

IAF Advisors  
Energy Market Outlook  
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**Price Action:** The September contract rose 1.1 cents (0.3%) to \$3.798 on a 16.5 cent range.

**Price Outlook:** The market again established a new low. The market is clearly extended with a new low for 6 consecutive weeks. The fundamentals do appear to be improving slightly and thus this week may break the down streak. Still with temperatures moderating and demand likely to fall, a sustained rally is not expected. Since 2000, the market has fallen exactly 6 weeks in a row 10 times. There have been 8 instances where the market fell 7 weeks in a row. The CFTC data continues to show a reduction in the speculative managed money net long position, although at a slowing pace. It still remains barely above the early December 2013 level. Total open interest fell to 3.85 million as of July 29. CME futures aggregated open interest fell to 970,000 million as of July 31. Continued liquidation could continue to pressure prices lower. However, the market is extended and a rebound is possible, even if not fundamentally warranted.

**Weekly Storage:** US working gas storage for the week ending July 25 indicated a build of 88 bcf. Thus total working gas inventories rose to 2,307 bcf. Current inventories fall 538 bcf (18.9%) below last year and 637 bcf (21.6%) behind the 5 year average.

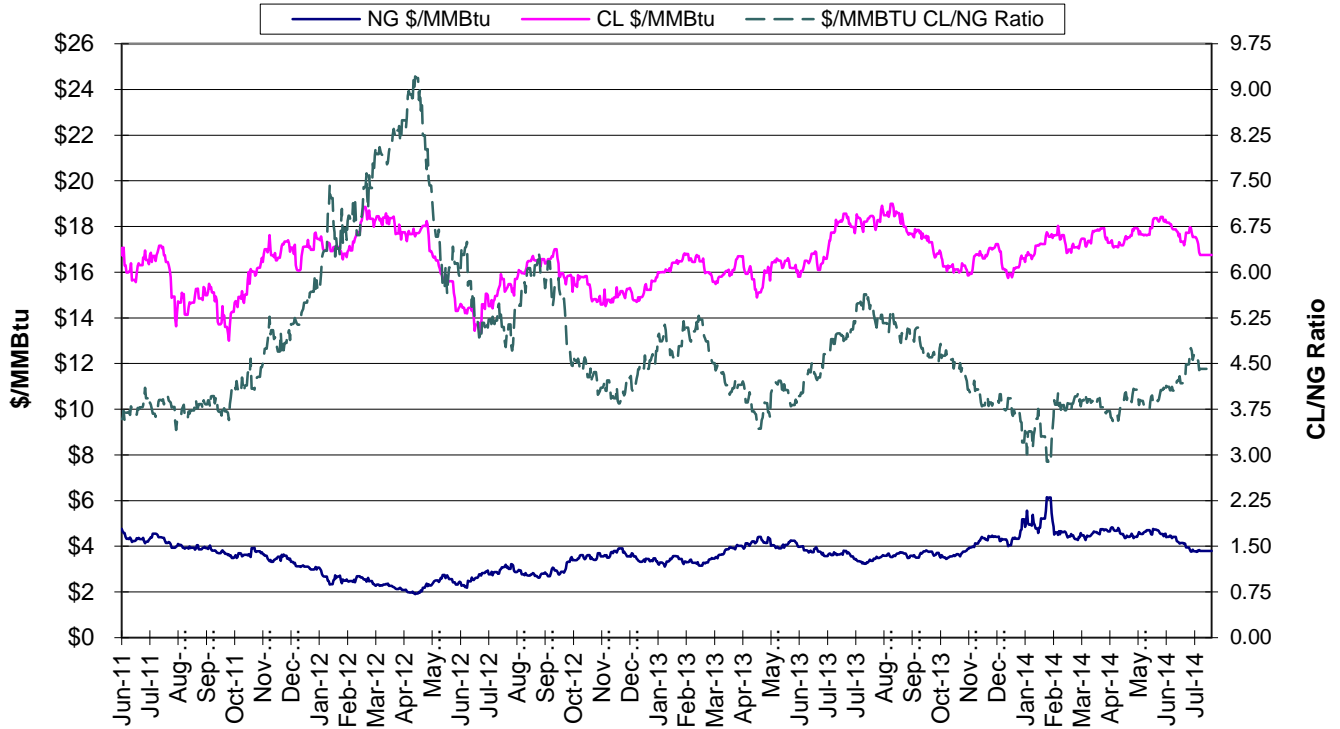
**Storage Outlook:** This week yet again exceeded all our storage injection metrics. For our updated storage injection metrics, the 5 year weekly maximum for the upcoming week is 82 bcf. An injection of 62 bcf is required to equal 127% of the 5 year average and an injection of 65 bcf is needed to exceed the 5 year average by 16 bcf to put inventories on pace to reach 3,450 bcf in early November.

**Supply Trends:** Total supply rose 0.1 bcf/d to 70.9 bcf/d. US production rose with the other supply components little changed. The US Baker Hughes rig count rose 6 with oil activity higher and natural gas lower with the total count now at 1,889. The Canadian rig count fell 3 to 392. Thus, the total North American rig count rose 3 to 2,281 and now surpasses last year by 225. The higher efficiency US horizontal rig count rose 5 to 1,298 and stands 225 above last year. The EIA Natural Gas Monthly reported record production in May. US E&P companies continue to site improved efficiencies.

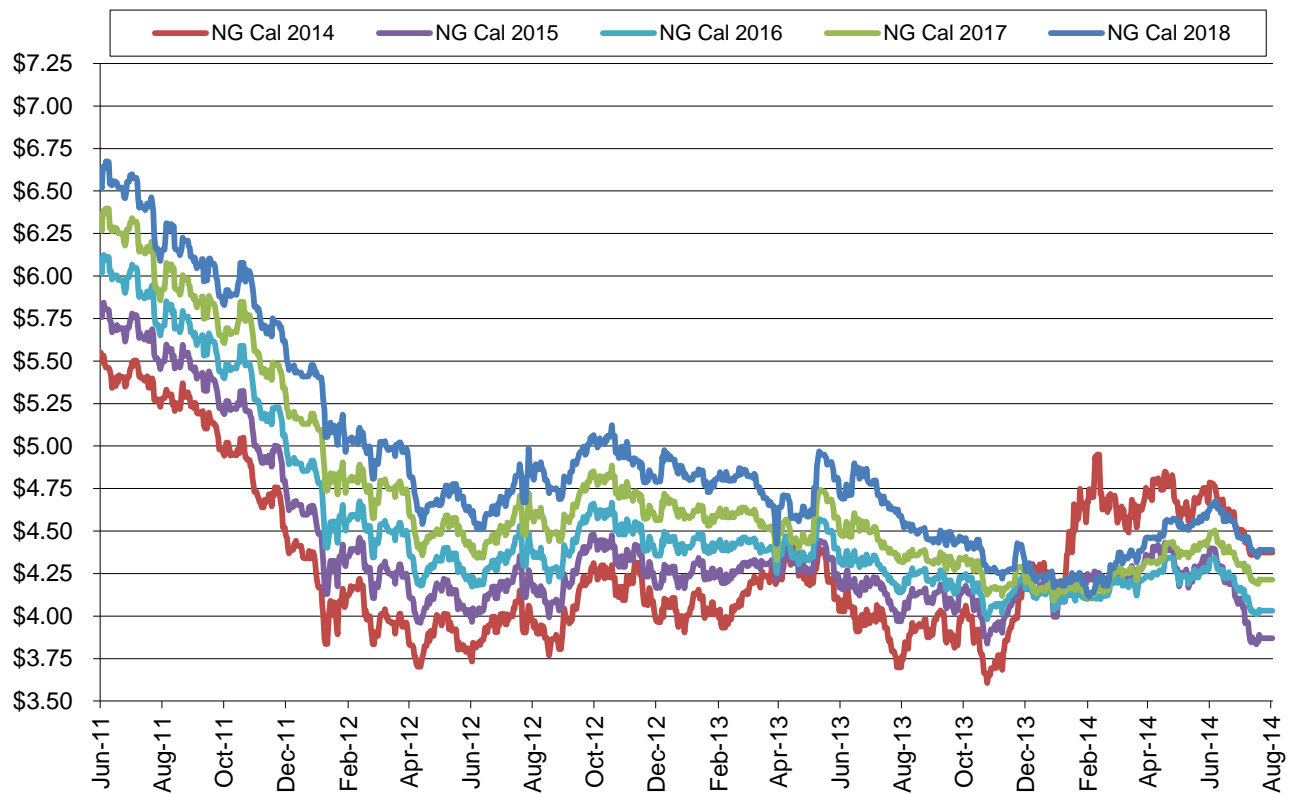
**Demand Trends:** Total demand fell 0.2 bcf/d to 57.1 bcf/d. Power demand was higher with R&C and industrial demand lower. Electricity demand rose 4,290 gigawatt-hrs to 86,904, which exceeds last year by 615 (0.7%) while trailing the 5 year average by 4,325 (4.7%). Our A/C index is similar to a HDD/CCD index with the benchmark at 90 degrees in most cities, 95 in the South and 100 in the desert. From this perspective, the comparisons are astonishing. In the East, the 2014 A/C index is 322 compared to 676 in 2013 and 2,893 in 2012. In the Producing Region, the A/C index is at 173 with last year at 426 and 467 in 2012. The West is at 1,595 with last year at 1,839 and 1,760 in 2012. Considering the non-linear nature of summer time natural gas demand, this situation is incredibly influential. The EIA Natural Gas Monthly reported the 2nd highest May demand on record.

**Other Factors:** The S&P 500 continued to slide as geopolitical concerns and an Argentinian bond issue roiled the markets.

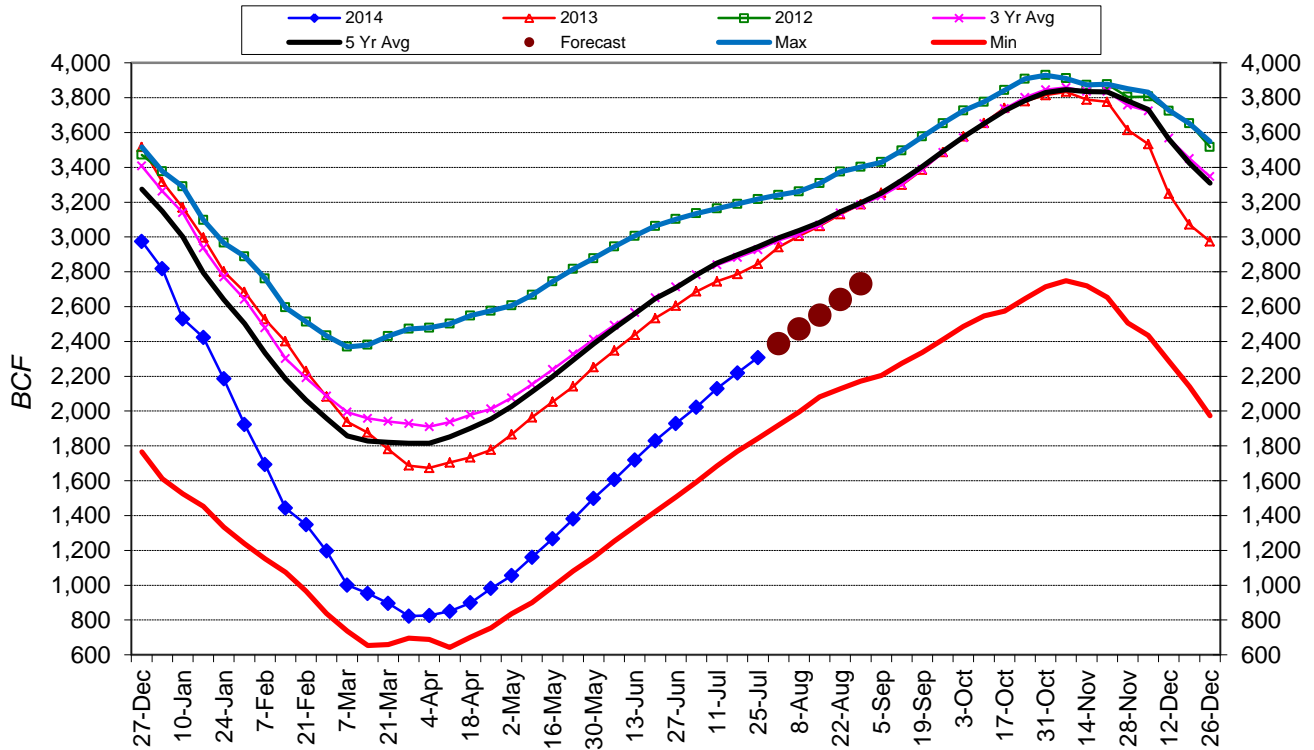
## \$/MMBtu Ratio of NYMEX CL and NG



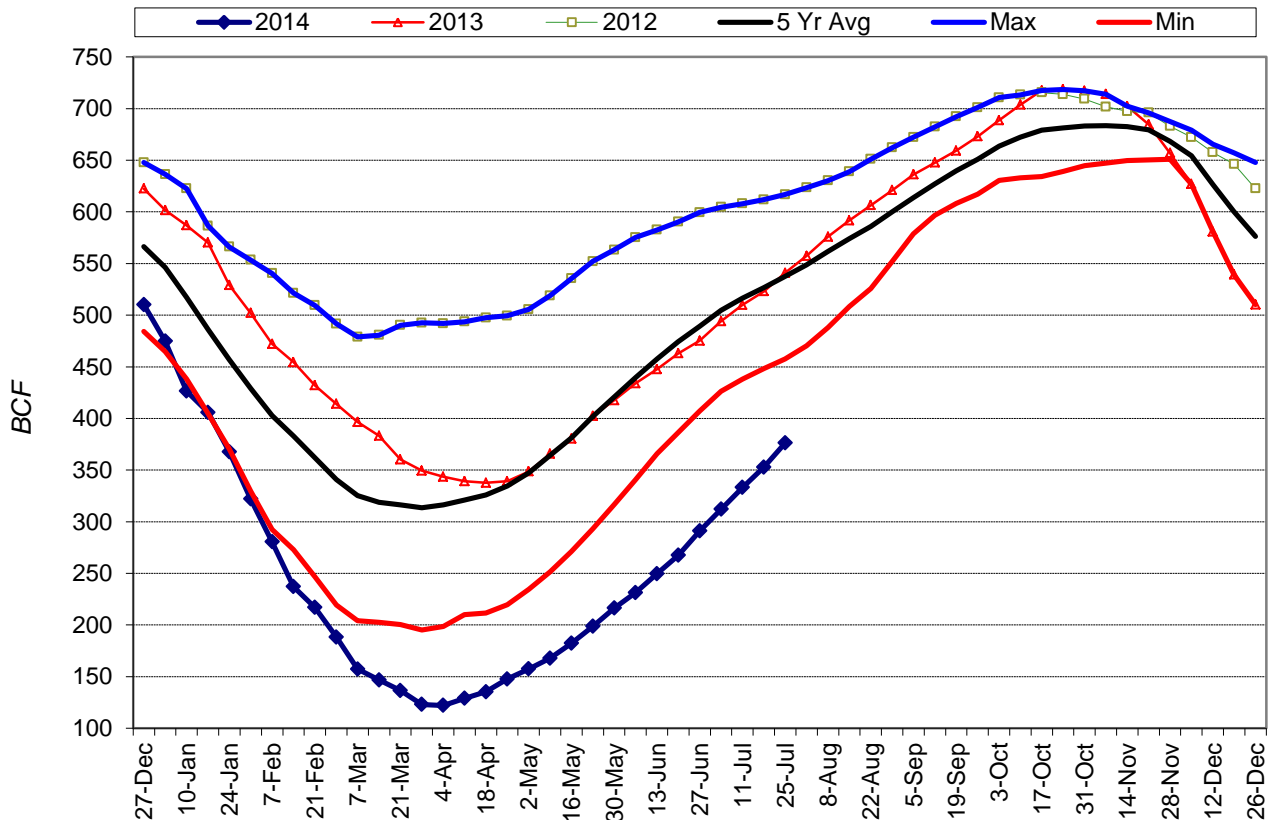
## NYMEX Calendar Strips



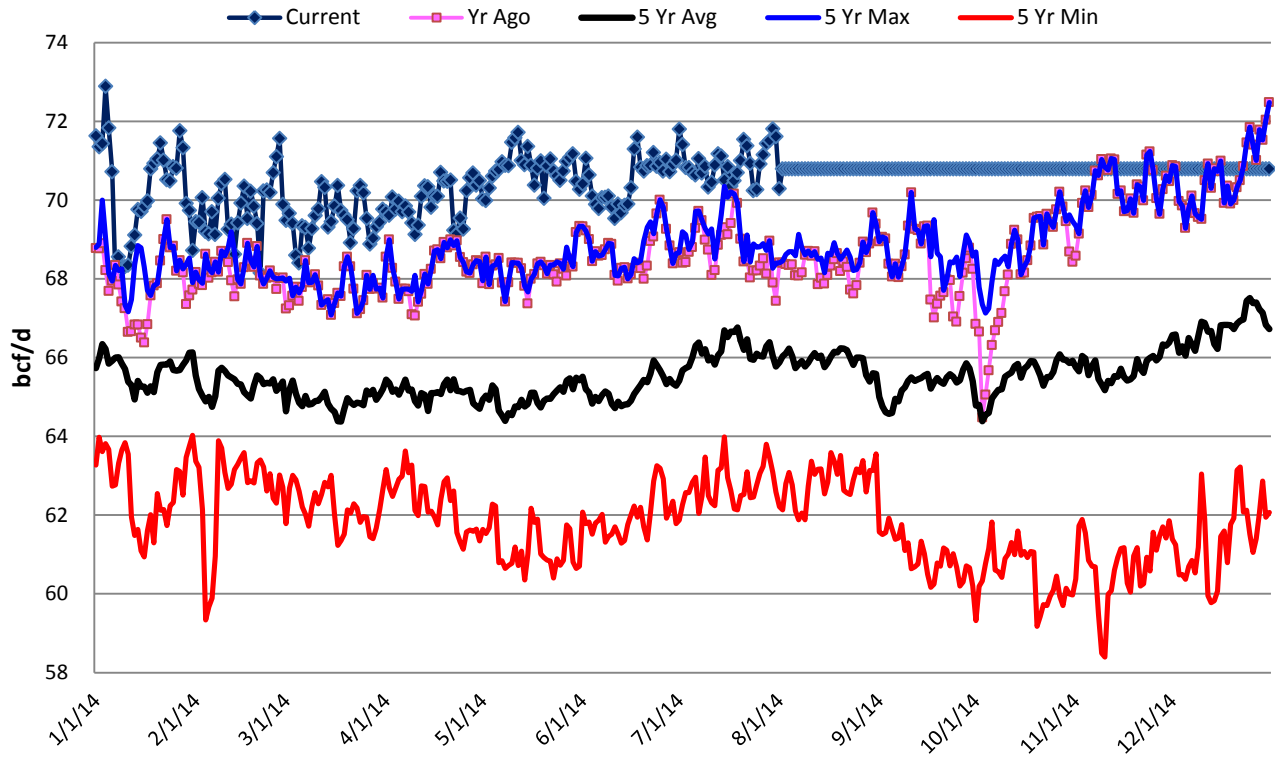
## US Working Gas Storage - Source - EIA



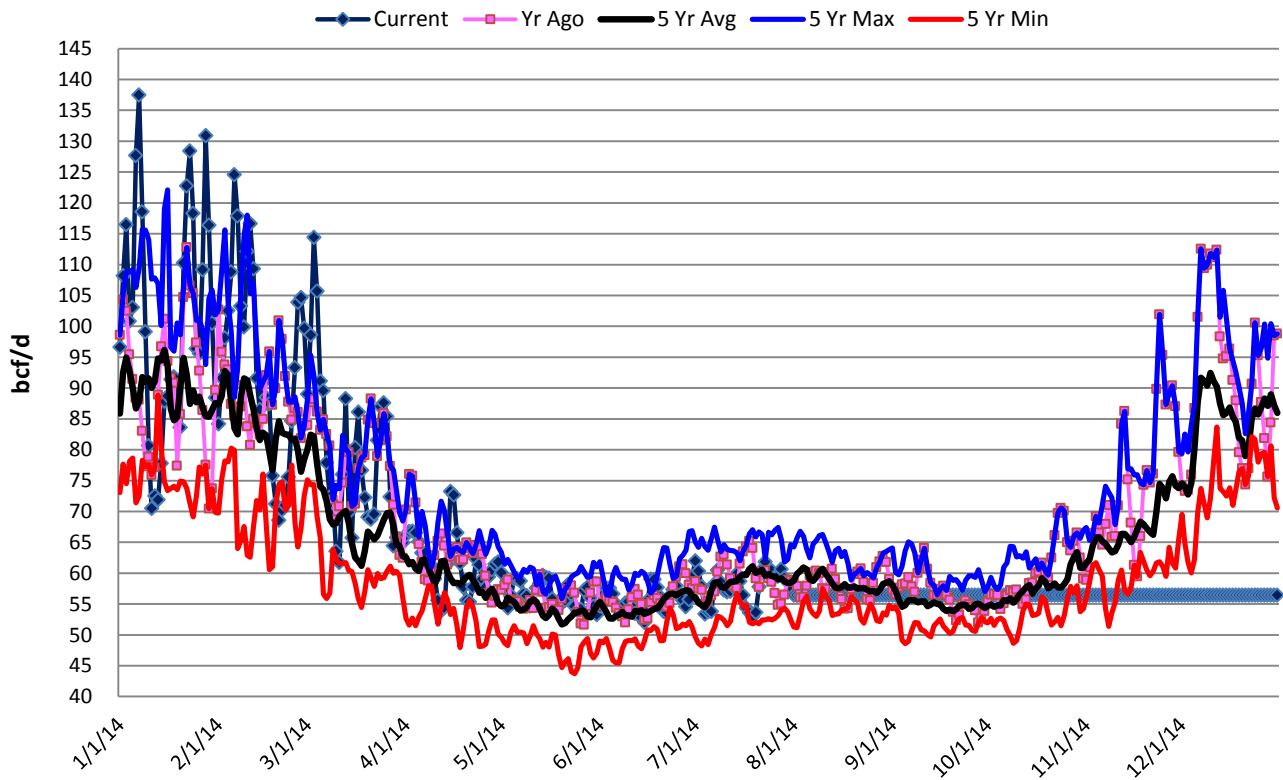
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



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

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