

IAF Advisors  
Energy Market Outlook  
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**Price Action:** The September contract fell 18.6 cents (4.7%) to \$3.776 on a 25.7 cent range.

**Price Outlook:** The market remained true to form and established a new high before collapsing and missed a new low by just 3 ticks. With such a weak close and moderating temperatures, a new low is expected next week. The CFTC data continues to indicate a reduction in the managed money net long position. The net long position remains the smallest since November 2013. Total open interest rose slightly to 3.75 million as of August 12. CME futures aggregated open interest edged higher to 967,000 million as of August 14.

**Weekly Storage:** US working gas storage for the week ending August 8 indicated a build of 78 bcf. Thus total working gas inventories rose to 2,467 bcf. Current inventories fall 539 bcf (17.9%) below last year and 570 bcf (18.8%) behind the 5 year average.

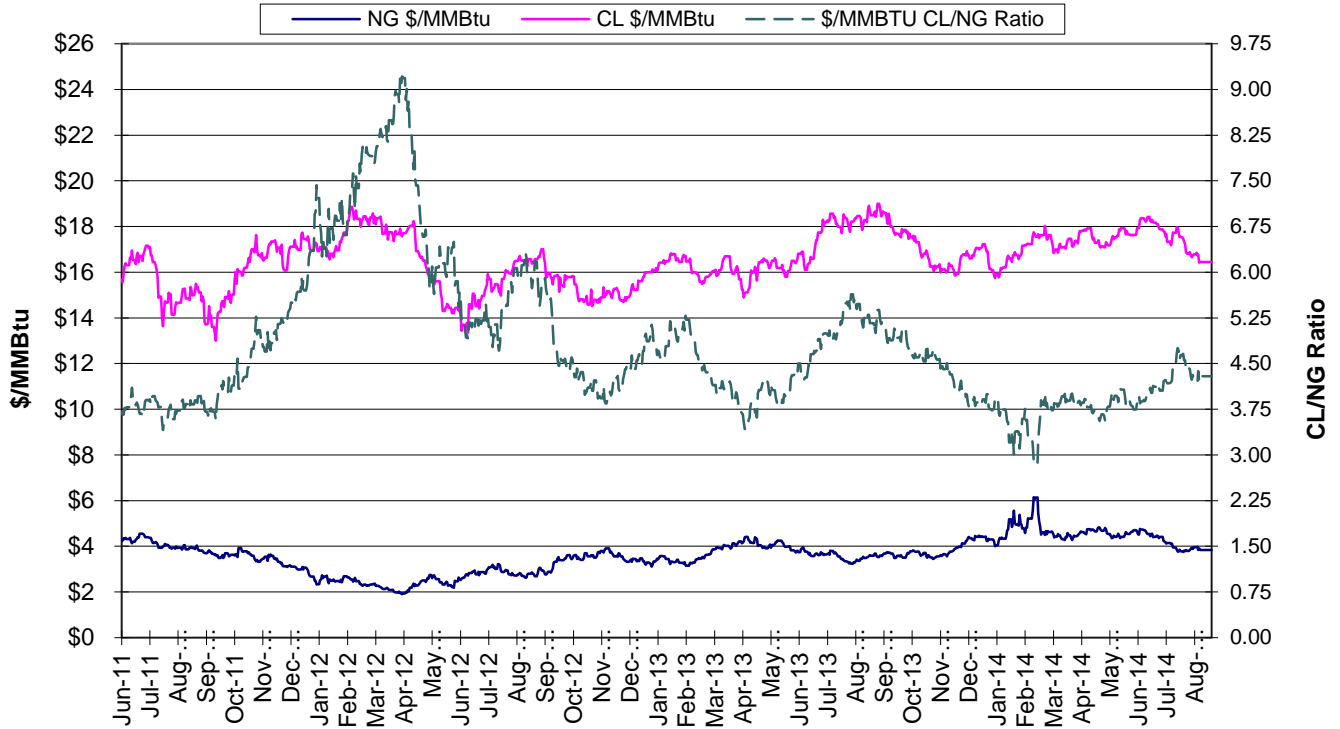
**Storage Outlook:** This week established another new 5 year weekly maximum while also exceeding the other two injection metrics. Due to the pace of injections, we have again increased our early November target to 3,500 bcf. The 5 year weekly maximum for the upcoming week is 57 bcf. An injection of 60 bcf is required to equal 128% of the 5 year average and an injection of 64 bcf is needed to exceed the 5 year average by 17 bcf to put inventories on pace to reach 3,500 bcf in early November. Inventories are on pace to exceed 3,500 bcf.

**Supply Trends:** Total supply rose 0.4 bcf/d to 71.7 bcf/d. Canadian imports rose with all other supply components lower. The US Baker Hughes rig count rose 5 with both oil and natural gas activity higher with the total count now at 1,913. The Canadian rig count rose 14 to 401. Thus, the total North American rig count rose 19 to 2,314 and now surpasses last year by 165. The higher efficiency US horizontal rig count rose 12 and stands at an all-time record of 1,329 and rises 252 above last year.

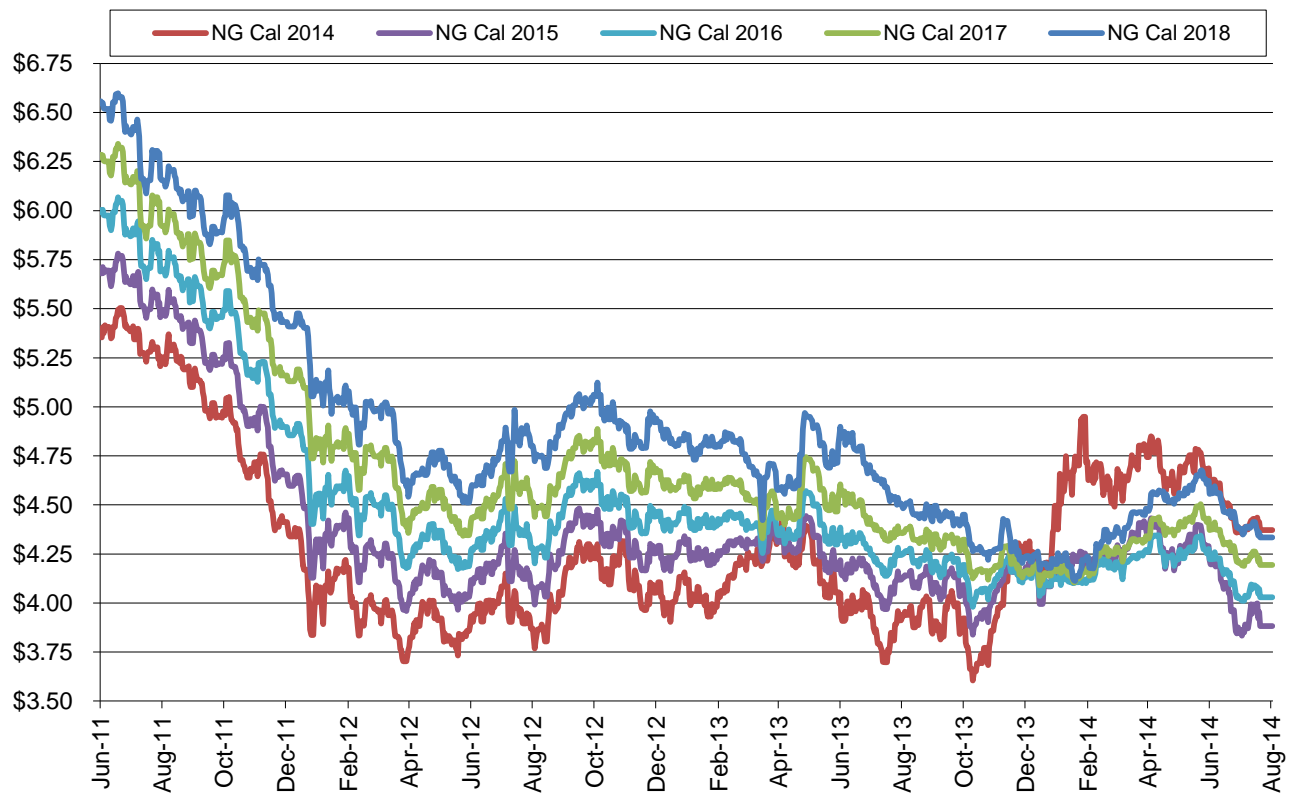
**Demand Trends:** Total demand fell 0.6 bcf/d to 58.8 bcf/d. Power edged higher with R&C and industrial both lower. Electricity demand rose 1,271 gigawatt-hrs to 85,490, which trails last year by 484 (0.6%) and the 5 year average by 5,156 (5.7%). Temperature adjusted demand has shown a slight increase in recent days even as absolute demand levels remain moderate. The supply/demand balance is still bearish, but data is suggesting the balance is becoming less bearish. In contrast to natural gas, temperature adjusted total electricity demand has exhibited quite a bit of weakness recently that is in contrast with generally decent economic data. This may be partly due to the non-linear nature of demand at moderate temperatures.

**Other Factors:** The S&P 500 rose, but remains below the recent record.

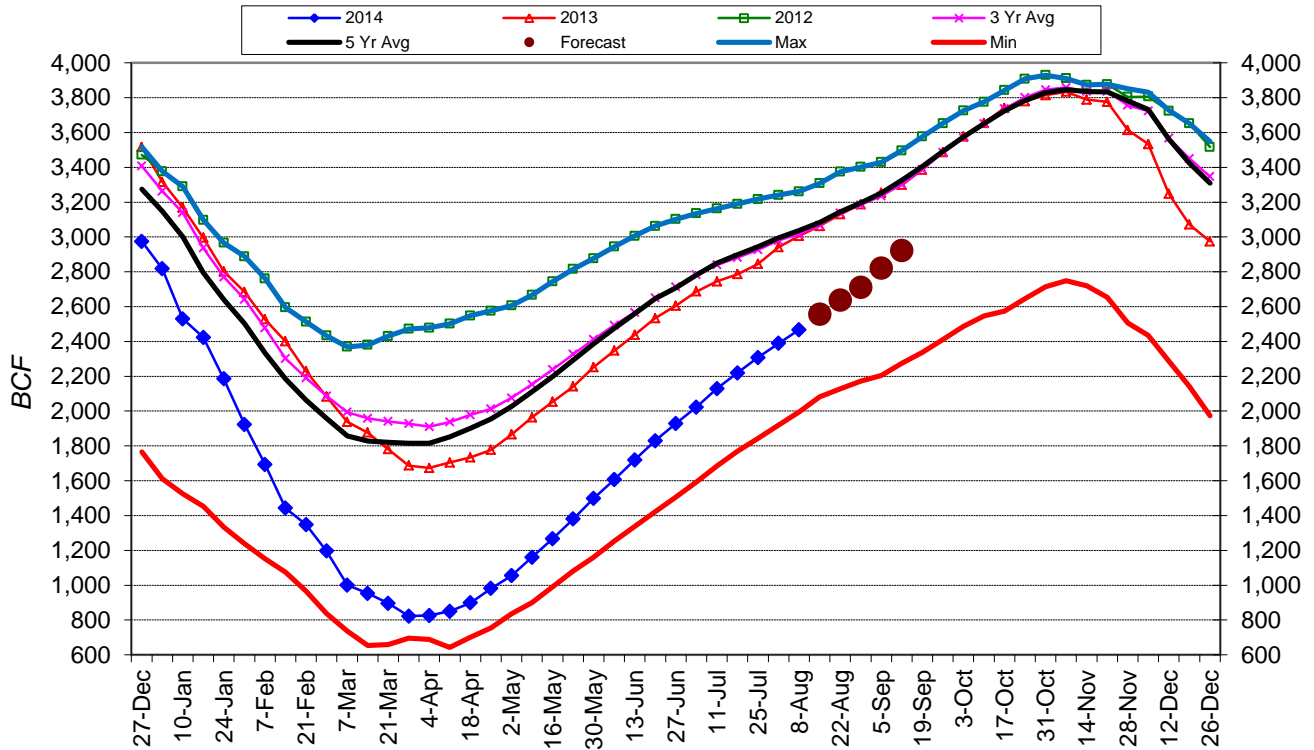
## \$/MMBtu Ratio of NYMEX CL and NG



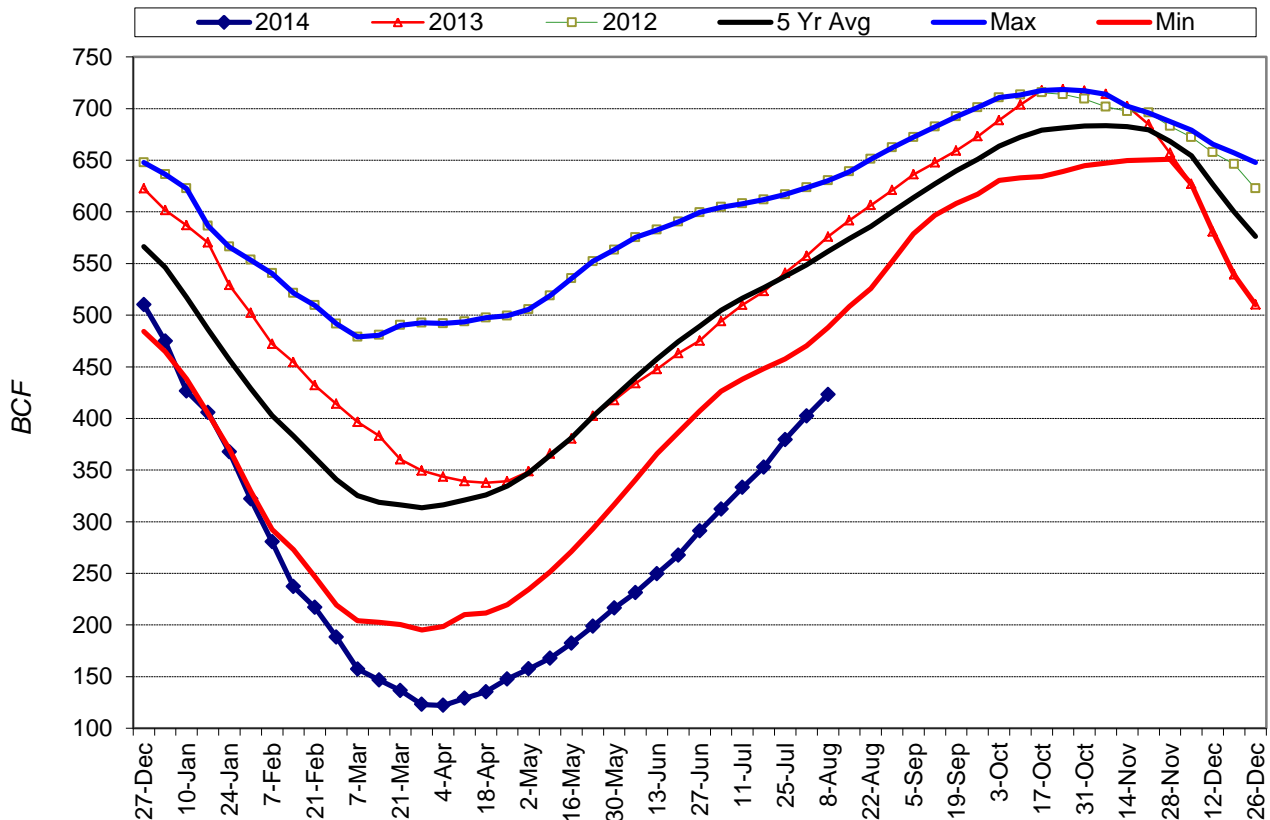
## NYMEX Calendar Strips



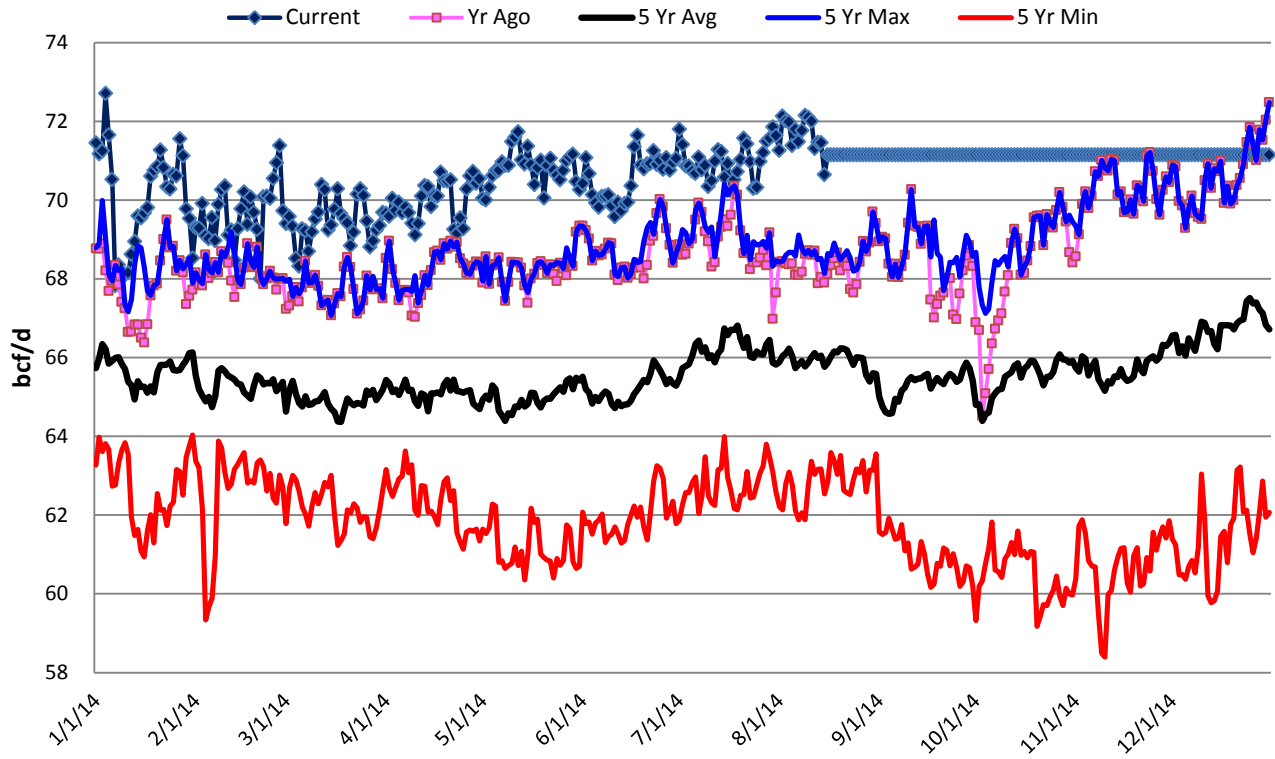
## US Working Gas Storage - Source - EIA



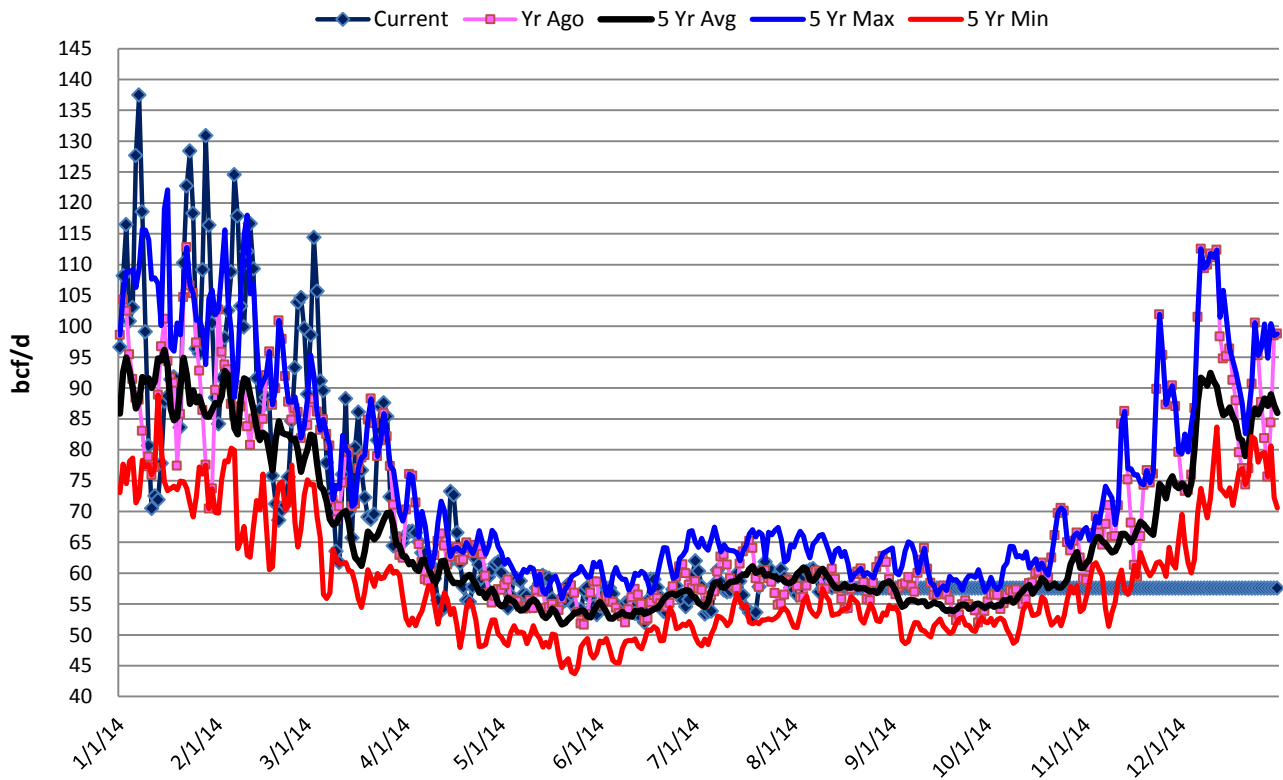
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



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

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