

IAF Advisors
Energy Market Outlook
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Price Action: The December contract fell 39.2 cents (8.9%) to \$4.020 on a 61.3 cent range.

Price Outlook: The market established a new high as early week weather forecasts remained bullish. However, as the forecasts moderated, prices collapsed and for the 2nd time in 3 weeks, also established a new low to go along with the high. The market remains incredibly sensitive to the weather forecasts. While prices are much closer to last week's low, colder weather forecasts would likely keep prices supported. The slight bias is for a new low, but after a 61+ cent range, a rare inside week is also possible. The increase in the managed money net long position continued and is the largest since early October. There is still plenty of room for more buying or price weakness could precipitate selling. Total open interest rose to 3.78 million as of November 11 with the option related position also rising. CME futures aggregated open interest rose to 960,000 as of November 13.

Weekly Storage: US working gas storage for the week ending November 7 indicated a build of 40 bcf. Thus total working gas inventories rose to 3,611 bcf. Current inventories fall 223 bcf (5.8%) below last year and 235 bcf (6.1%) behind the 5 year average.

Storage Outlook: With an expectation for this week to see inventories roughly unchanged, the current level will represent very close to the peak for 2014. Considering the recent cold, a triple digit withdrawal is currently expected for the week ending November 21. Still, inventories will likely exceed last year in mid-December.

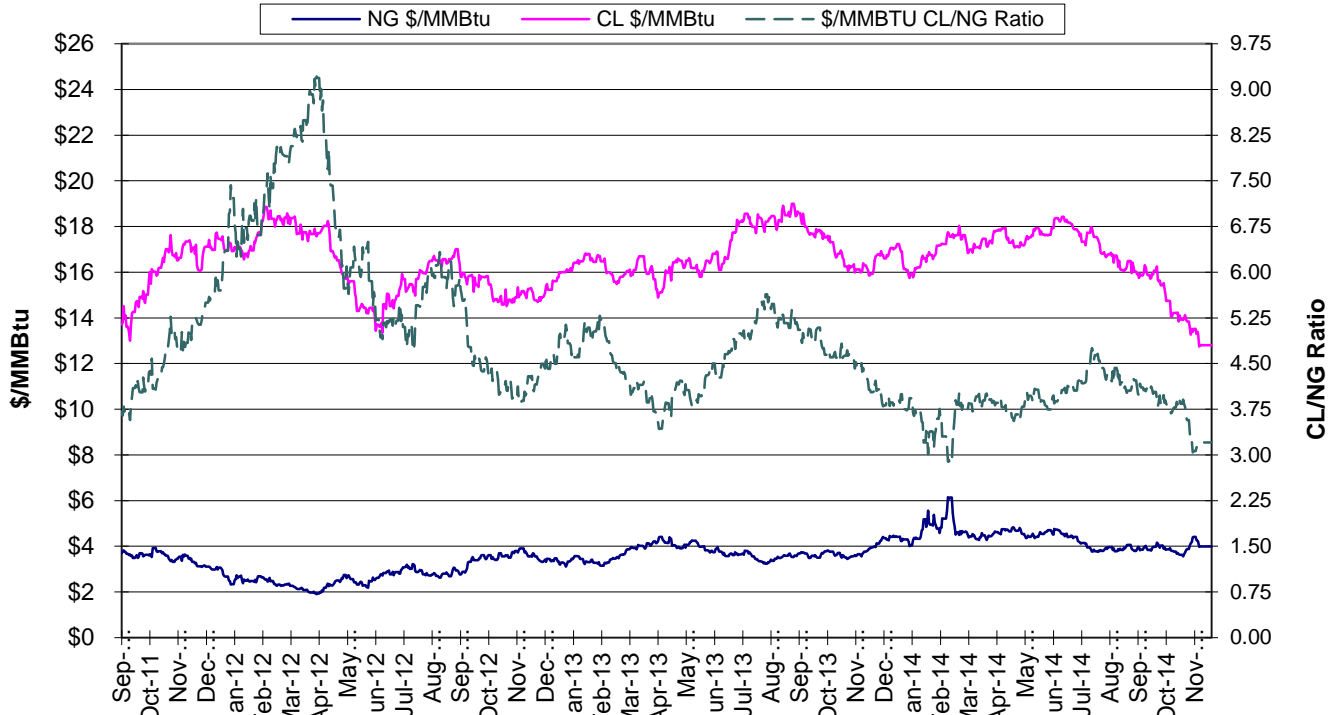
Supply Trends: Total supply rose 0.2 bcf/d to 74.3 bcf/d. US production was unchanged while Canadian imports rose and Mexican exports fell. LNG imports were unchanged. The US Baker Hughes rig count rose 3 as oil activity rose while natural gas slipped. The total US count now stands at 1,928. The Canadian rig count fell 8 to 402. Thus, the total North American rig count fell 5 to 2,330 and now surpasses last year by 167. The higher efficiency US horizontal rig count rose 7 to a record 1,369 and rises 255 above last year.

Demand Trends: Total demand rose 6.0 bcf/d to 66.0 bcf/d. R&C and industrial demand were higher with power demand down. Electricity demand rose 741 gigawatt-hrs to 69,885, which trails last year by 289 (0.4%) and the 5 year average by 593 (0.8%).

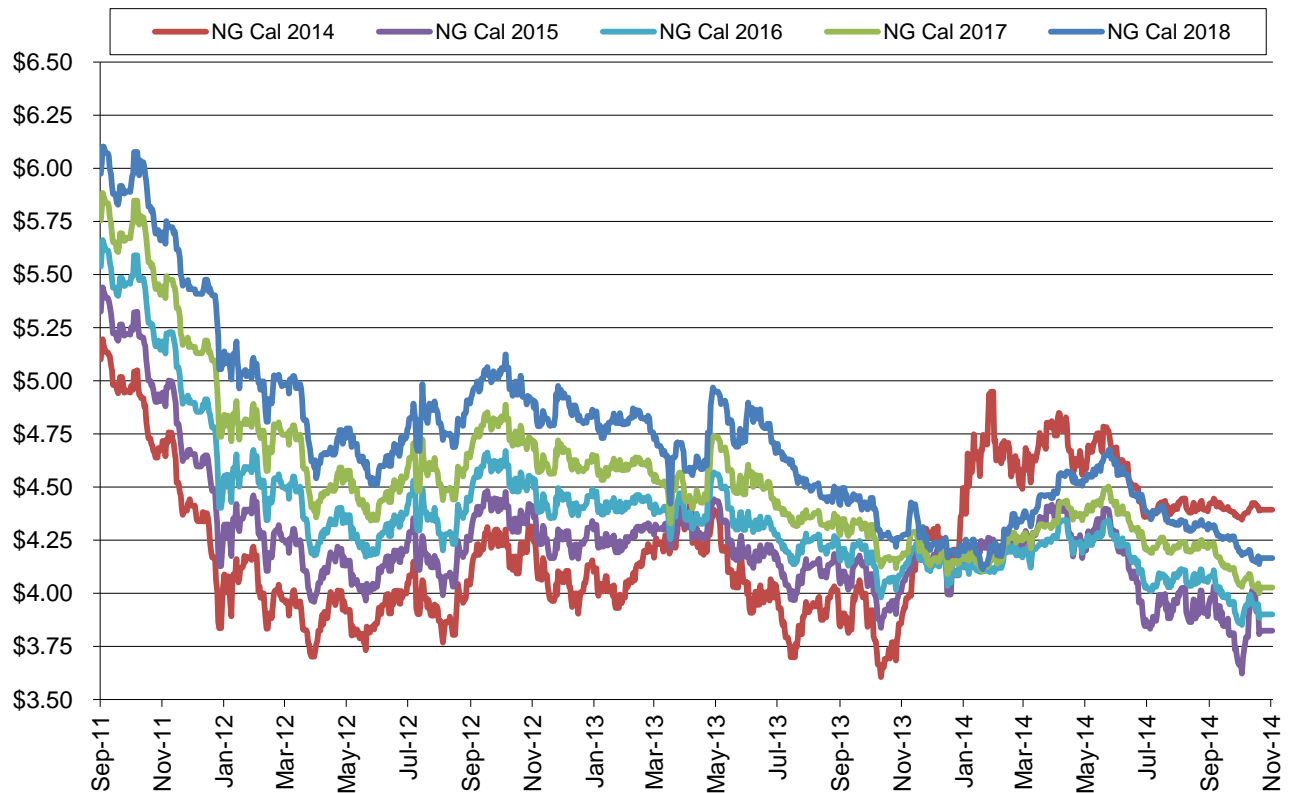
Other Factors: The S&P 500 rose and established another new all-time record as the rebound from the October swoon continued.

- Despite the recent cold, our proprietary heating index has now slipped behind both 2013/14 and 2012/13. With a forecast through November 28, the East of Rockies index stands at 323 compared to 330 for 2013/14, 335 for 2012/13, 187 for 2011/12 and 255 for 2010/11.
- Especially at this early point in the season, the 11-15 day weather forecast will hold additional emphasis as many will extrapolate storage implications until March.

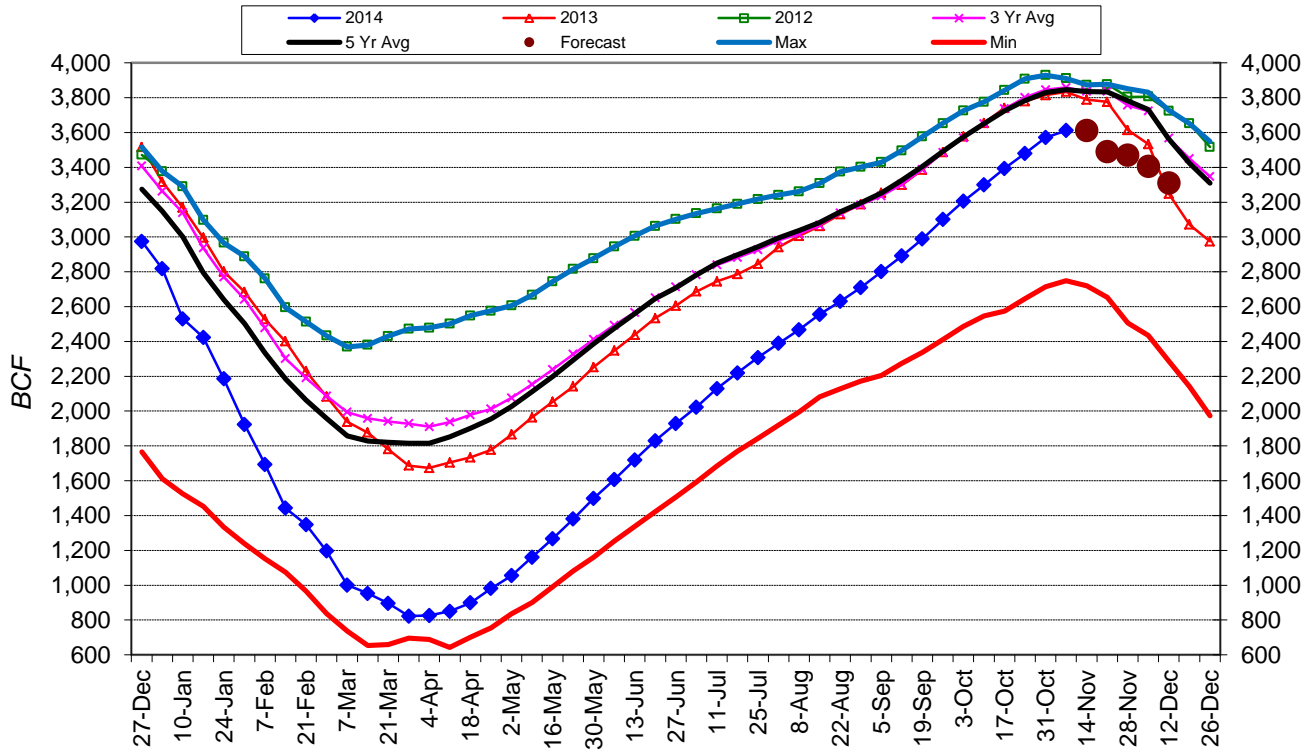
\$/MMBtu Ratio of NYMEX CL and NG



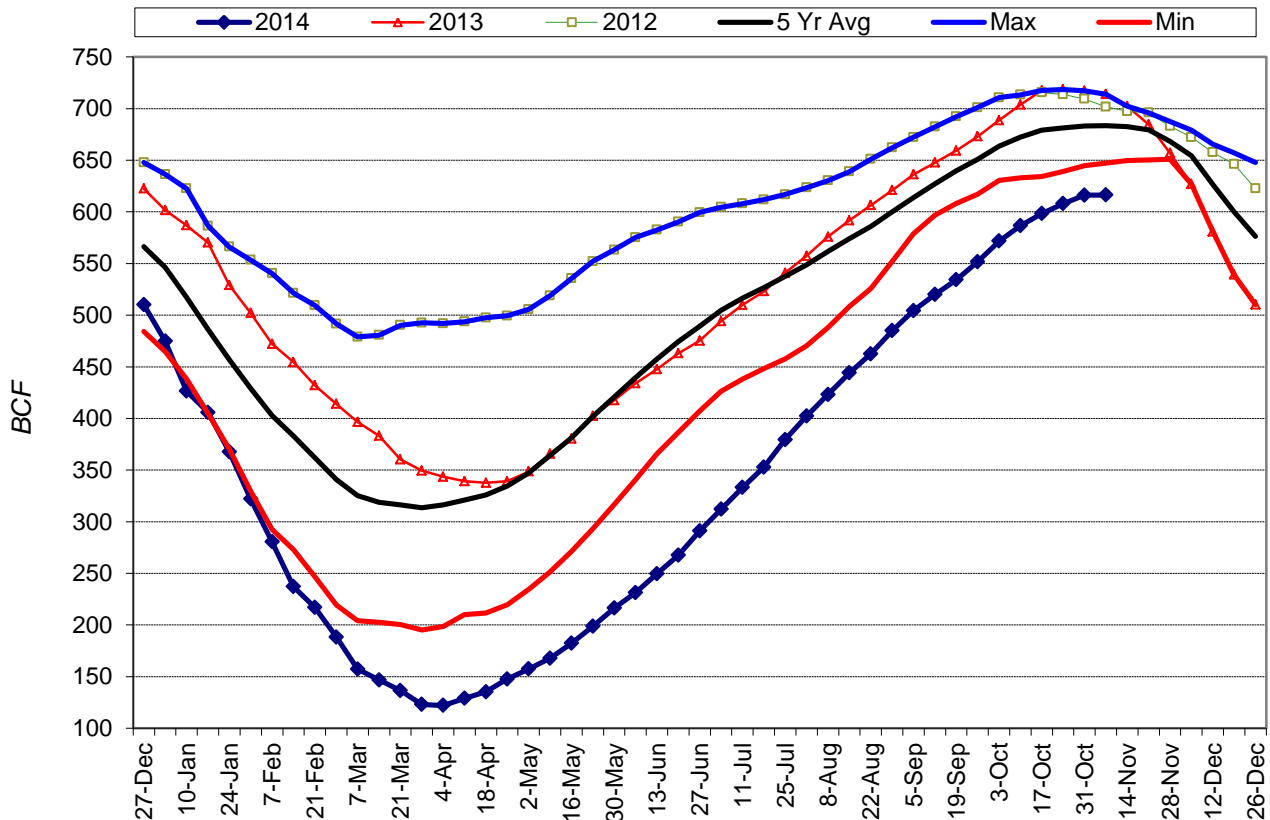
NYMEX Calendar Strips



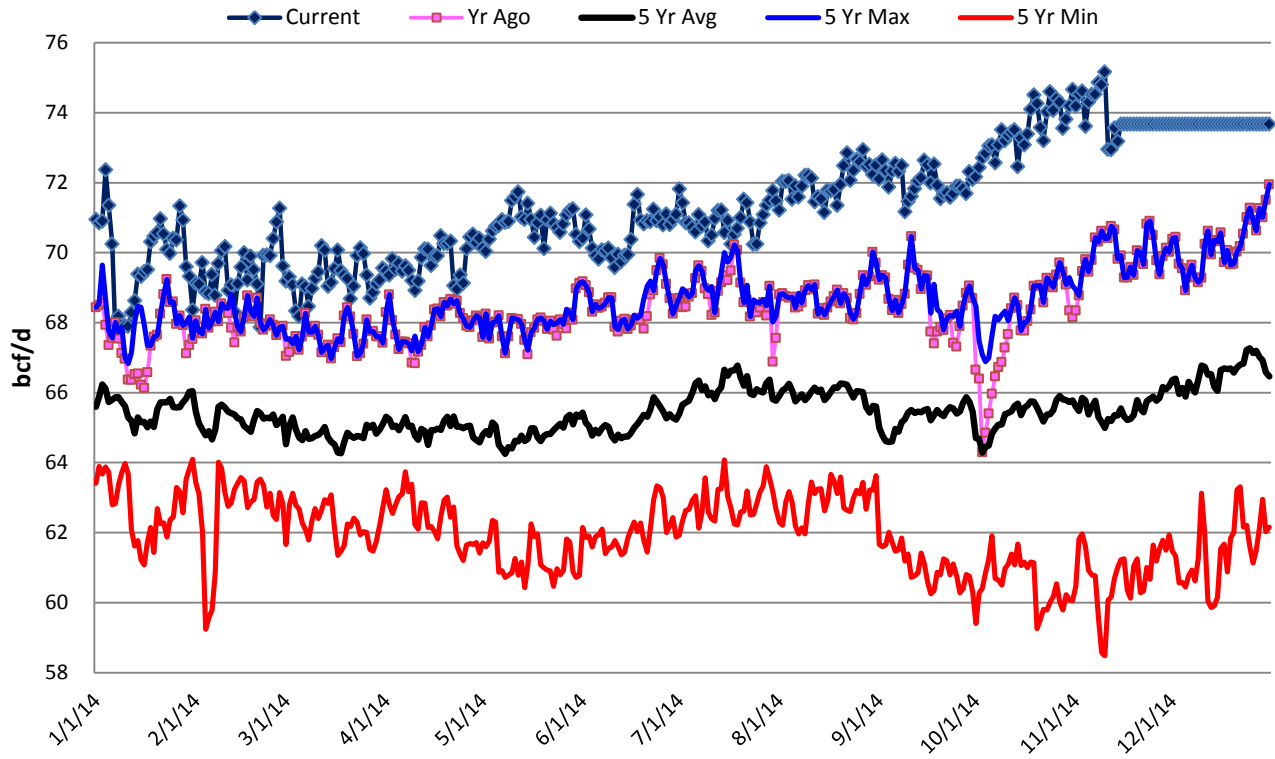
US Working Gas Storage - Source - EIA



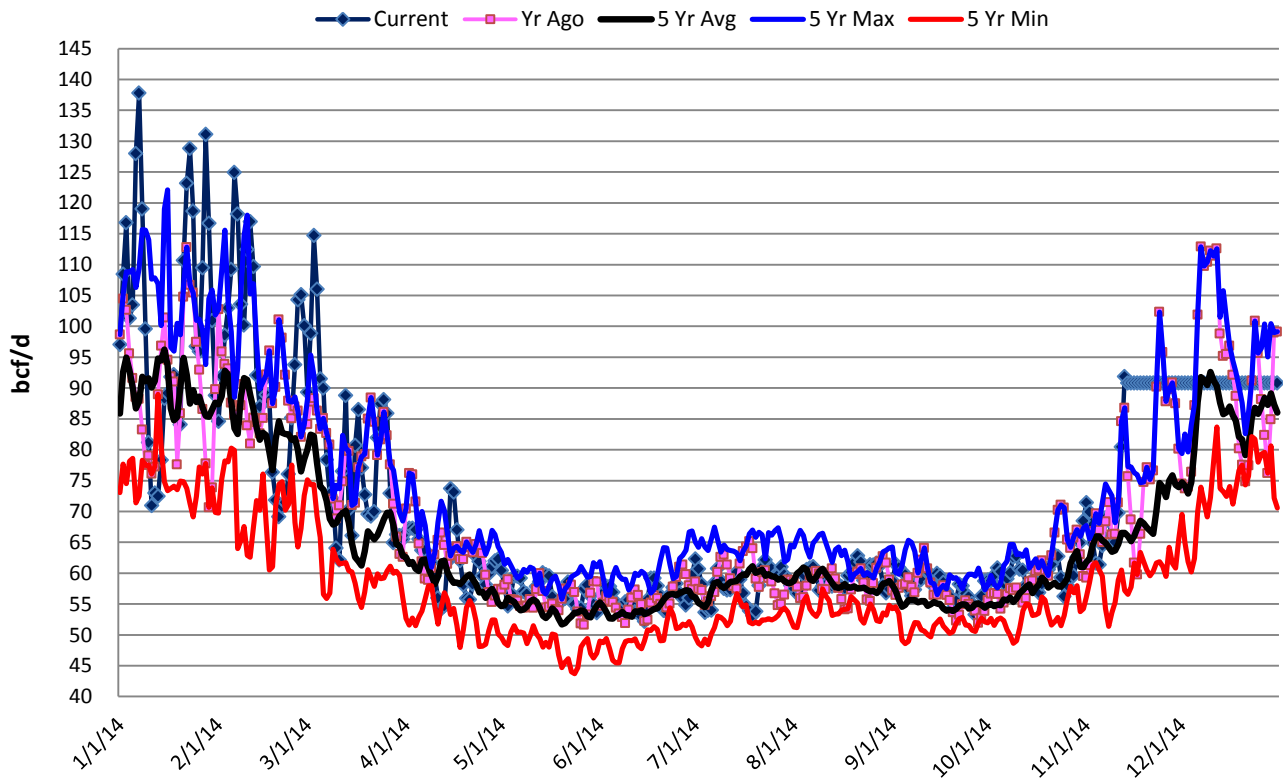
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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