

IAF Advisors  
Energy Market Outlook  
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**Price Action:** The November contract fell 18.0 cents (4.5%) to \$3.859 on an 18.5 cent range.

**Price Outlook:** Yet again, the market was able to avoid an inside range and established a new low as weather forecasts moderated and another triple digit injection weighed on the market. Still the market remains 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 with weather forecasts soon to stretch into November. After a rise last week, the managed money net long position collapsed to the lowest level since early January 2013. Total open interest rose slightly to 3.59 million as of October 7 with the option related position increasing as well. CME futures aggregated open interest fell to 924,000 as of October 9.

**Weekly Storage:** US working gas storage for the week ending October 3 indicated a build of 105 bcf. Thus total working gas inventories rose to 3,205 bcf. Current inventories fall 372 bcf (10.4%) below last year and 369 bcf (10.3%) behind the 5 year average.

**Storage Outlook:** This week again established another new 5 year weekly maximum. The injection matched 128% of the 5 year average while exceeding the 16 bcf needed to put inventories on pace to reach 3,550 bcf in early November. Inventories still need to equal 128% of the 5 year average which is 99 bcf for next week or exceed it by 15 bcf which will be 92 bcf.

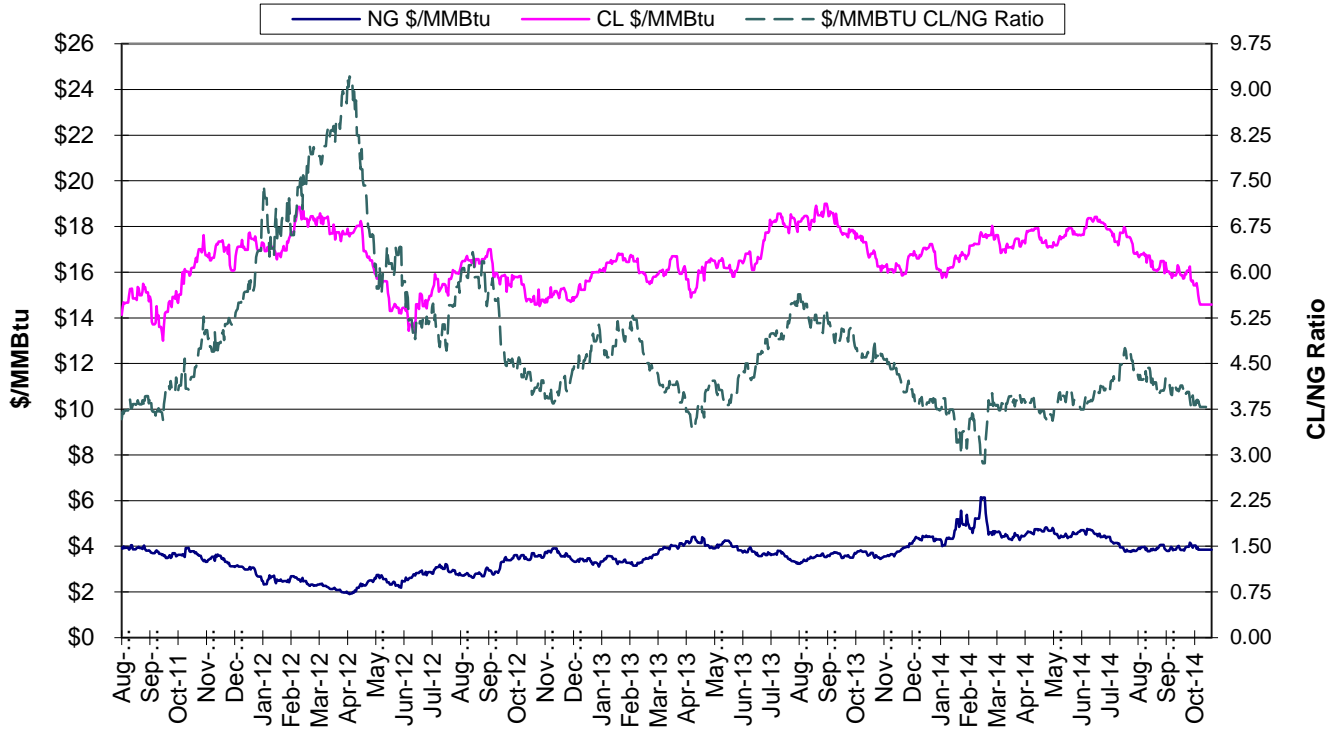
**Supply Trends:** Total supply rose 0.4 bcf/d to 71.5 bcf/d. US production was higher with all other components lower. The US Baker Hughes rig count rose 8 with oil activity higher while natural gas slipped. The total US count now stands at 1,930. The Canadian rig count fell 10 to 420. Thus, the total North American rig count fell 2 to 2,350 and now surpasses last year by 250. The higher efficiency US horizontal rig count rose 12 to a record 1,353 and rises 247 above last year. Expectations for infrastructure projects to significantly increase US supply in the coming weeks remain a bearish factor on the market. 3rd Quarter E&P reports will be reviewed closely for production guidance and the possible impact of now lower crude prices.

**Demand Trends:** Total demand was unchanged at 56.4 bcf/d. Increased power demand was offset by lower R&C and industrial demand. Electricity demand rose 582 gigawatt-hrs to 73,167, which trails last year by 600 (0.8%) and the 5 year average by 342 (0.5%). Market focus remains on supply while temperature adjusted demand has been quite robust recently. The supply/demand balance remains bearish, but less bearish than earlier in the year.

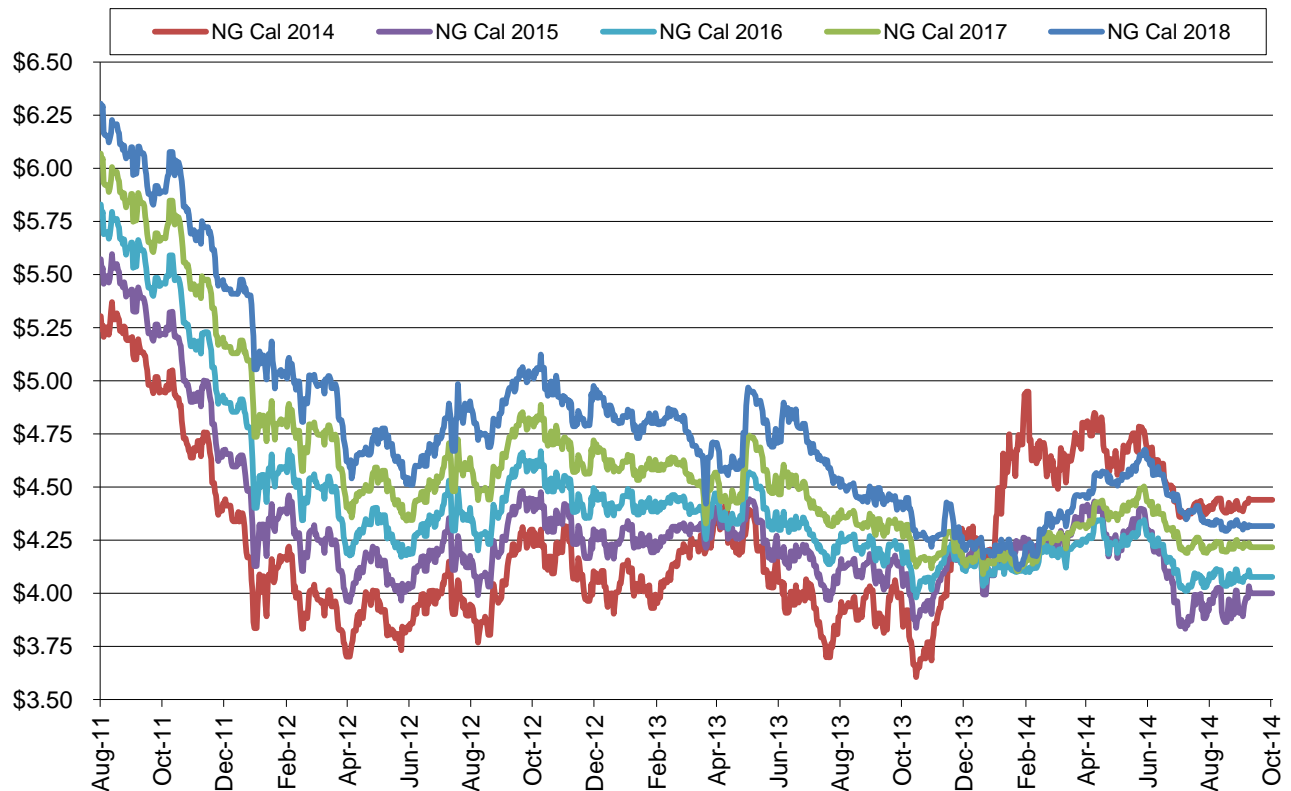
**Other Factors:** The S&P 500 ended at the lowest level since May as global growth concerns seem to be driving the market.

- A proprietary heating index will soon be released.

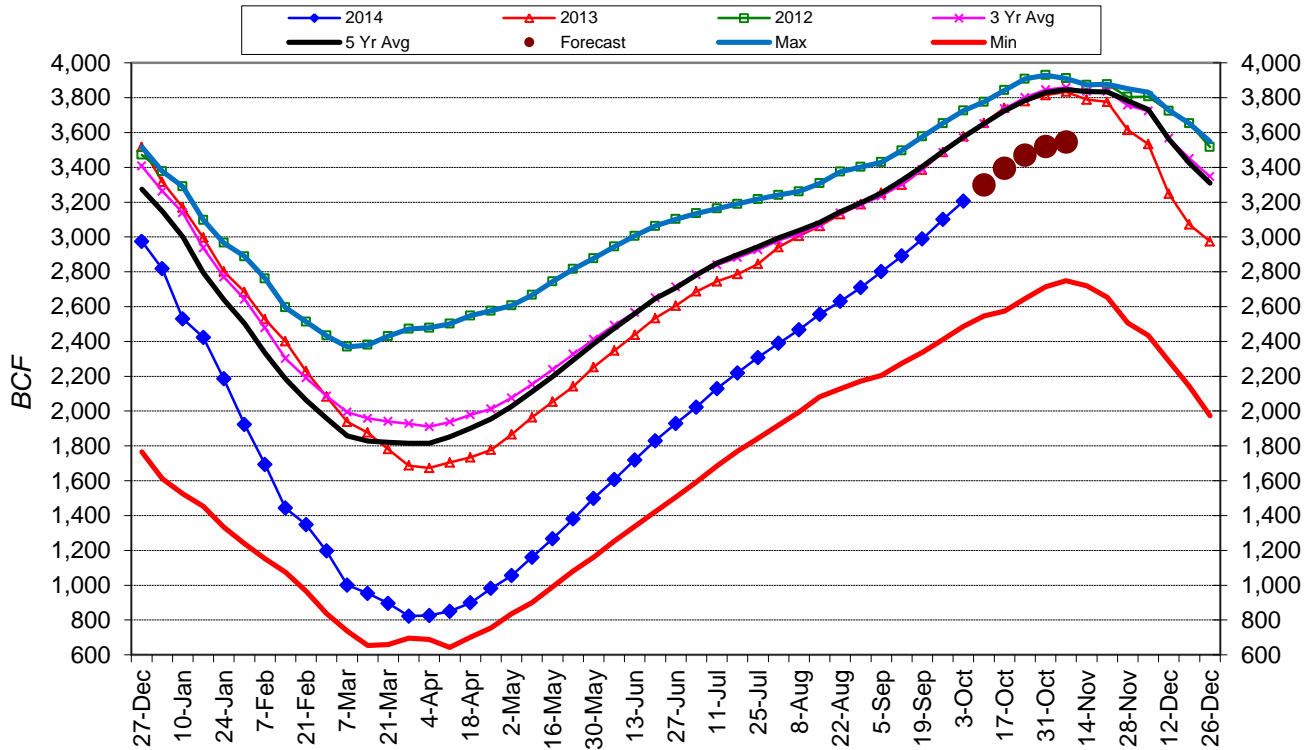
## \$/MMBtu Ratio of NYMEX CL and NG



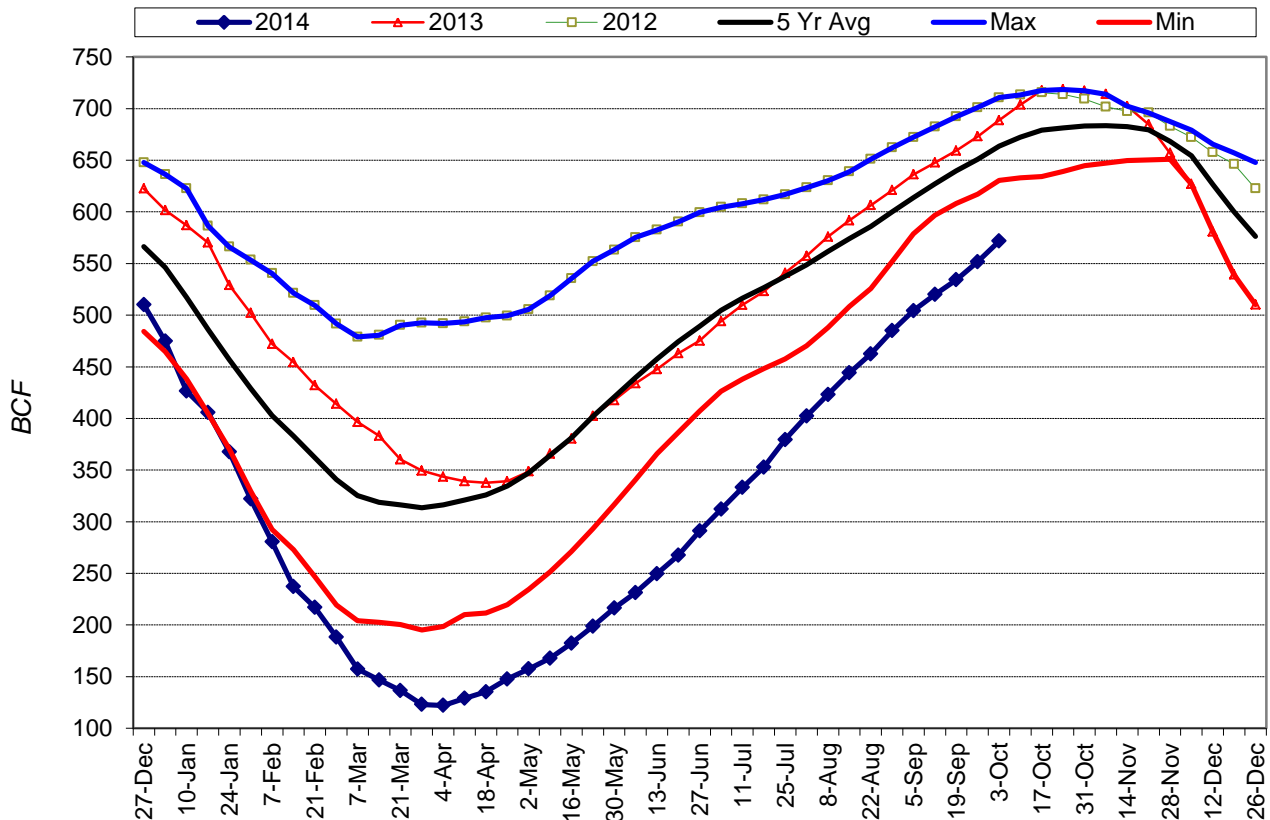
## NYMEX Calendar Strips



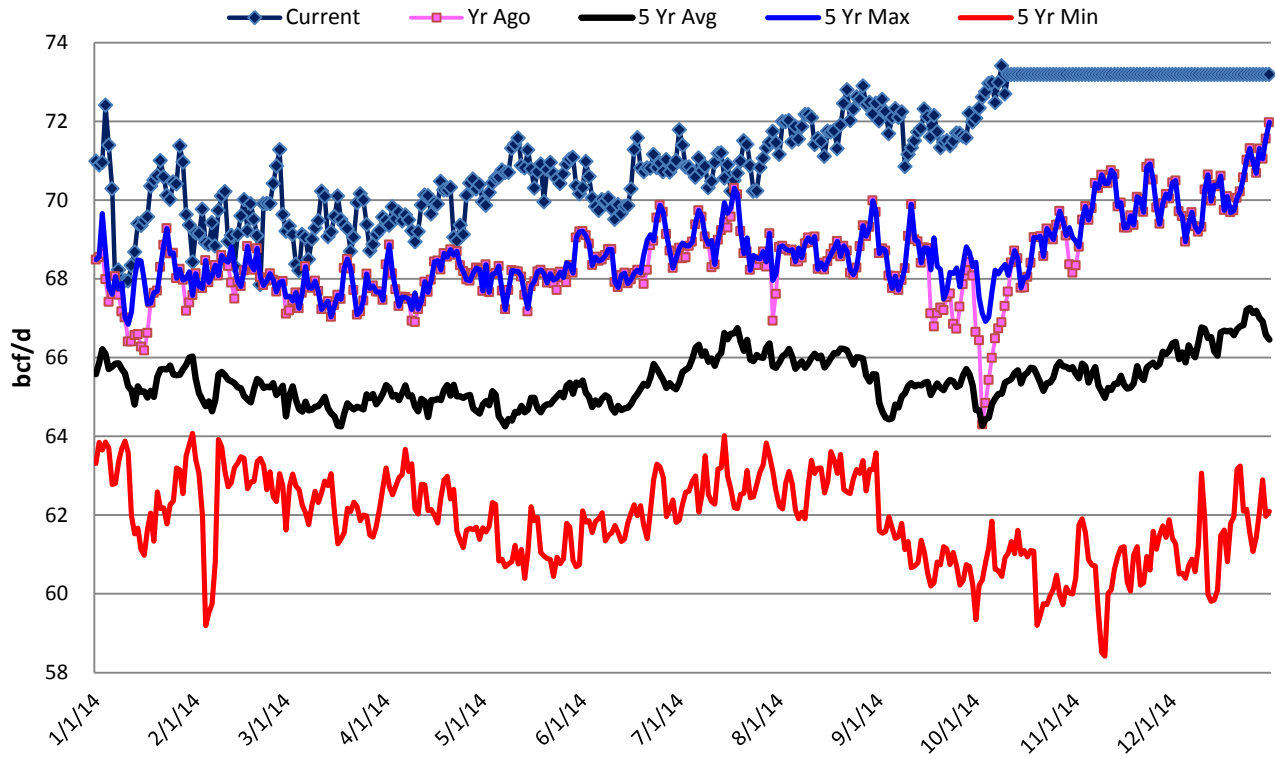
## US Working Gas Storage - Source - EIA



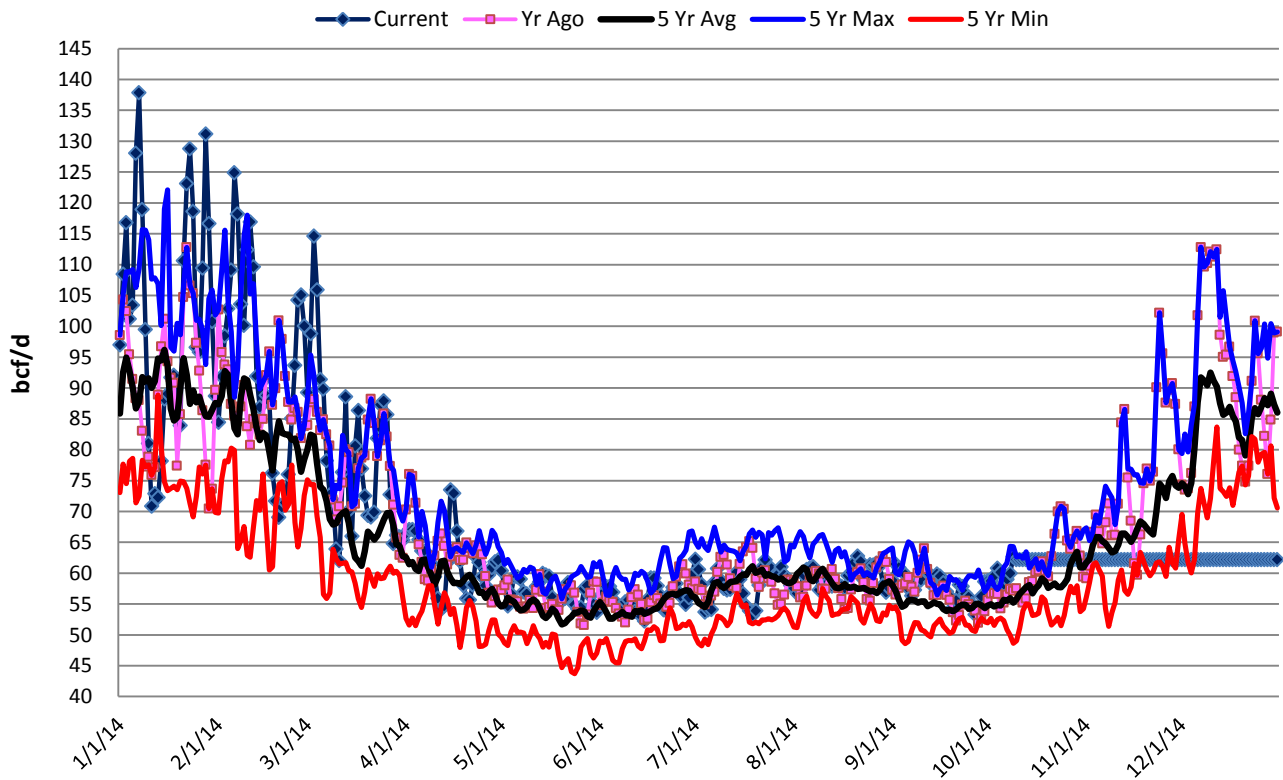
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



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

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