

IAF Advisors
Energy Market Outlook
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Price Action: The October contract fell 27.2 cents (6.7%) to \$3.793 on a 29.7 cent range.

Price Outlook: The market did not establish a new high as expected, but again true to form did not remain stagnant and posted a new low instead. The market has been very choppy in August and while history suggests the market will not remain within last week's price range, the market could very easily shop between \$3.75 and \$4.00 until winter temperatures either do or do not arrive in earnest. The small liquidation in the managed money net long position from last week accelerated with the position barely above the mid-August level. This remains above the mid-November 2013 level. Total open interest fell to just 3.66 million as of September 2. CME futures aggregated open interest rose to 981,000 as of September 4.

Weekly Storage: US working gas storage for the week ending August 29 indicated a build of 79 bcf. Thus total working gas inventories rose to 2,709 bcf. Current inventories fall 479 bcf (15.0%) below last year and 487 bcf (15.2%) 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 69 bcf. An injection of 69 bcf is required to equal 122% of the 5 year average and an injection of 71 bcf is needed to exceed the 5 year average by 14 bcf to put inventories on pace to reach 3,500 bcf in early November. Inventories remain on pace to exceed 3,500 bcf.

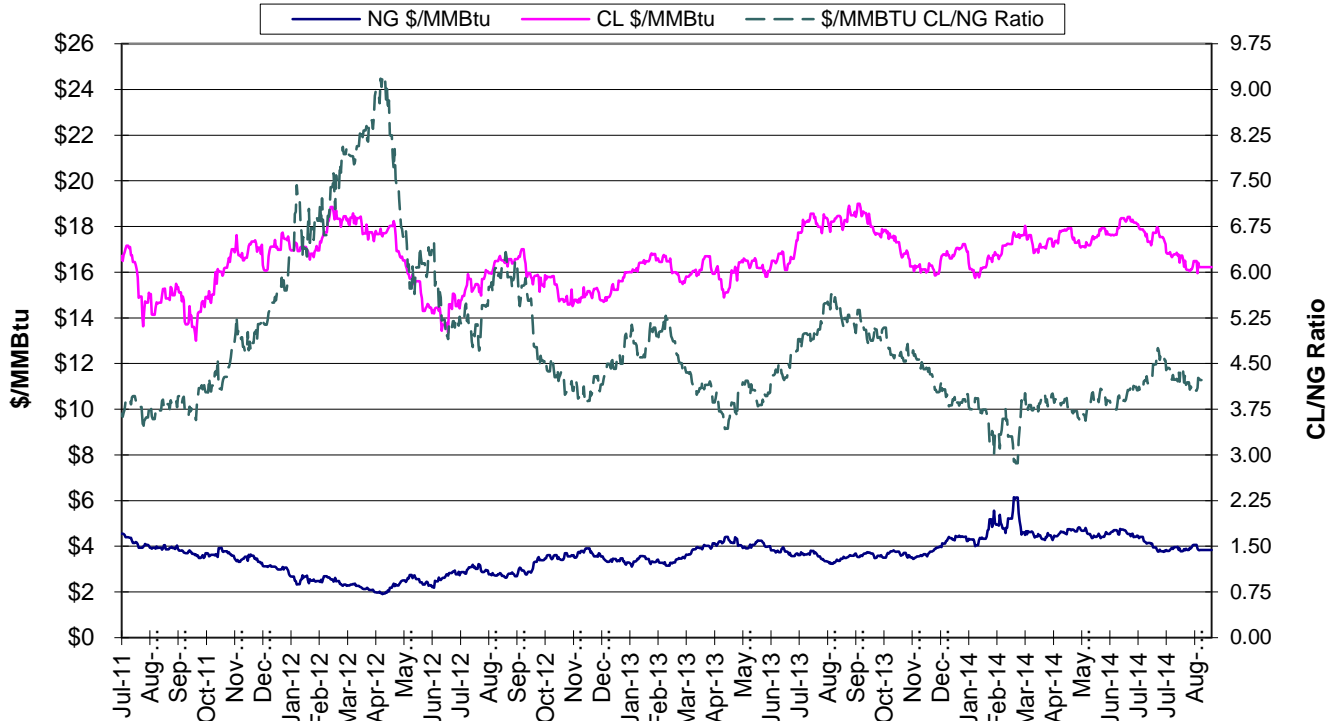
Supply Trends: Total supply rose 0.8 bcf/d to 72.5 bcf/d. US production and Canadian imports were higher while Mexican exports slipped. LNG was unchanged. The US Baker Hughes rig count rose 11 with both oil and natural gas activity rising. The total US count now stands at 1,925. The Canadian rig count rose 5 to 414. Thus, the total North American rig count rose 16 to 2,339 and now surpasses last year by 183. The higher efficiency US horizontal rig count rose 3 to a record 1,333 and rises 258 above last year. The EIA Natural Gas Monthly indicated yet another record production level in June. We strongly suggest reviewing the details at www.eia.gov.

Demand Trends: Total demand rose 1.1 bcf/d to 60.4 bcf/d. Power demand rose with R&C and industrial both barely lower. Electricity demand rose 343 gigawatt-hrs to 87,027, which trails last year by 2,724 (3.0%) and the 5 year average by 245 (0.3%). The EIA Natural Gas Monthly indicated consumption was the 2nd highest on record for the month of June. We strongly suggest reviewing the details at www.eia.gov.

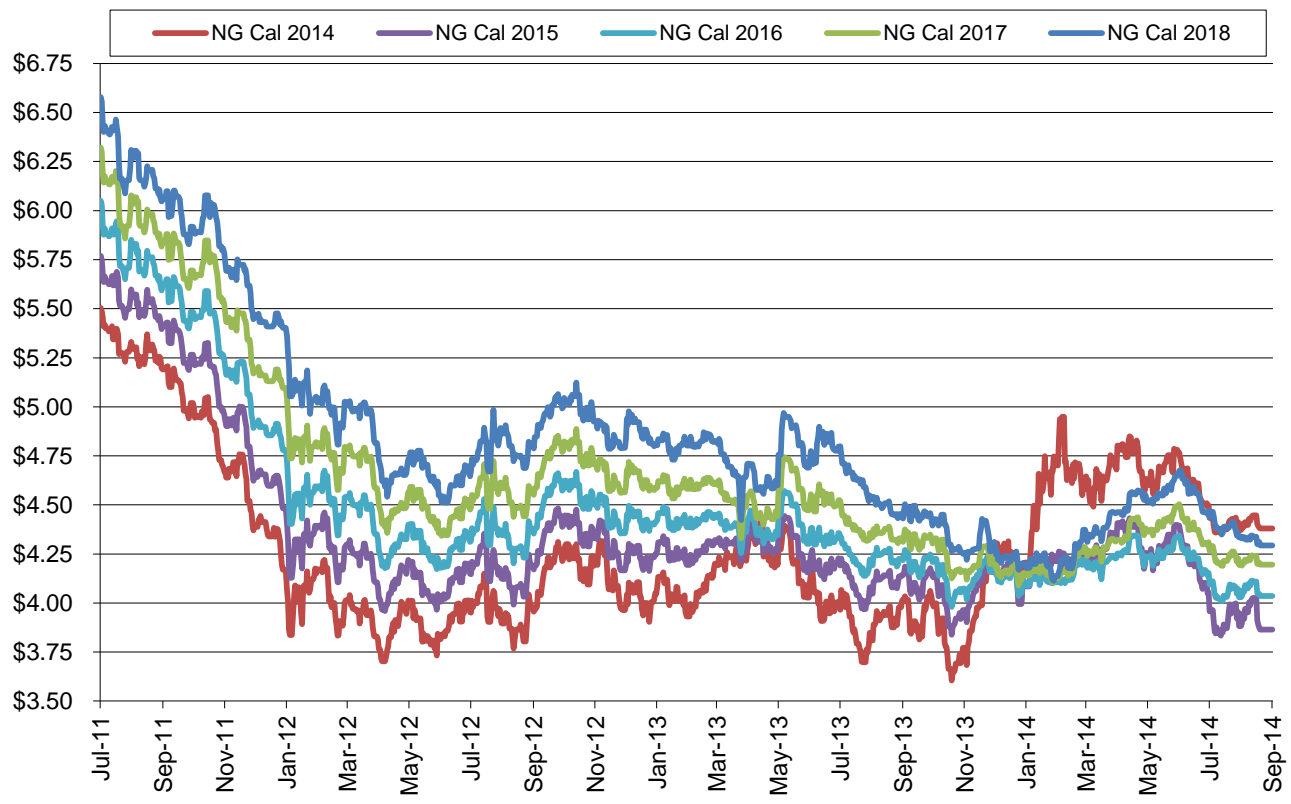
Other Factors: The S&P 500 continued to climb higher despite a disappointing job reports as the market seemingly now expects the Fed will not raise interest in the near term.

- There have been only 4 named tropical storms and the historical peak of the tropical storm season is now upon us.

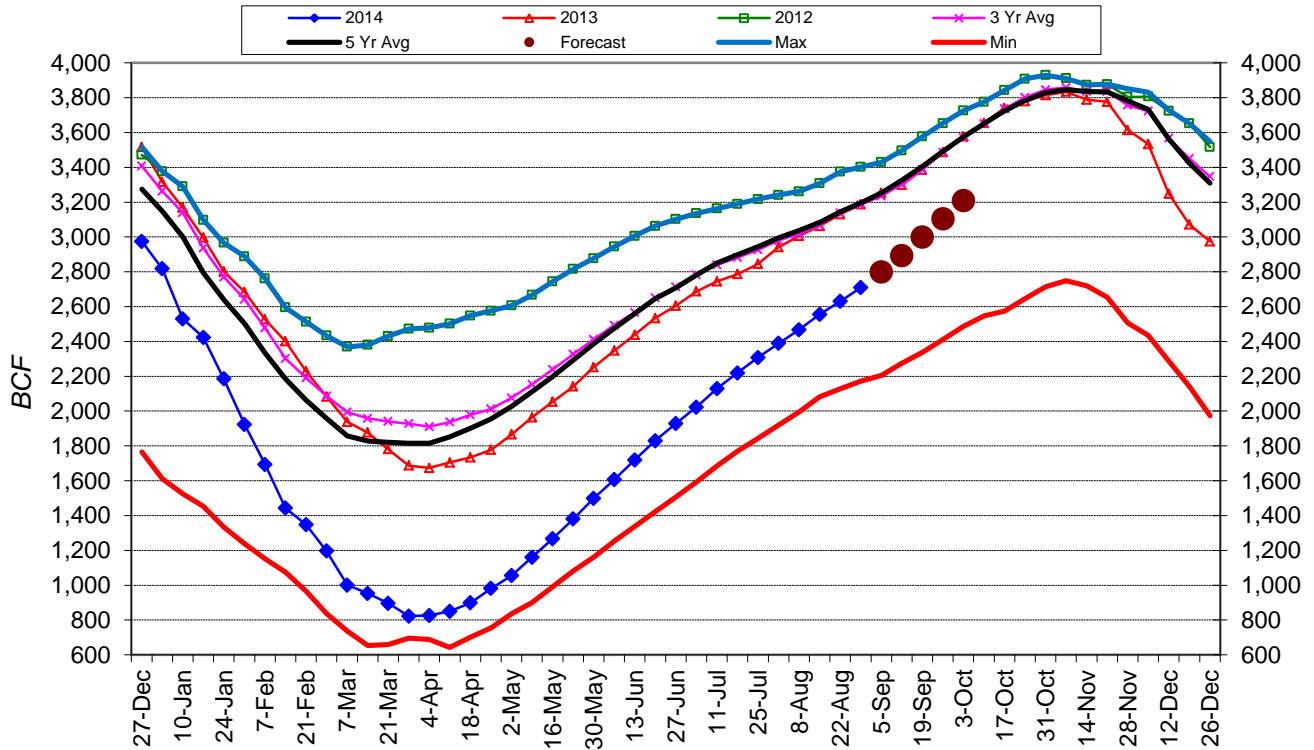
\$/MMBtu Ratio of NYMEX CL and NG



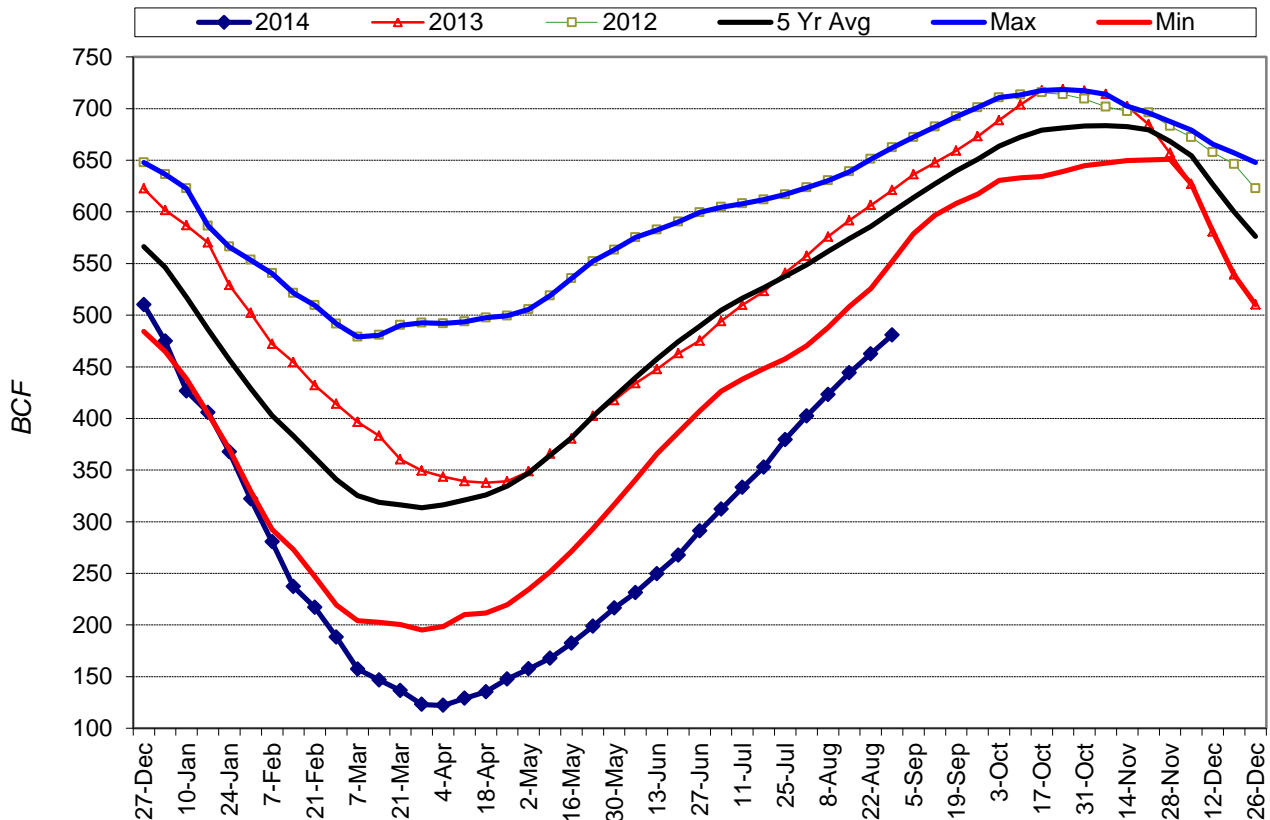
NYMEX Calendar Strips



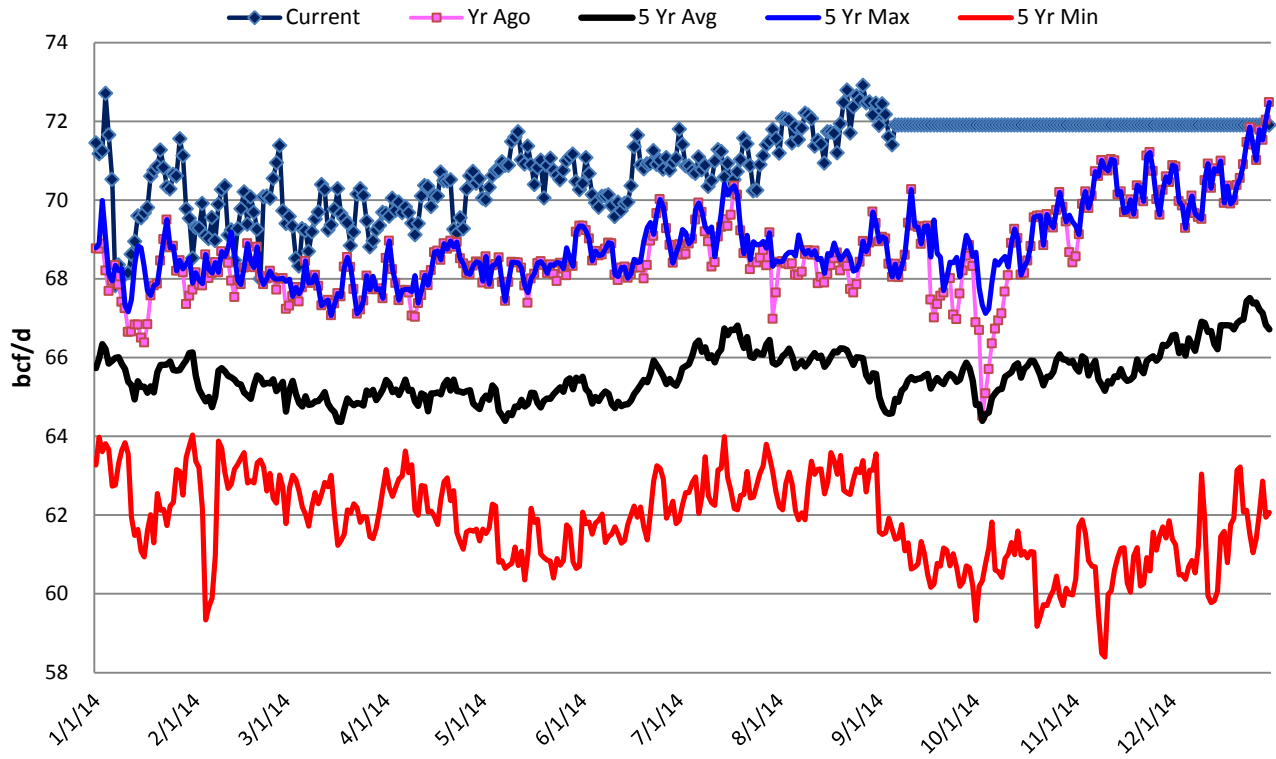
US Working Gas Storage - Source - EIA



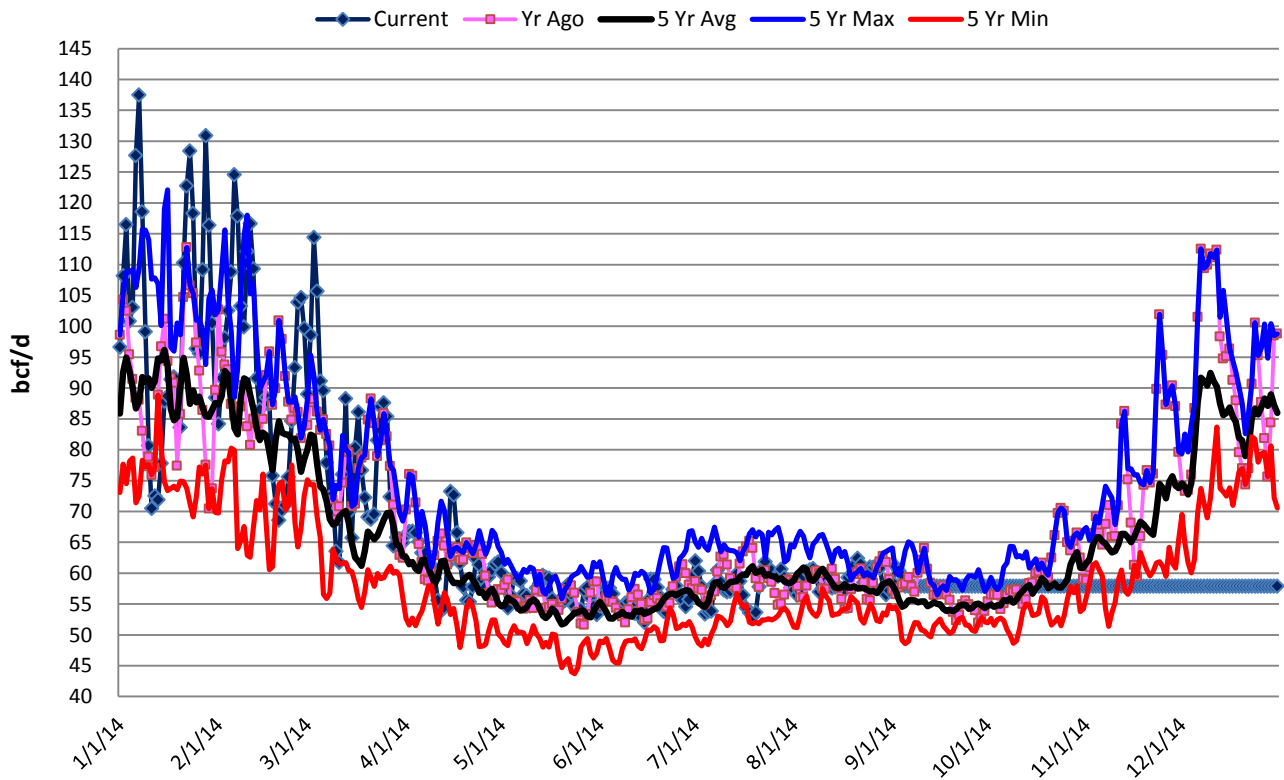
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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