness precipitating more selling. However, bearish sentiment and liquidation of the still sizable speculative net long position could pressure prices lower.

Weekly Storage: US working gas storage for the week ending June 27 indicated a build of 100 bcf. Thus total working gas inventories rose to 1,929 bcf. Current inventories fall 676 bcf (26.0%) below last year and 780 bcf (28.8%) behind the 5 year average.

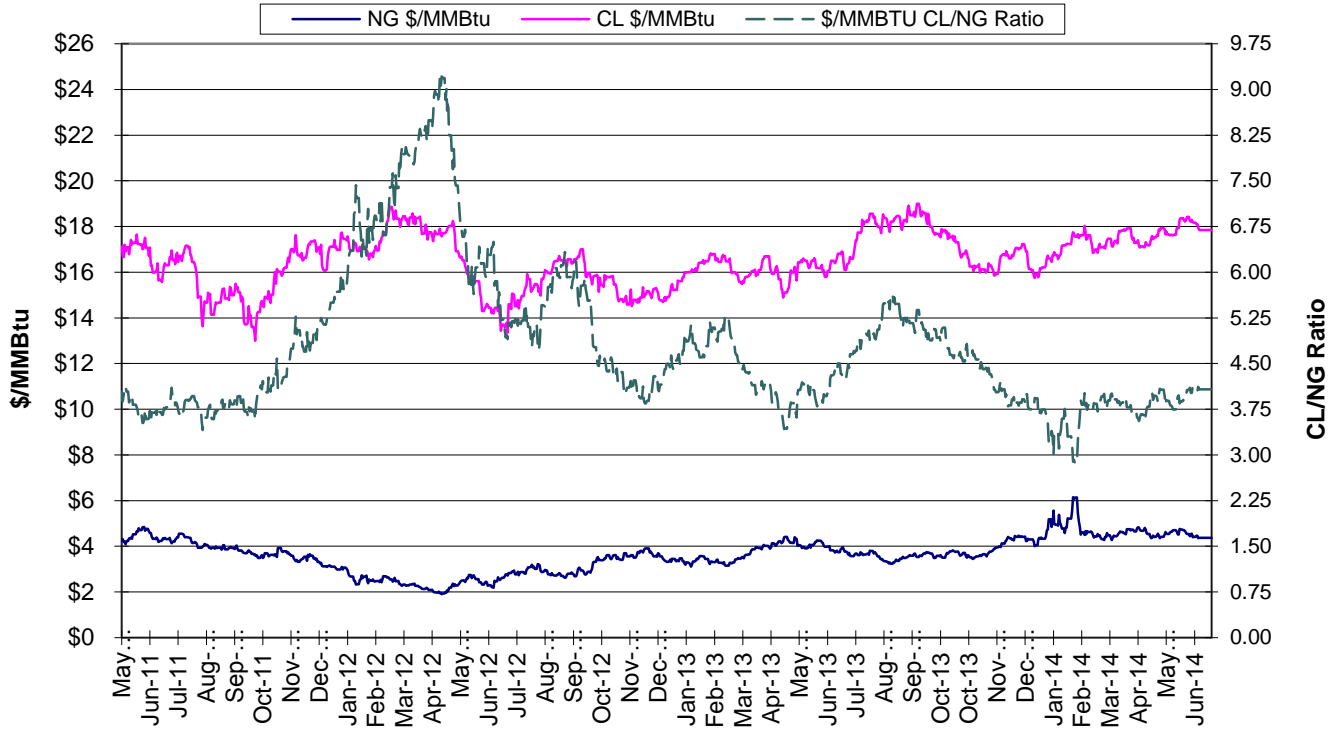
Storage Outlook: This week again easily established a new record 5 year maximum and exceeded the 5 year average by more than the 19 bcf needed for a pace for inventories to reach 3,400 bcf in early November. The injection also exceeded the 131% level of the 5 year average, which required an 83 bcf change. For our storage injection metrics, the 5 year weekly maximum for the upcoming week is 95 bcf. An injection of 94 bcf is required to equal 130% of the 5 year average and an injection of 90 bcf is needed to exceed the 5 year average by 18 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 3,517 bcf in early December.

Supply Trends: Total supply rose 0.4 bcf/d to 71.0 bcf/d. US production rose with Canadian, LNG imports and Mexican exports unchanged. The US Baker Hughes rig count rose 1 with oil activity higher and natural gas lower with the total count now at 1,874. The Canadian rig count rose 73 to 236. Thus, the total North American rig count rose 74 to 2,183 and now surpasses last year by 212. The higher efficiency US horizontal rig count rose 5 to 1,268 and stands 200 above last year. The EIA indicated a further surge in lower 48 dry gas production to 68.42 bcf/d in April. This was clearly the headline and US E&P companies continue to deliver ever increasing volumes through application of advanced technology.

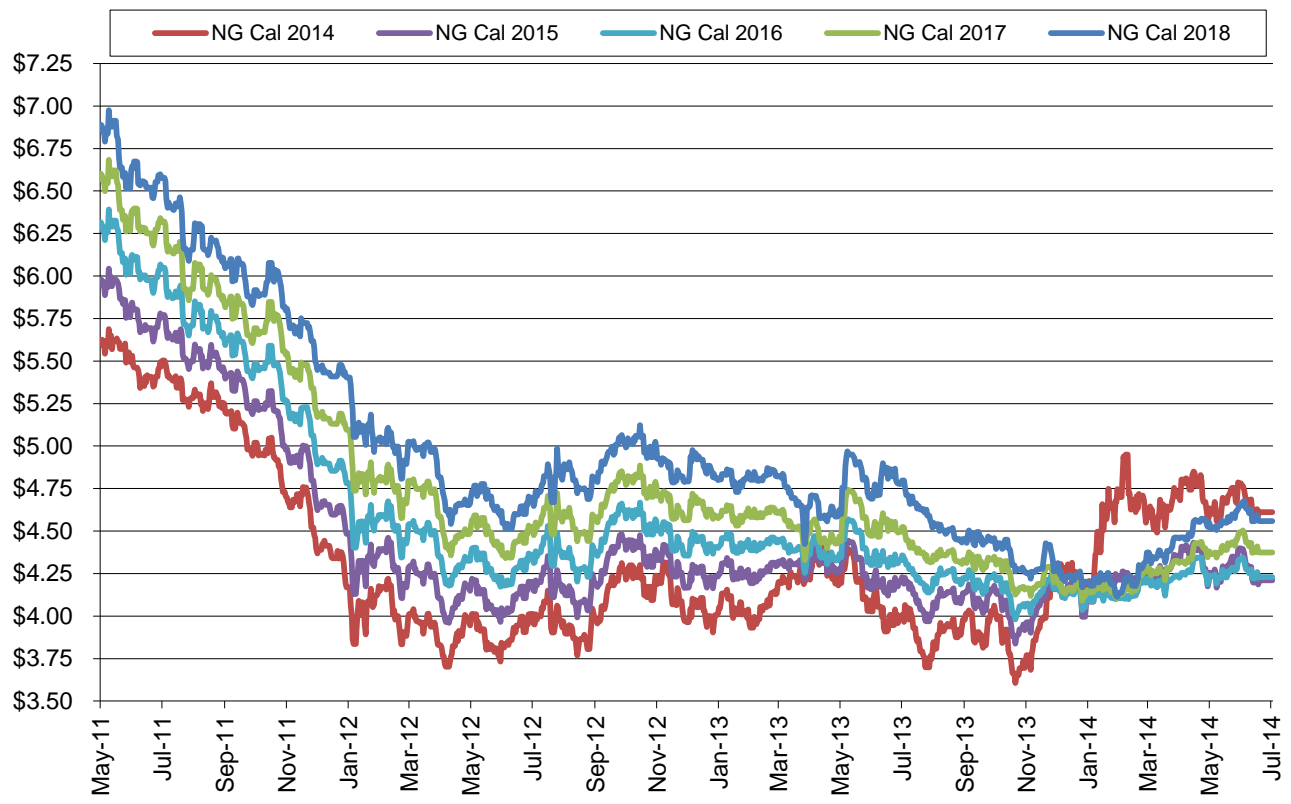
Demand Trends: Total demand rose 0.3 bcf/d to 55.9 bcf/d. Power and industrial demand rose with R&C lower. Electricity demand fell 401 gigawatt-hrs to 83,389, which trails last year by 4,842 (5.5%) and the 5 year average by 4,144 (4.7%).

Other Factors: The S&P 500 surged to yet another new high.

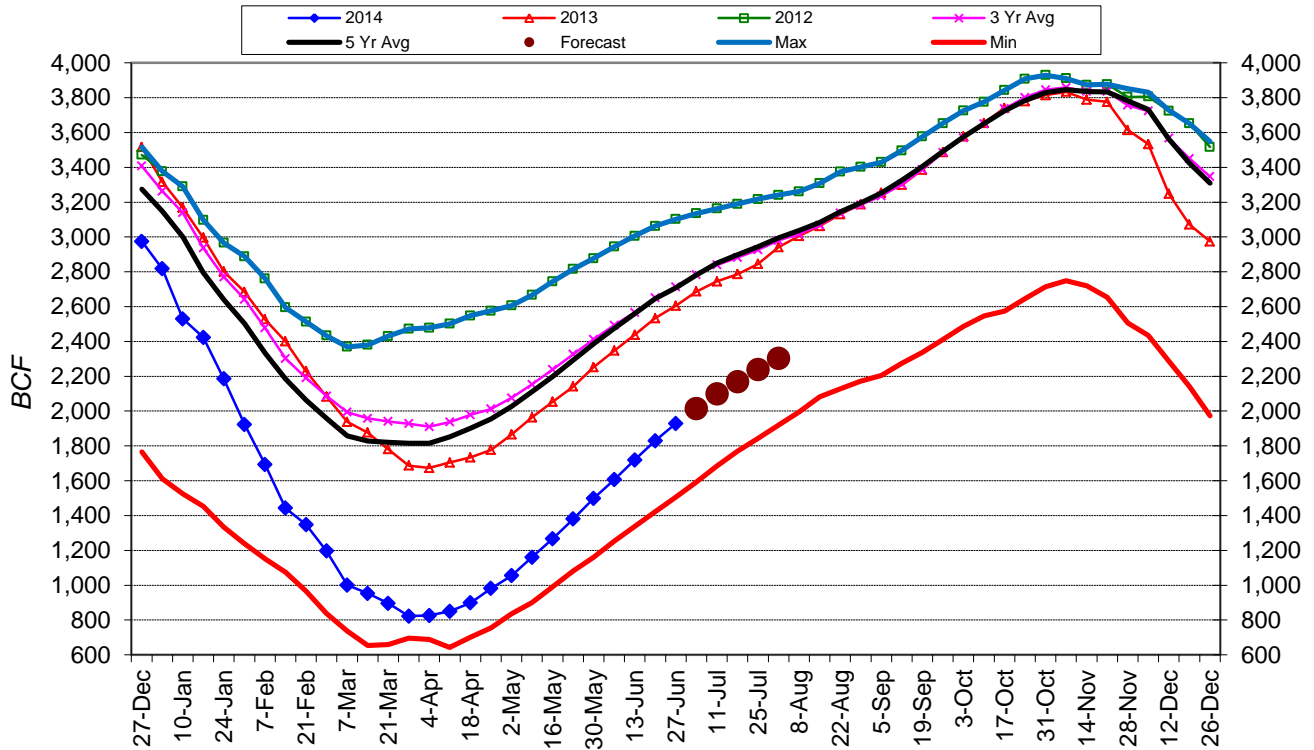
\$/MMBtu Ratio of NYMEX CL and NG



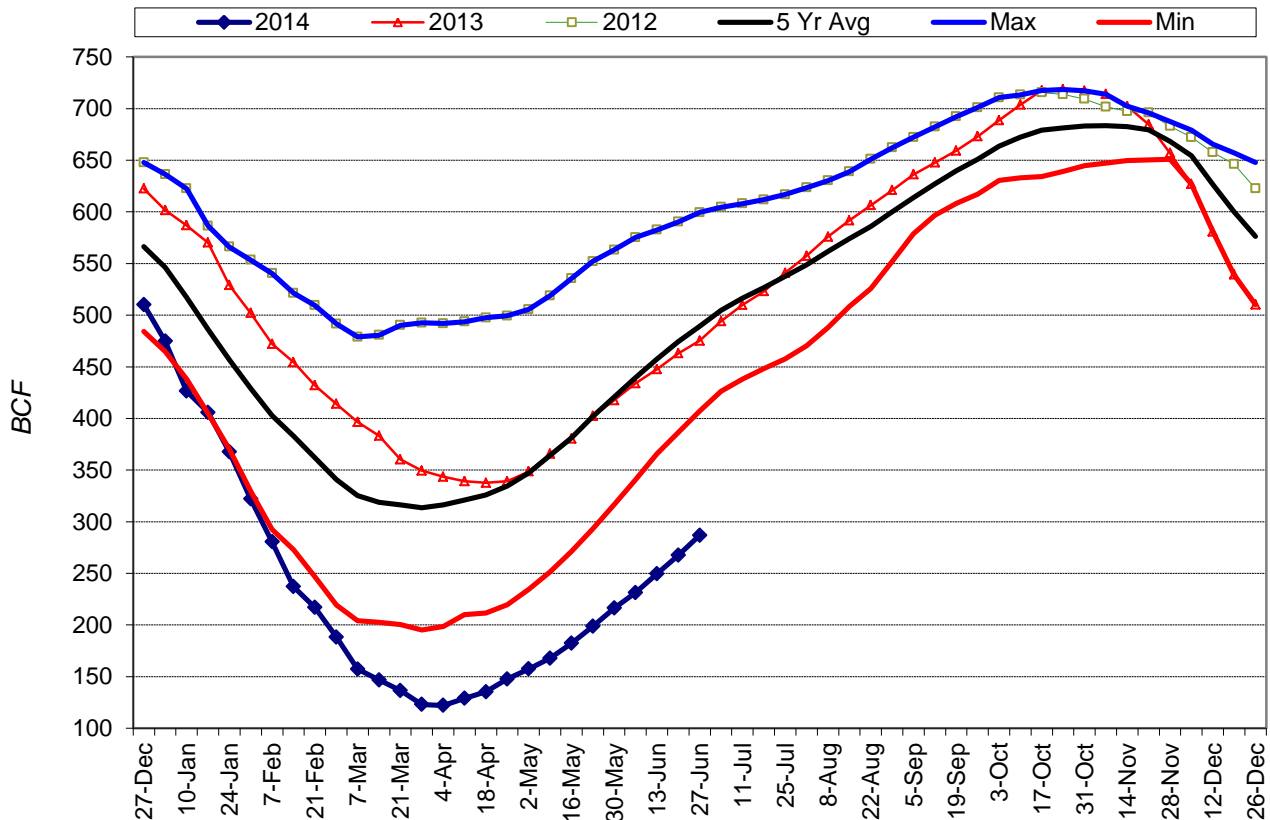
NYMEX Calendar Strips



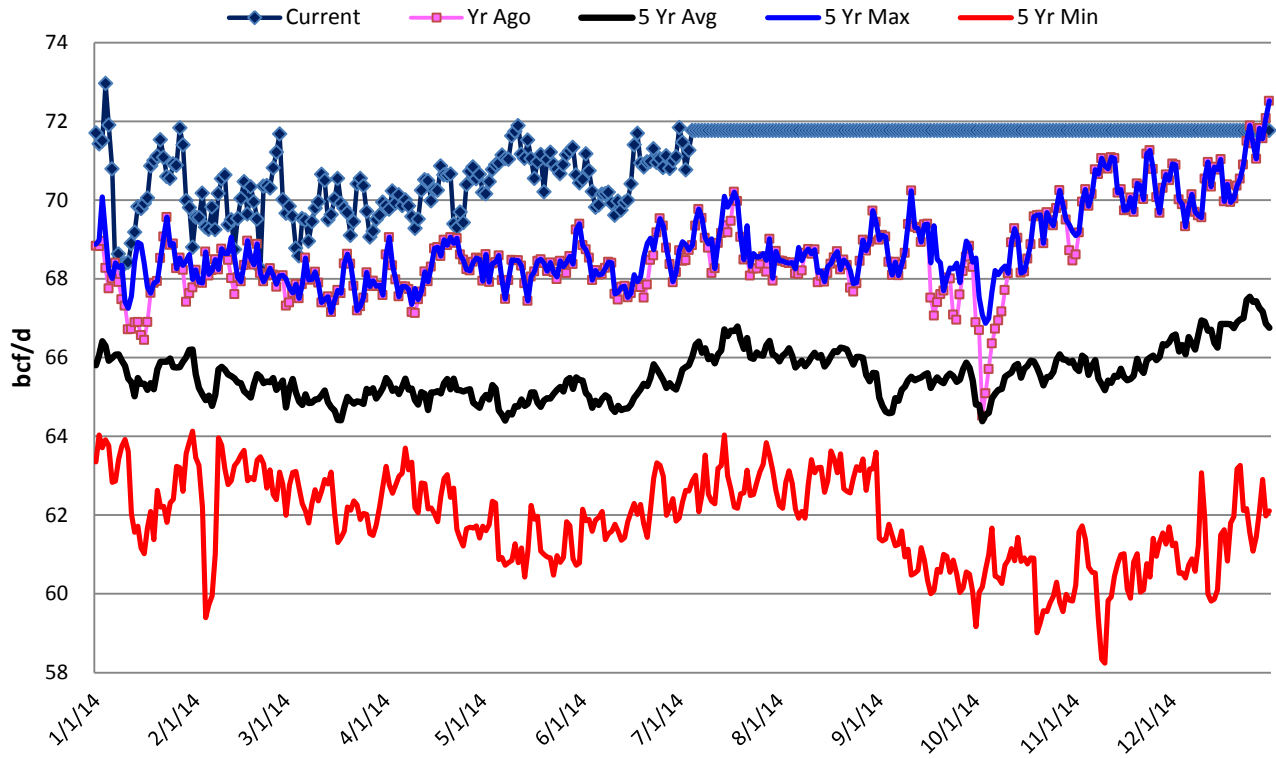
US Working Gas Storage - Source - EIA



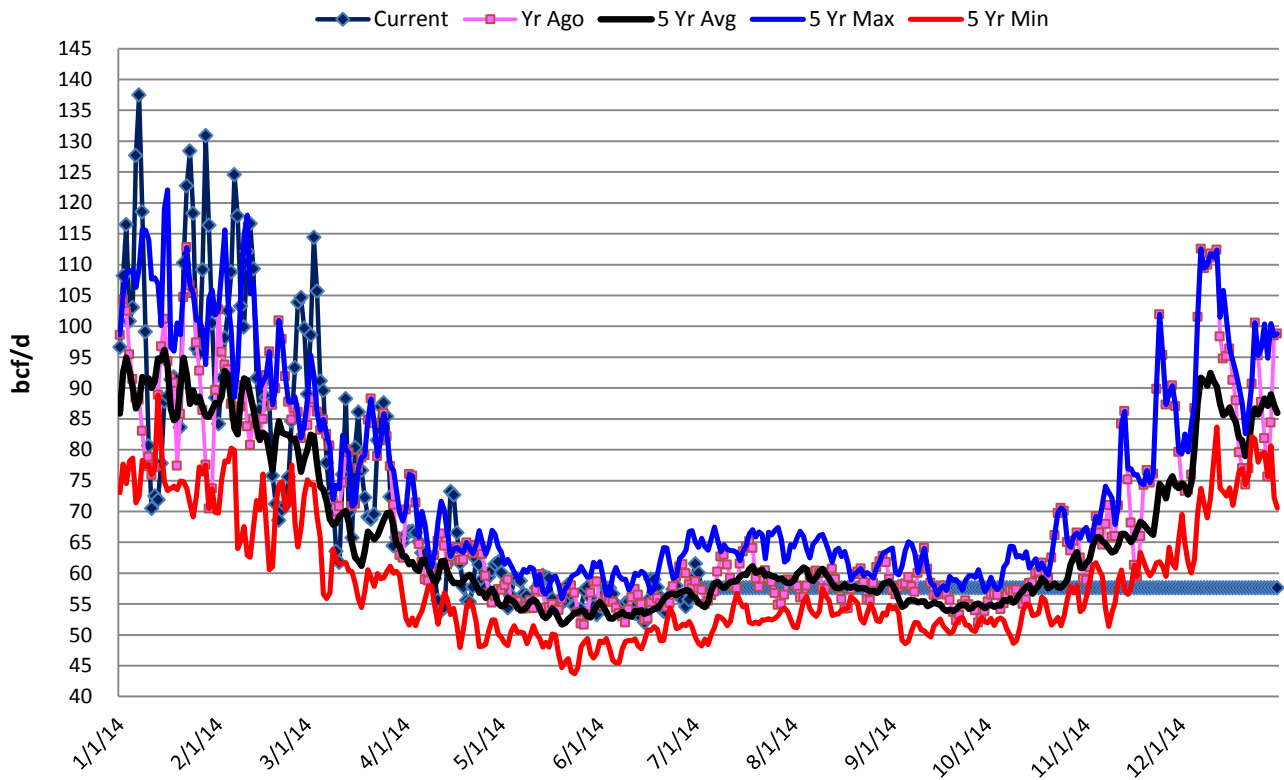
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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