

IAF Advisors  
Energy Market Outlook  
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**Price Action:** The September contract rose 6.4 cents (1.7%) to \$3.840 on a 22.8 cent range.

**Price Outlook:** The market did establish a new low before rebounding and ending higher on the week. The market ended very near the mid-point of the range and from this perspective there is little bias with the possibility of a rare inside week a consideration. With temperatures moderating and the likelihood of a triple digit injection over Labor Day, a new low is considered the more likely path. After 8 straight week of net long liquidation, the managed money net long position increased for the 1st time since June 17. The net long position remains quite low. Total open interest rose to 3.80 million as of August 19. CME futures aggregated open interest slipped to 956,000 million as of August 21.

**Weekly Storage:** US working gas storage for the week ending August 15 indicated a build of 88 bcf. Thus total working gas inventories rose to 2,555 bcf. Current inventories fall 508 bcf (16.6%) below last year and 529 bcf (17.2%) behind the 5 year average.

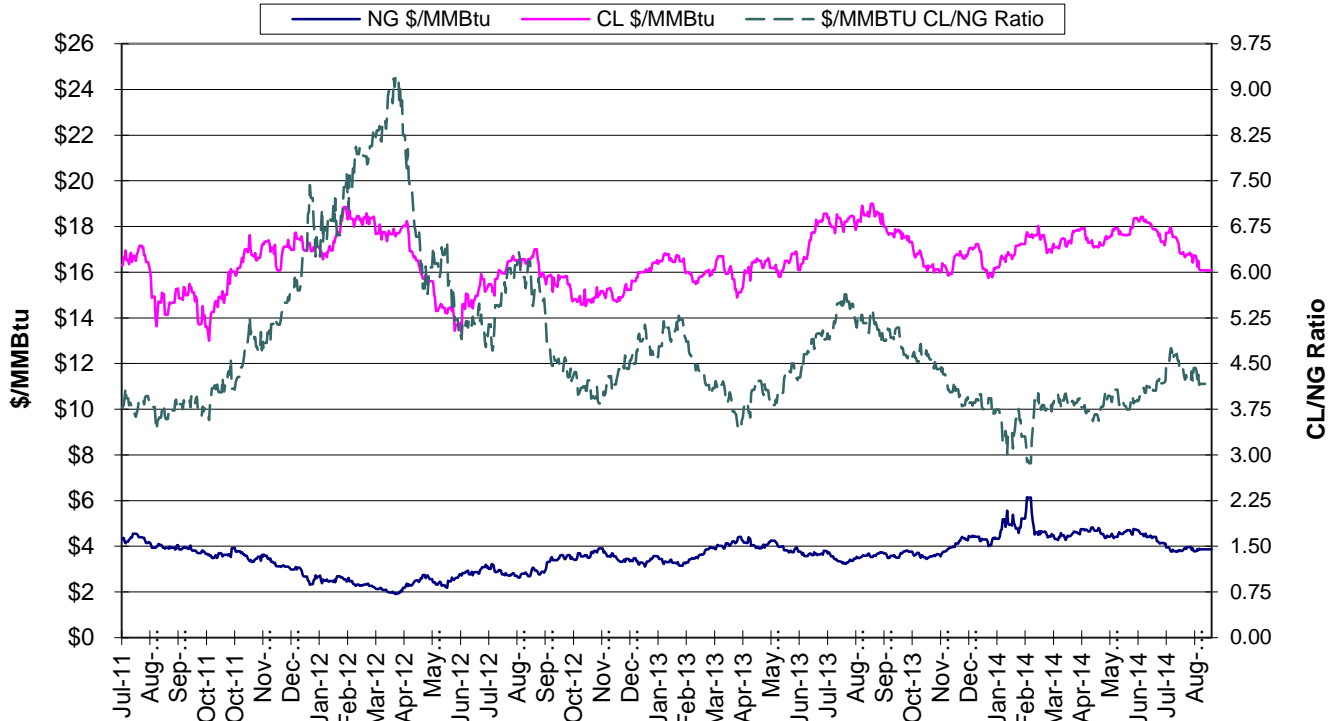
**Storage Outlook:** This week established another new 5 year weekly maximum while also exceeding the other two injection metrics. The 5 year weekly maximum for the upcoming week is 73 bcf. An injection of 75 bcf is required to equal 124% of the 5 year average and an injection of 75 bcf is needed to exceed the 5 year average by 15 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 0.1 bcf/d to 71.8 bcf/d. US production and Mexican exports rose while Canadian imports slipped with LNG unchanged. The US Baker Hughes rig count fell 17 with a plunge in oil rigs more than offsetting higher natural gas activity with the total count now at 1,896. The Canadian rig count rose 4 to 405. Thus, the total North American rig count fell 13 to 2,301 and now surpasses last year by 142. The higher efficiency US horizontal rig count slipped 8 to 1,321 and rises 246 above last year.

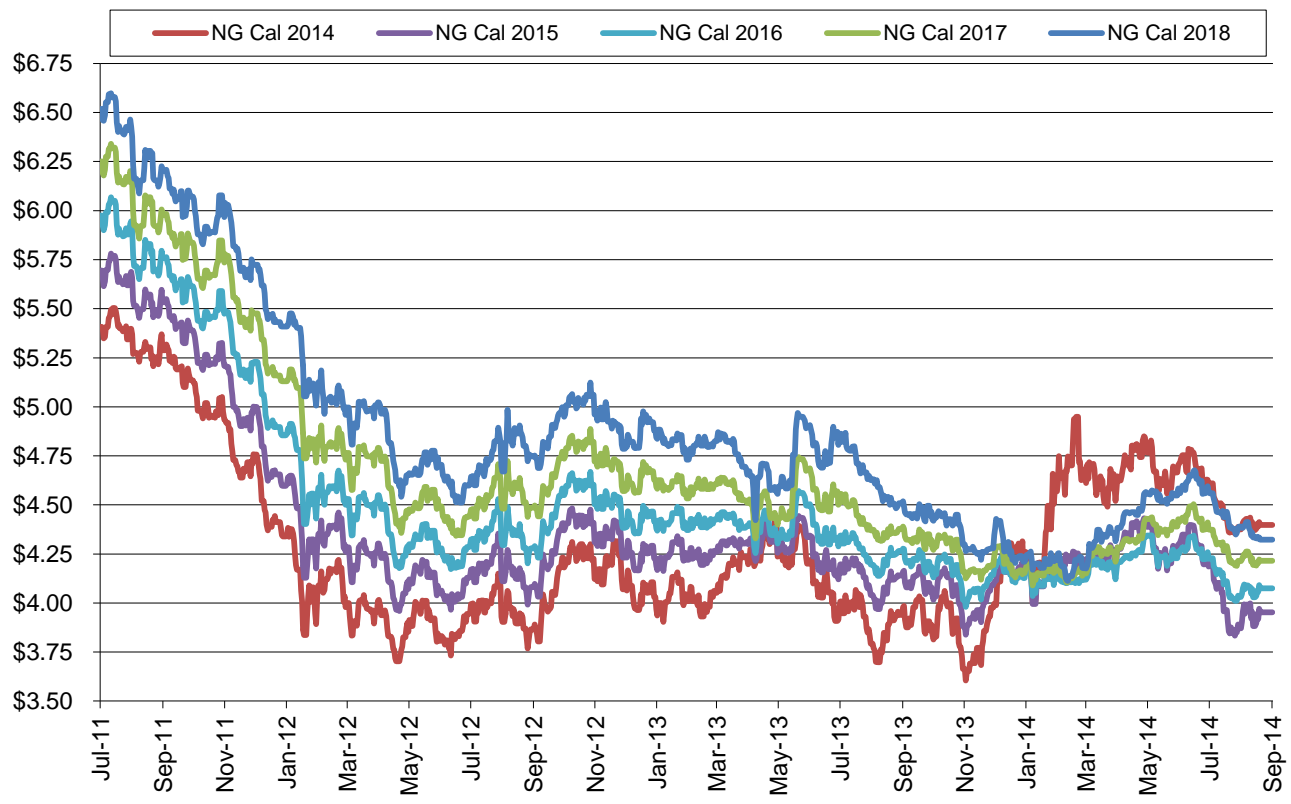
**Demand Trends:** Total demand fell 0.7 bcf/d to 58.1 bcf/d. Power slipped with R&C and industrial both barely higher. Electricity demand fell 2,265 gigawatt-hrs to 83,225, which exceeds last year by 1,337 (1.6%) while trailing the 5 year average by 5,511 (6.2%). Pipeline data indicated temperature adjusted demand continued to grow at the end of the week and is a slightly bullish factor. As autumn approaches, extreme below normal forecasts will be considered bullish for Northern locations as early season overnight heating loads may develop.

**Other Factors:** The S&P 500 rose to a new record before slipping slightly at the end of the week.

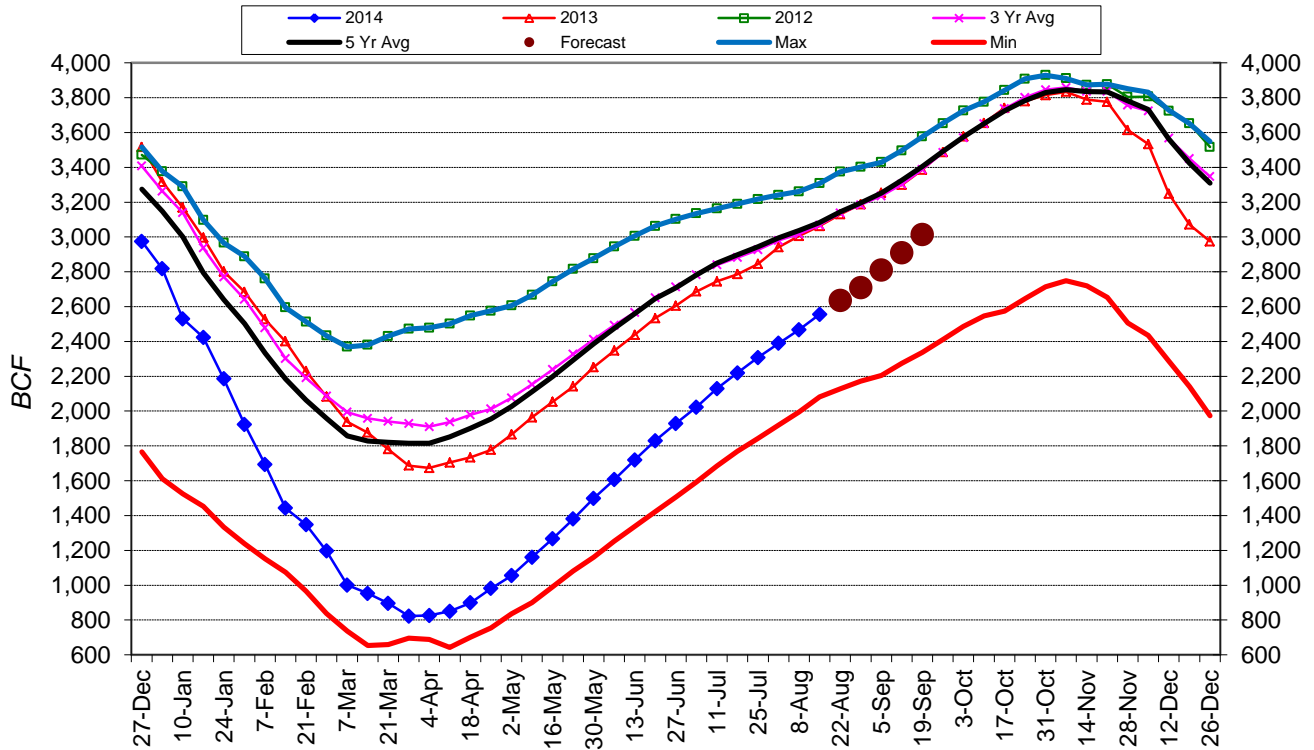
## \$/MMBtu Ratio of NYMEX CL and NG



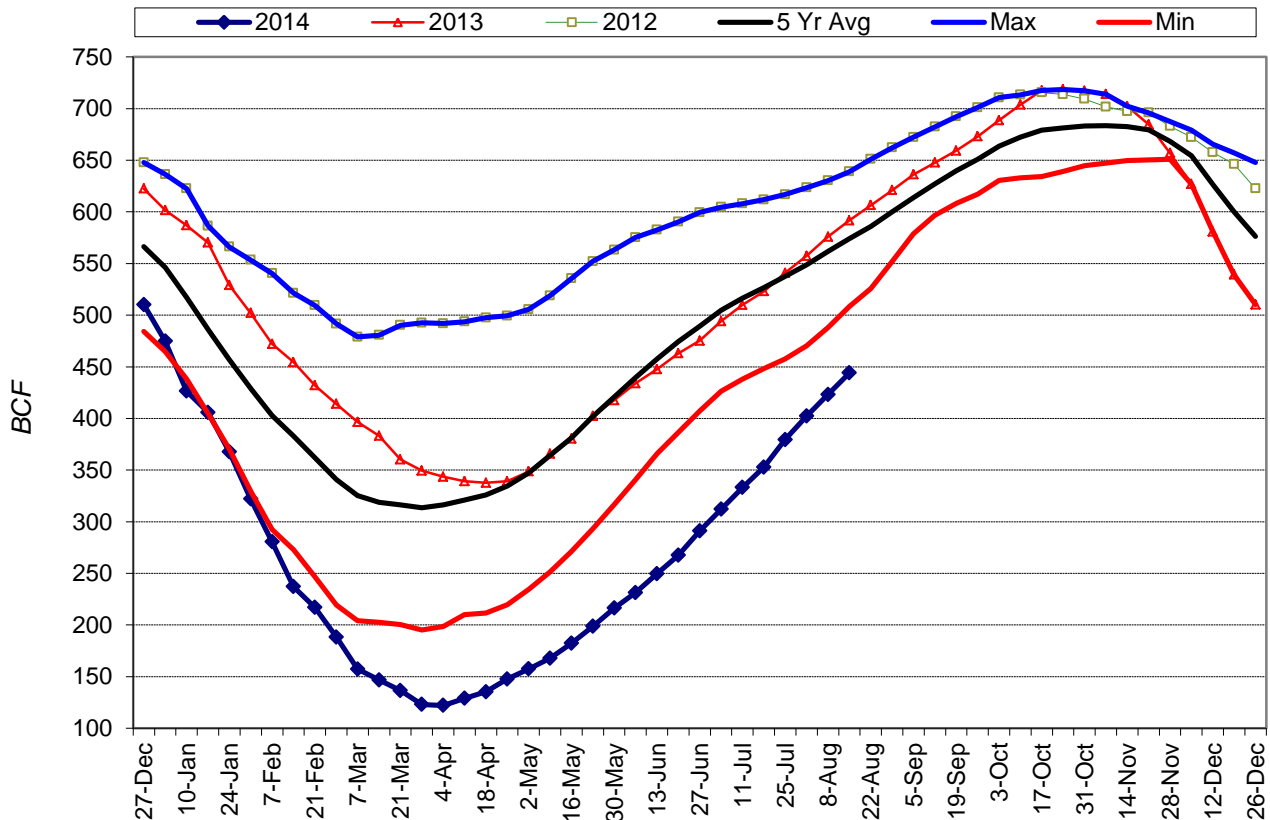
## NYMEX Calendar Strips



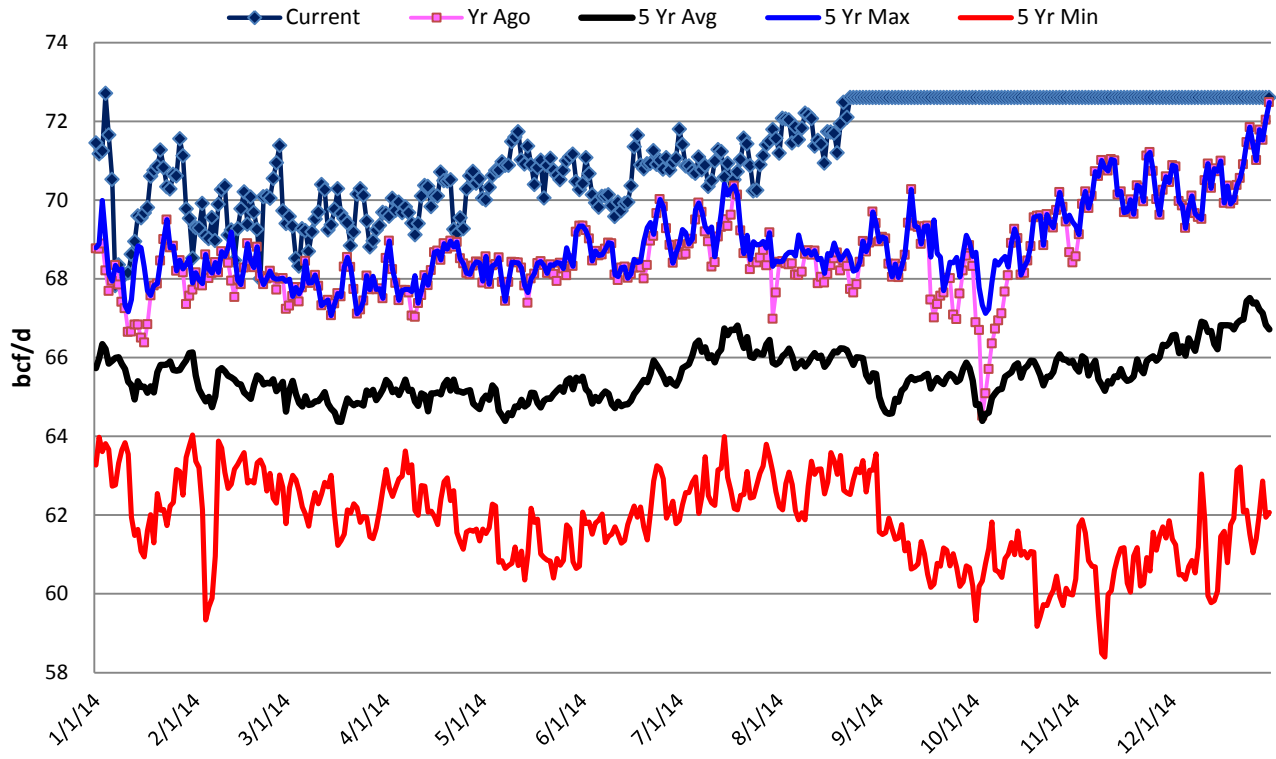
## US Working Gas Storage - Source - EIA



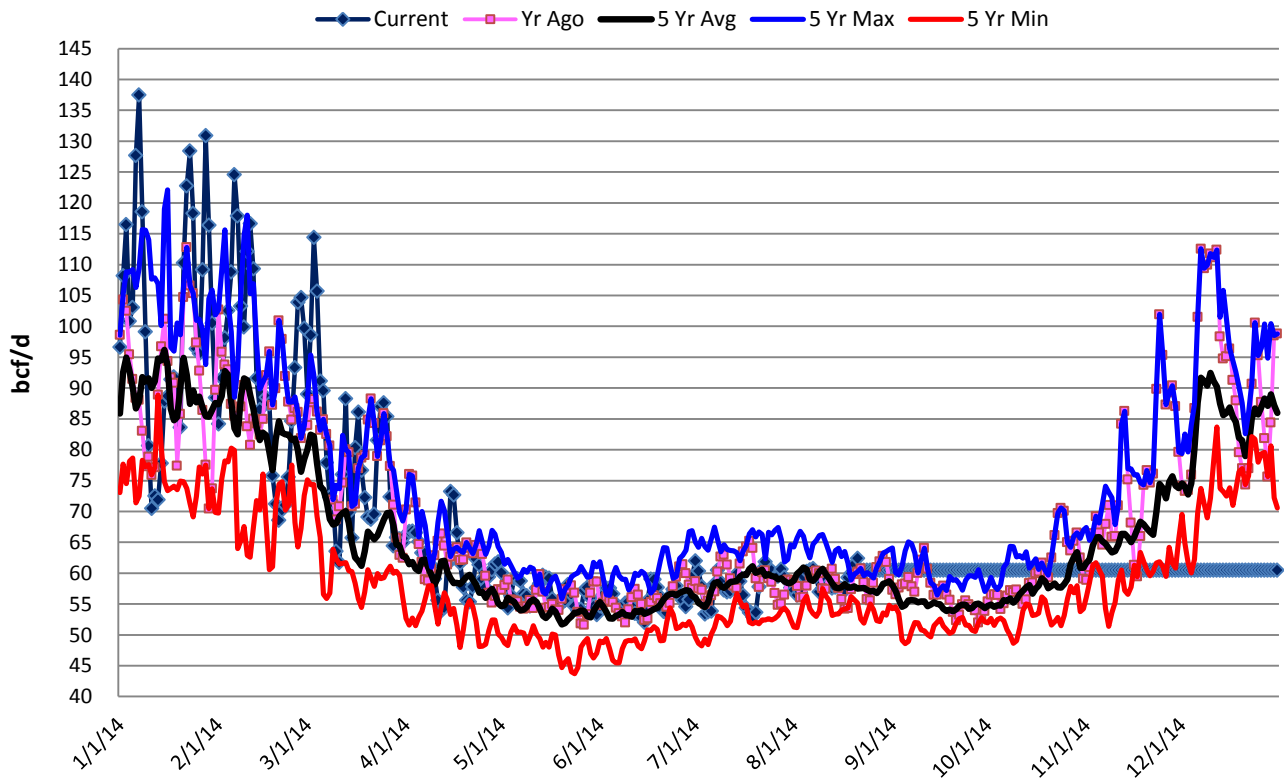
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



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

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