

IAF Advisors
Energy Market Outlook
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July 18, 2014

Price Action: The August contract fell 19.5 cents (4.7%) to \$3.951 on a 23.9 cent range.

Price Outlook: The market easily established a new low as the EIA again reported an injection well above consensus and weather forecasts remain moderate. This is the lowest weekly settle for a spot month contract since November 22, 2013. Although the market is now down almost \$1 since the June 16 \$4.886 high, temperatures remain moderate and temperatures will begin to fall from the currently moderate levels in coming weeks. The market has fallen 4 consecutive weeks. Since 2000, the market has fallen exactly 4 weeks in a row 35 times. There have been 18 instances where the market fell 5 weeks in a row. The record down streak was 9 weeks in a row in 2008, directly after the record 14 weeks higher. The CFTC data revealed a continued liquidation in the speculative managed money net long position while it still remains above the early December 2013 level. Total open interest actually rose to 3.91 million as of July 15. CME futures aggregated open interest dropped to 1.02 million as of July 17. 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 now reduced speculative net long position could pressure prices lower.

Weekly Storage: US working gas storage for the week ending July 11 indicated a build of 107 bcf. Thus total working gas inventories rose to 2,129 bcf. Current inventories fall 616 bcf (22.4%) below last year and 720 bcf (25.3%) behind the 5 year average.

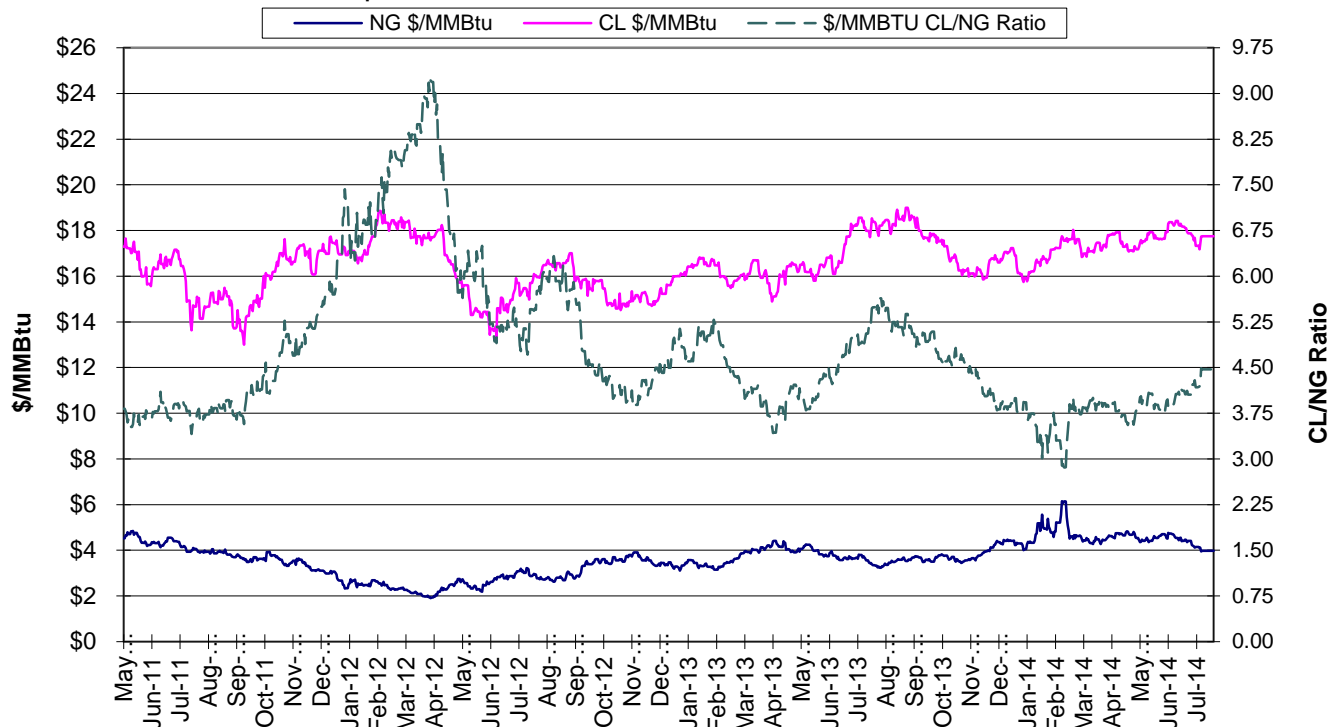
Storage Outlook: This week easily exceeded all our storage injection metrics and is likely to do so again next week. We have increased our early November target to 3,450 bcf as this is now more realistic considering the moderate weather forecasts. For our updated storage injection metrics, the 5 year weekly maximum for the upcoming week is 66 bcf. An injection of 65 bcf is required to equal 133% of the 5 year average and an injection of 68 bcf is needed to exceed the 5 year average by 19 bcf to put inventories on pace to reach 3,450 bcf in early November. If weekly injections match the 5 year weekly maximum injection, inventories will rise to 3,532 bcf in early December.

Supply Trends: Total supply slipped 0.4 bcf/d to 70.7 bcf/d. US production and Canadian imports fell with LNG imports unchanged. Mexican exports rose. The US Baker Hughes rig count slipped 4 with oil activity lower and natural gas higher with the total count now at 1,871. The Canadian rig count rose 66 to 381. Thus, the total North American rig count rose 62 to 2,252 and now surpasses last year by 158. The higher efficiency US horizontal rig count rose 12 to 1,288 and stands 230 above last year. The US E&P companies will begin releasing Q2 results in the coming weeks and they will be analyzed closely.

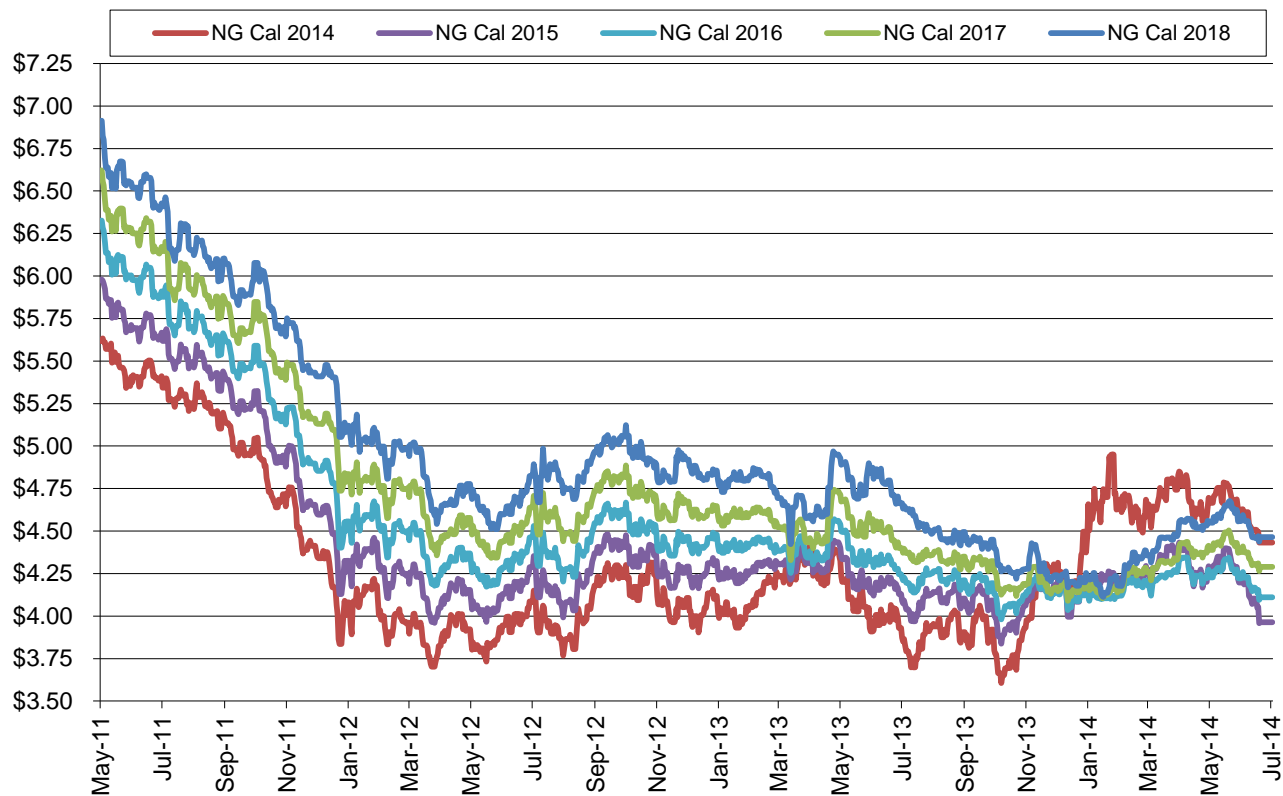
Demand Trends: Total demand fell 1.4 bcf/d to 56.5 bcf/d. Power demand fell with R&C and industrial higher. Electricity demand rose 3,131 gigawatt-hrs to 86,743, which trails last year by 2,814 (3.1%) while trailing the 5 year average by 388 (0.4%).

Other Factors: The S&P 500 rebounded and is near the early July record.

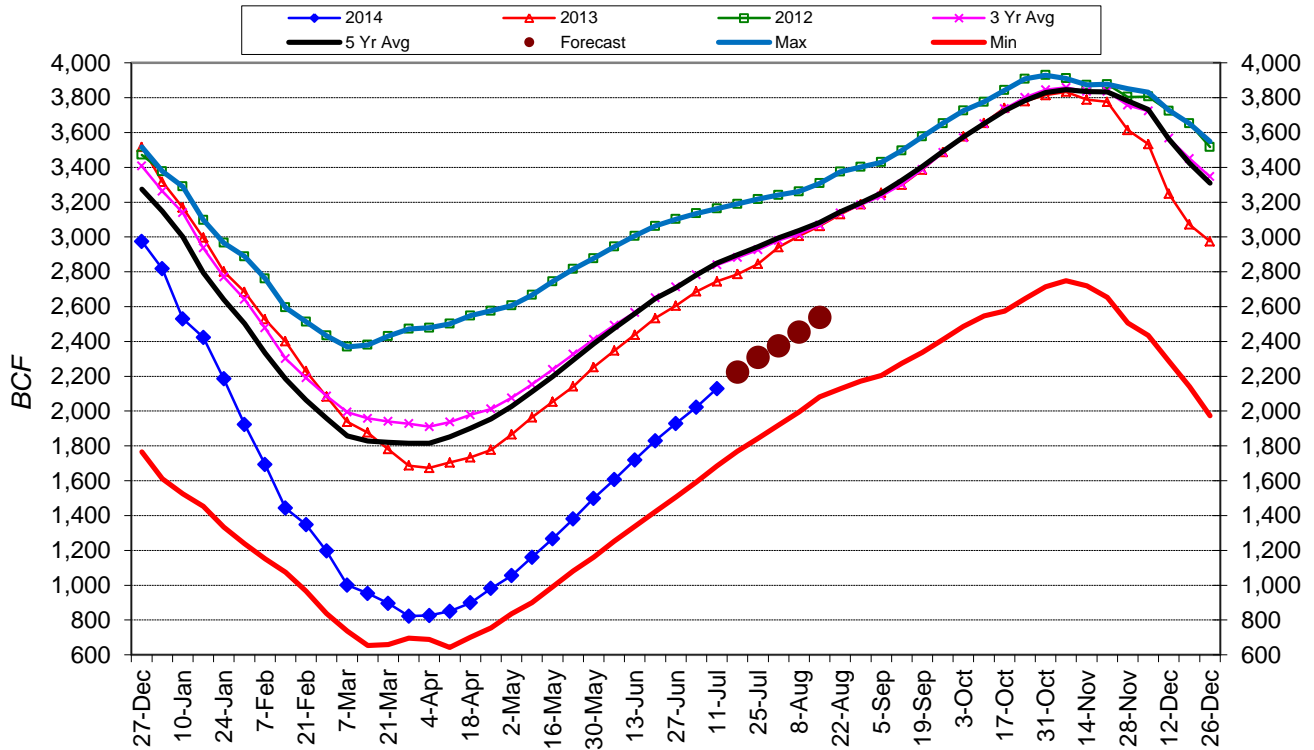
\$/MMBtu Ratio of NYMEX CL and NG



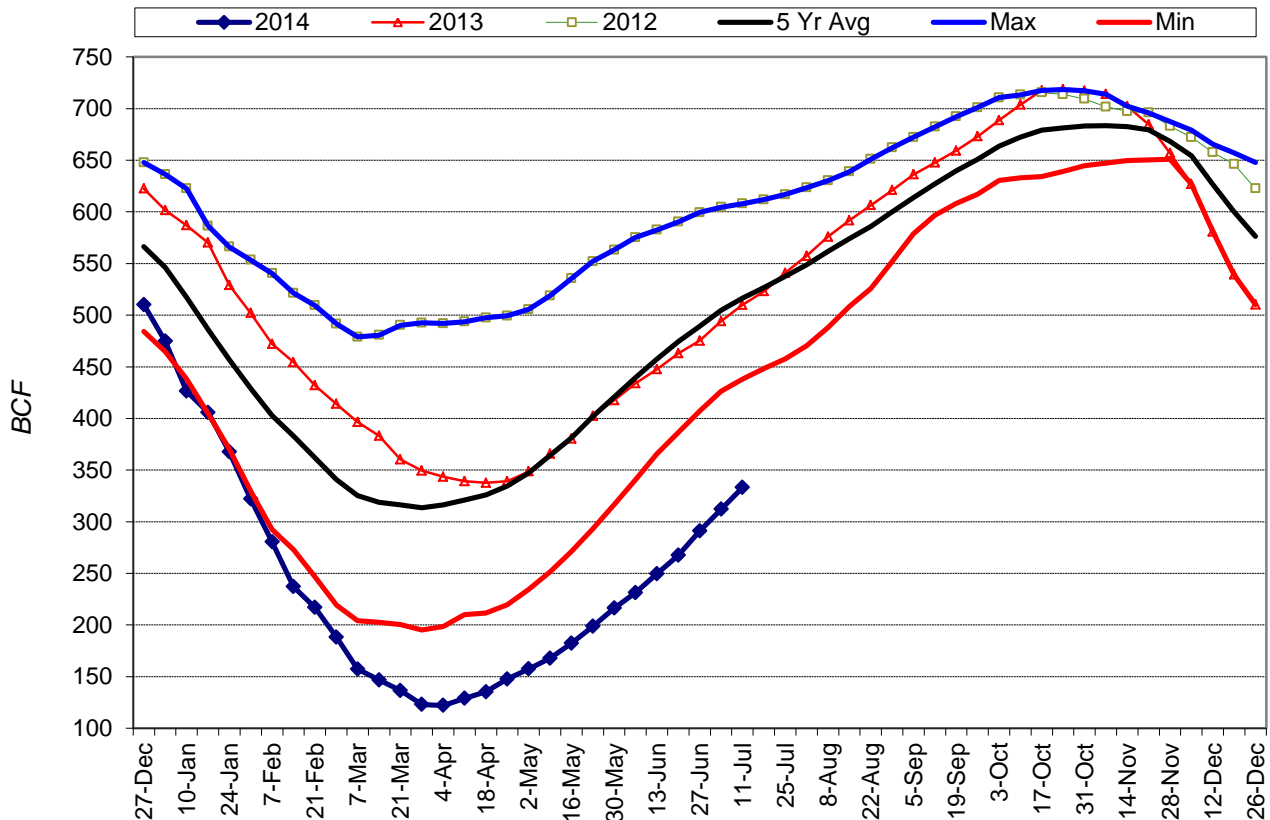
NYMEX Calendar Strips



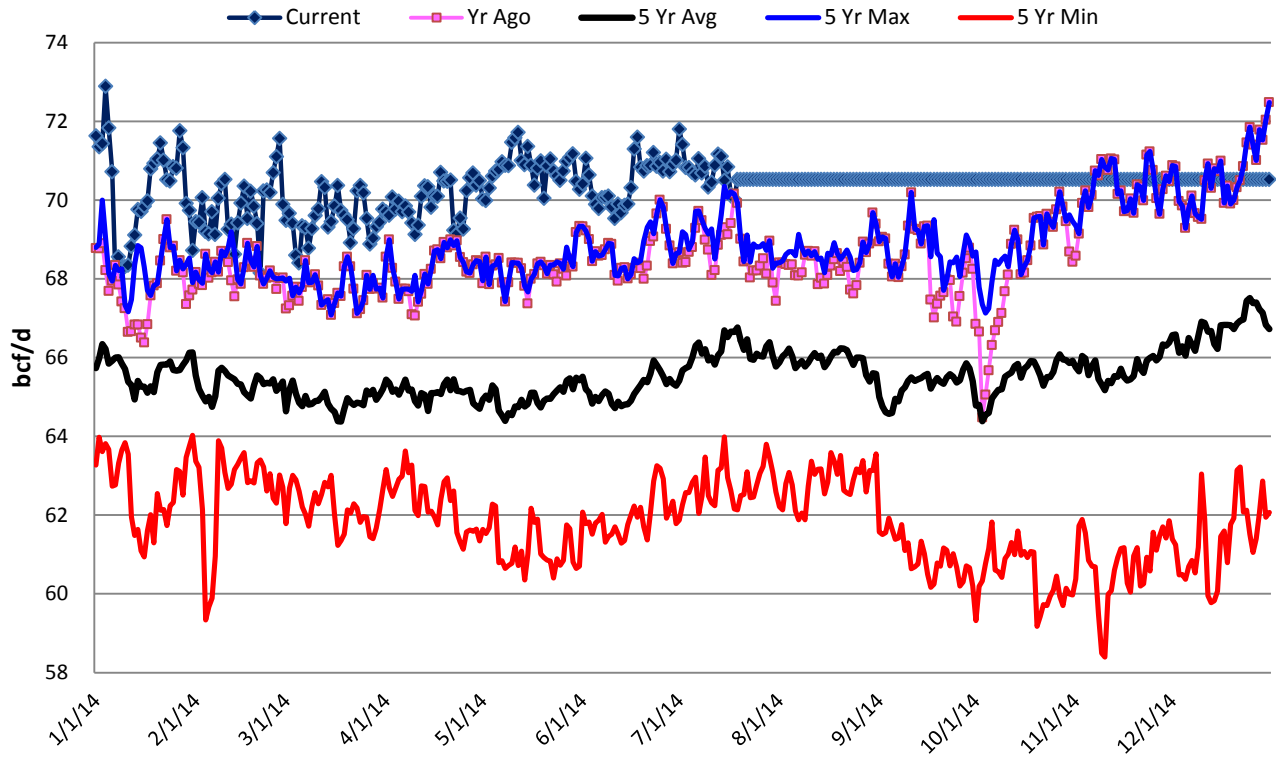
US Working Gas Storage - Source - EIA



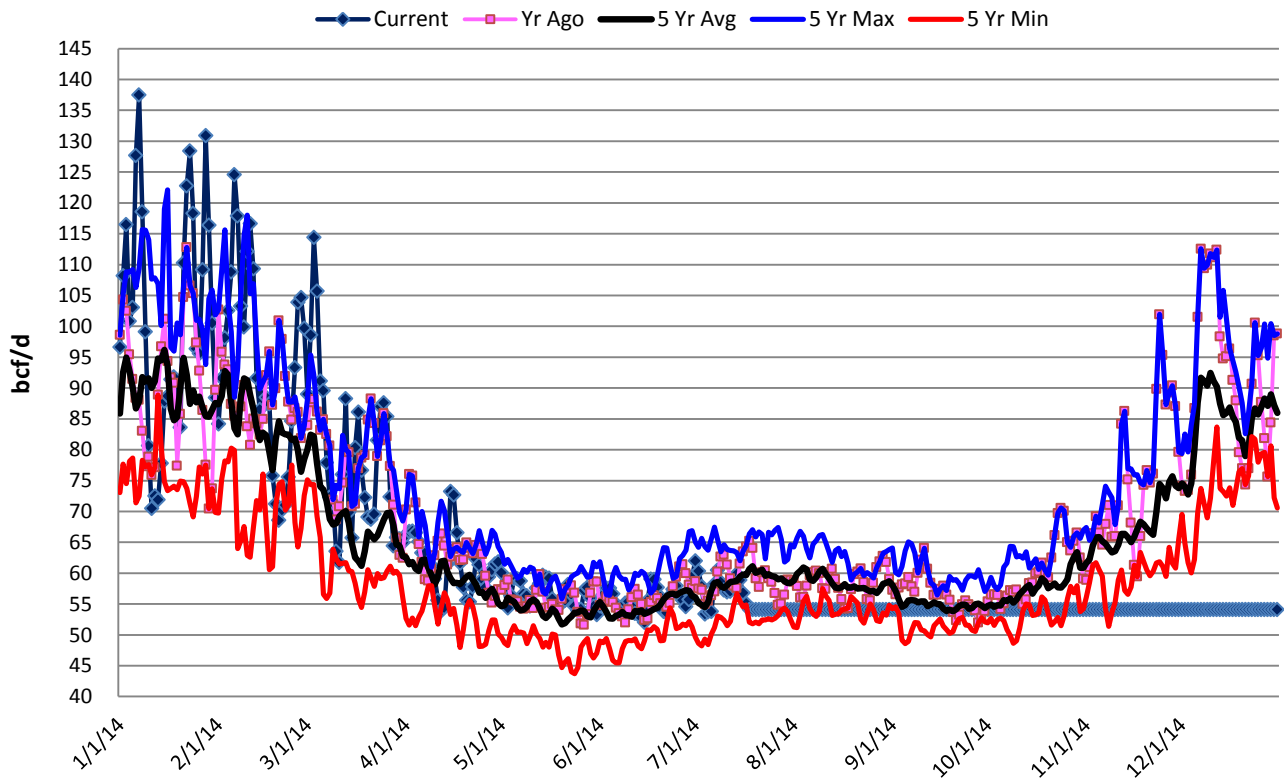
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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