

IAF Advisors
Energy Market Outlook
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Price Action: The November contract rose 1.0 cents (0.3%) to \$4.039 on a 27.6 cent range.

Price Outlook: Once again, the market was able to avoid an inside range and established a new high, the market missed a new low by just over 6 cents and highlights the choppy nature within the confines of the recent \$3.80/\$4.10 range. Due to the constricting ranges, there actually seems to be an increasing chance of posting both a new high and low in a coming week. The liquidation in the managed money net long reversed with a rather sizable increase. Total open interest plummeted to just 3.57 million as of September 30. CME futures aggregated open interest fell to 928,000 as of October 2. The option related position was significantly reduced.

Weekly Storage: US working gas storage for the week ending September 26 indicated a build of 112 bcf. Thus total working gas inventories rose to 3,100 bcf. Current inventories fall 387 bcf (11.1%) below last year and 391 bcf (11.2%) behind the 5 year average.

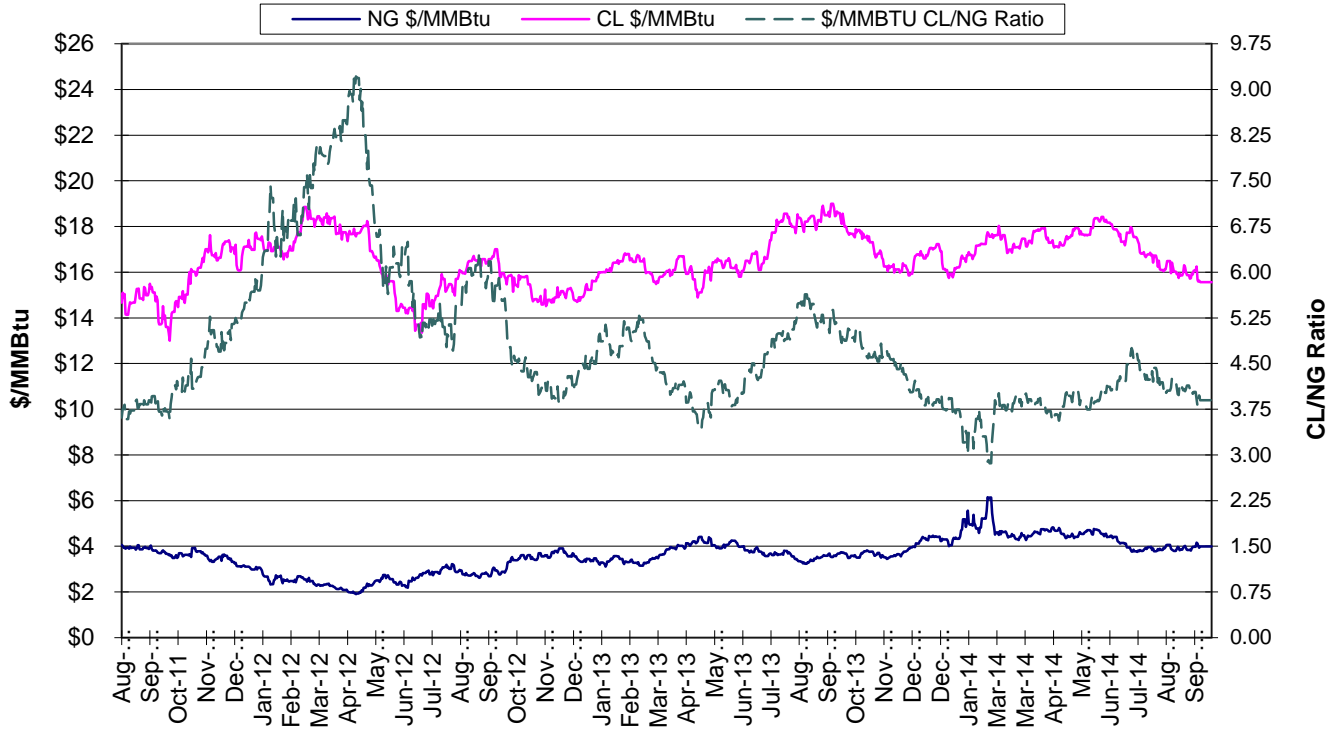
Storage Outlook: This week established yet another new 5 year weekly maximum as well as exceeded the other two injection metrics. The 5 year weekly maximum for the upcoming week is 97 bcf. An injection of 105 bcf is required to equal 128% of the 5 year average and an injection of 99 bcf is needed to exceed the 5 year average by 16 bcf to put inventories on pace to reach 3,550 bcf in early November. Inventories are on pace to reach roughly 3,550 bcf.

Supply Trends: Total supply fell 0.4 bcf/d to 71.5 bcf/d. US production and Mexican exports were lower. Canadian imports were higher with LNG unchanged. The US Baker Hughes rig count fell 9 with both oil and natural gas slipping. The total US count now stands at 1,922. The Canadian rig count rose 1 to 430. Thus, the total North American rig count fell 8 to 2,352 and now surpasses last year by 235. The higher efficiency US horizontal rig count fell 6 to 1,341 and rises 242 above last year. The EIA Natural Gas Monthly report revealed yet another lower 48 record production level in July.

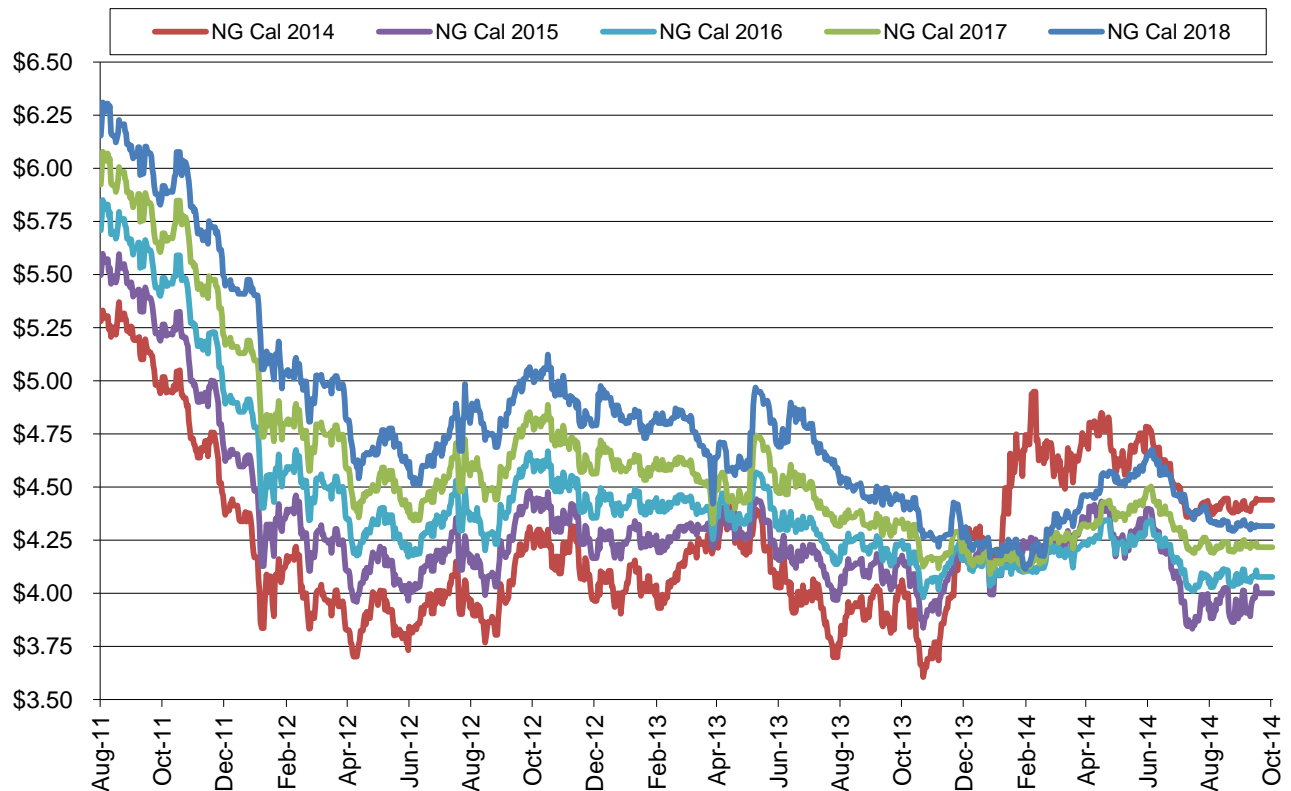
Demand Trends: Total demand fell 2.3 bcf/d to 56.4 bcf/d. All sectors were lower. Electricity demand fell 2,099 gigawatt-hrs to 72,585, which exceeds last year by 1,011 (1.4%) while trailing the 5 year average by 2,771 (3.7%). The EIA Natural Gas Monthly report indicated demand was lower than last year as the utter lack of extreme temperatures across the country limited power use.

Other Factors: The S&P 500 ended lower on the week, but again finished the week on a positive note after a positive US jobs report.

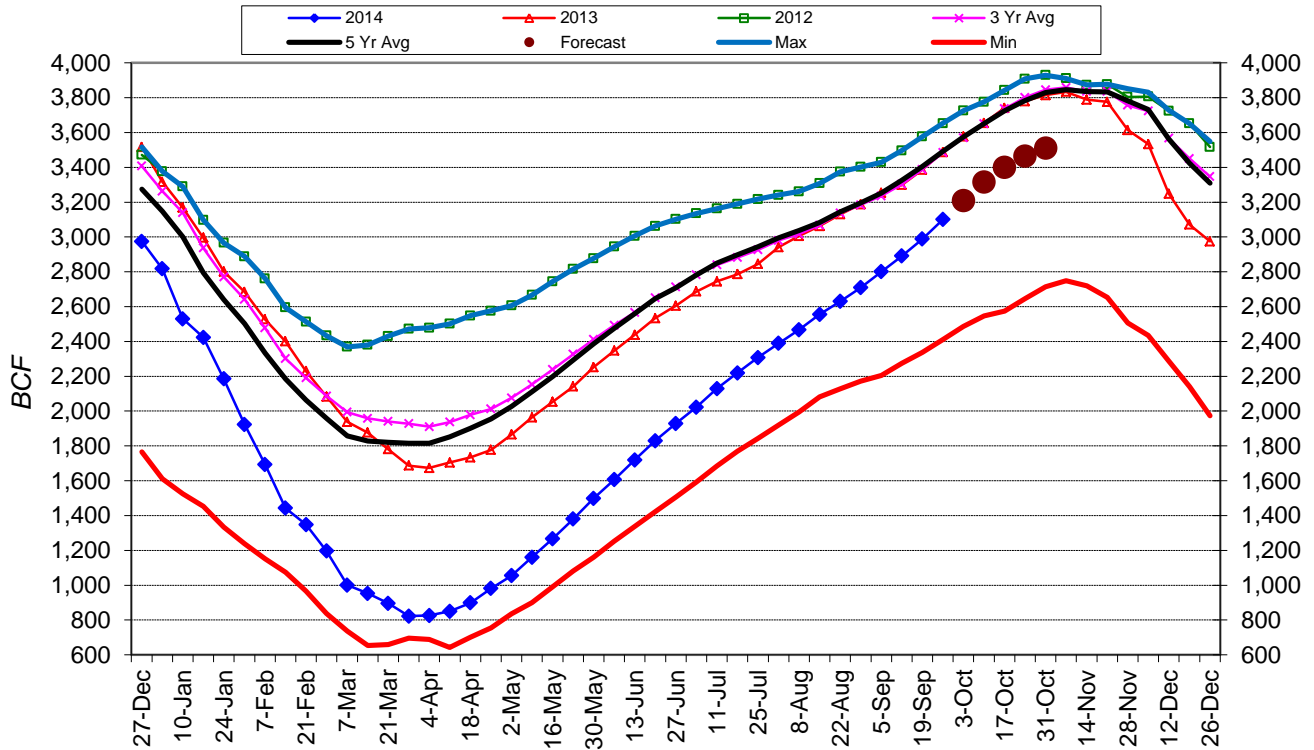
\$/MMBtu Ratio of NYMEX CL and NG



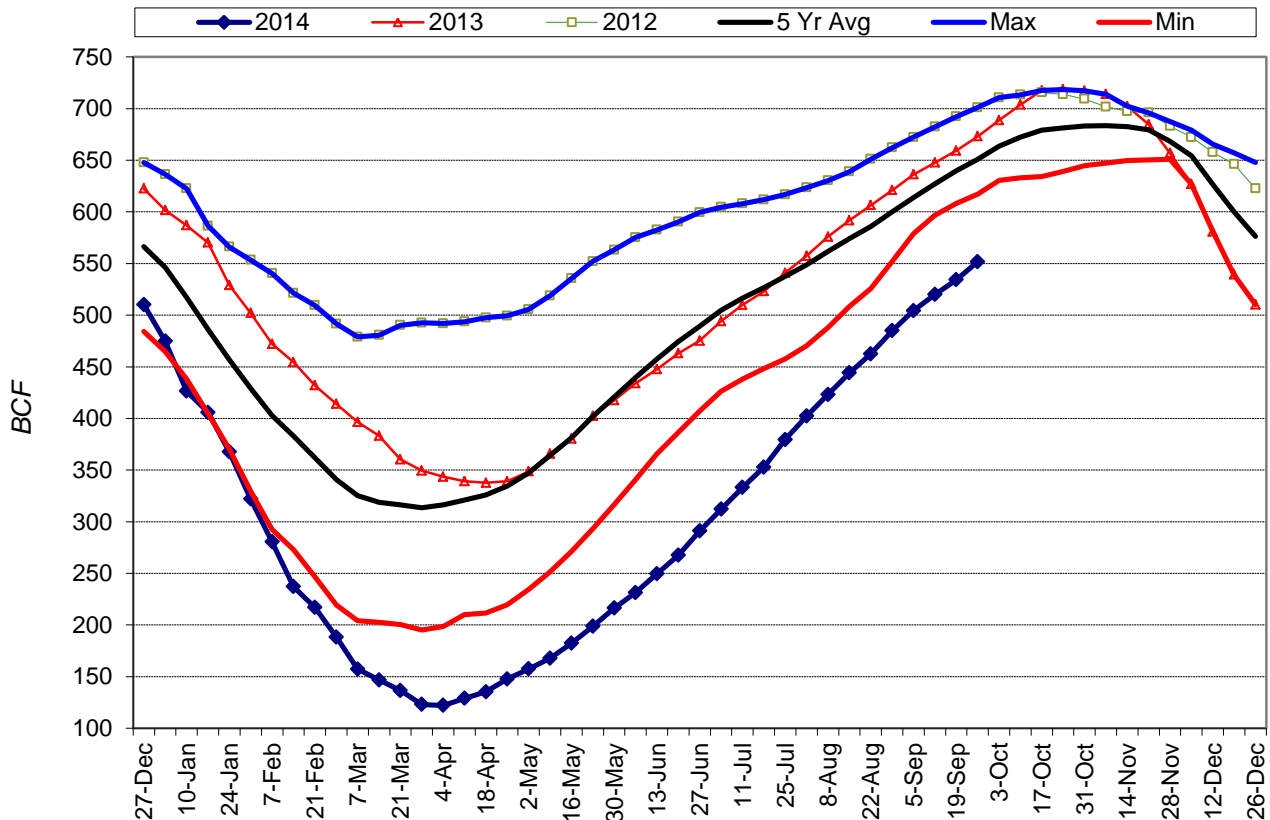
NYMEX Calendar Strips



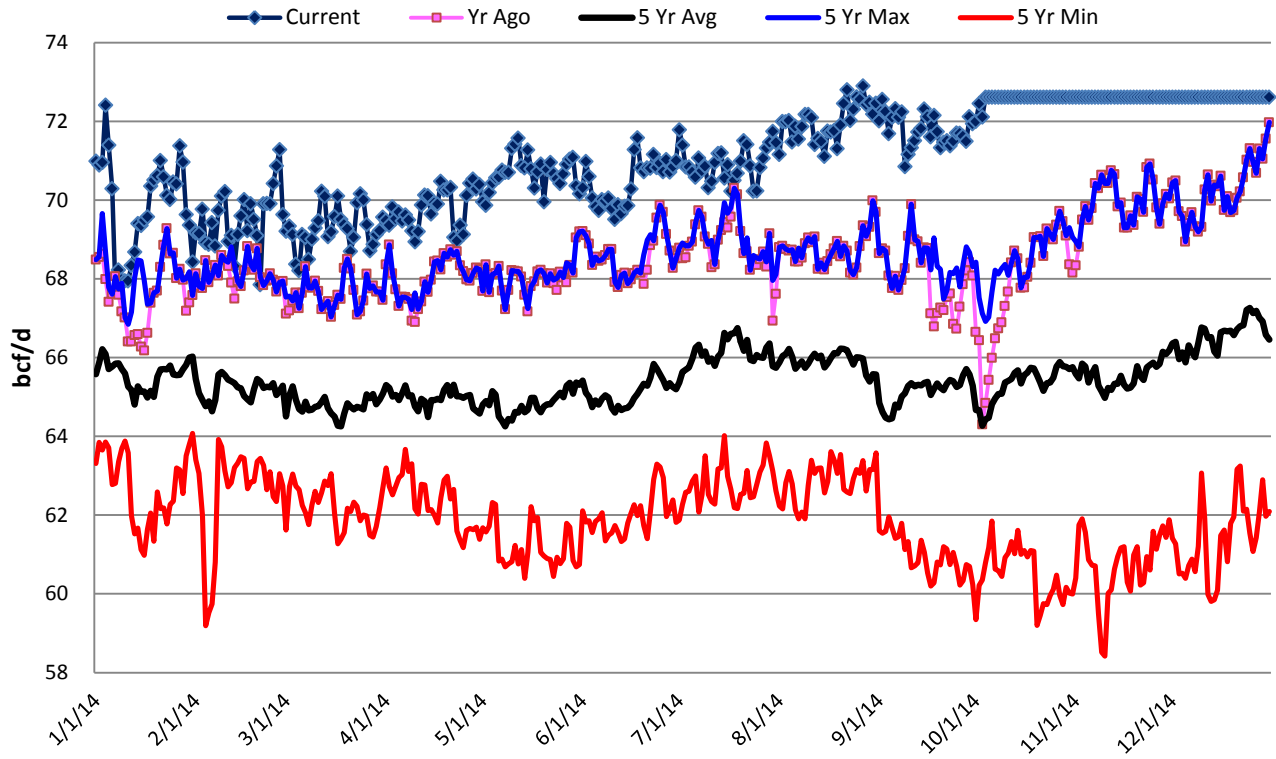
US Working Gas Storage - Source - EIA



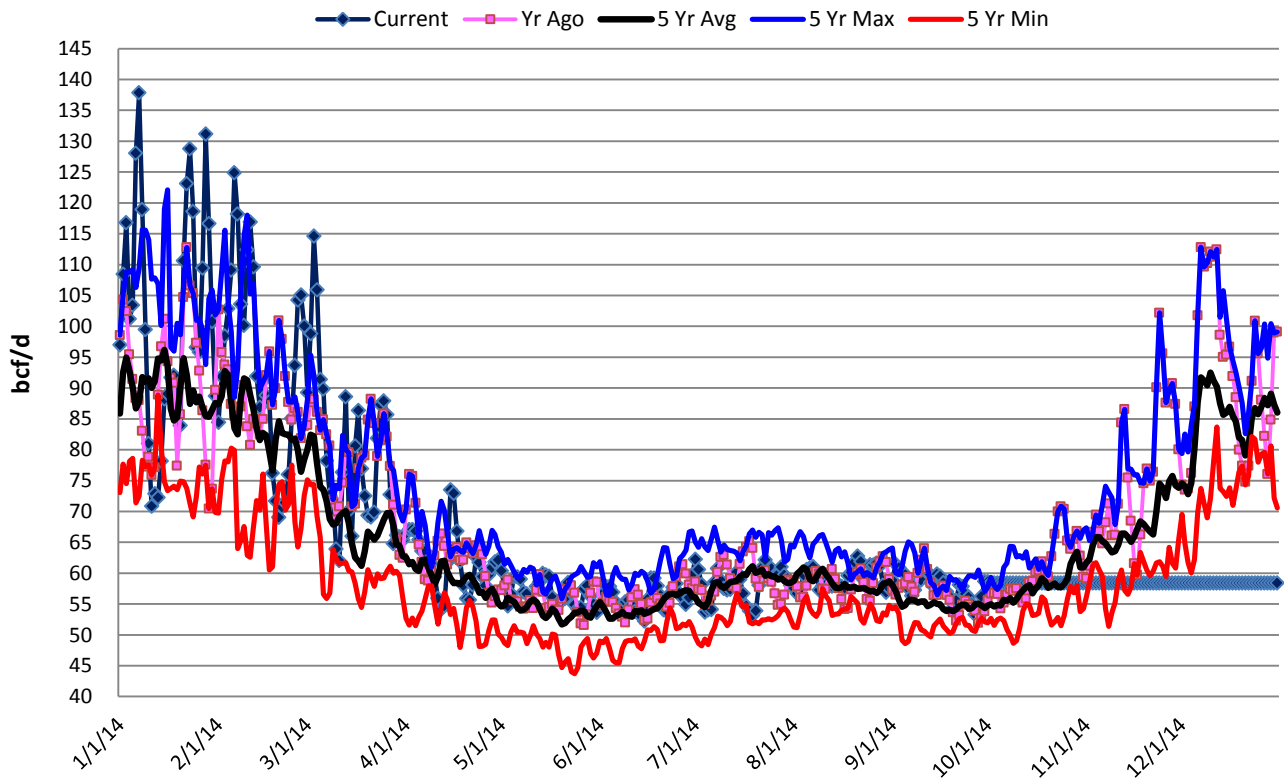
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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