

IAF Advisors
Energy Market Outlook
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Price Action: The January contract fell 32.9 cents (7.4%) to \$4.088 on a 34.2 cent range.

Price Outlook: The market collapsed as weather forecasts moderated and easily established a new low and with prices settling weakly, a new low is certainly the expected outcome for next week. Unfortunately, the path still remains highly dependent on temperatures and the market price volatility reflects the flip-flopping nature of the weather forecasts. Thus, an outlook any time this week that returns polar air to the lower 48 will likely illicit a significant rally. The CFTC data was not updated due to the Thanksgiving Day Holiday and next week's update will actually reflect two weeks of data. CME futures aggregated open interest rose to 955,000 as of November 26.

Weekly Storage: US working gas storage for the week ending November 21 indicated a draw of 162 bcf. Thus total working gas inventories fell to 3,432 bcf. Current inventories fall 344 bcf (9.1%) below last year and 402 bcf (10.5%) behind the 5 year average.

Storage Outlook: The larger than expected draw actually increased the deficit to the 5 year average and this was just the 2nd increase to the 5 year deficit since April 11. It increased the deficit to last year for just the 2nd time since May. However, large draws last year from this point forward are likely to completely eliminate the yearly deficit and move above last year in mid-December.

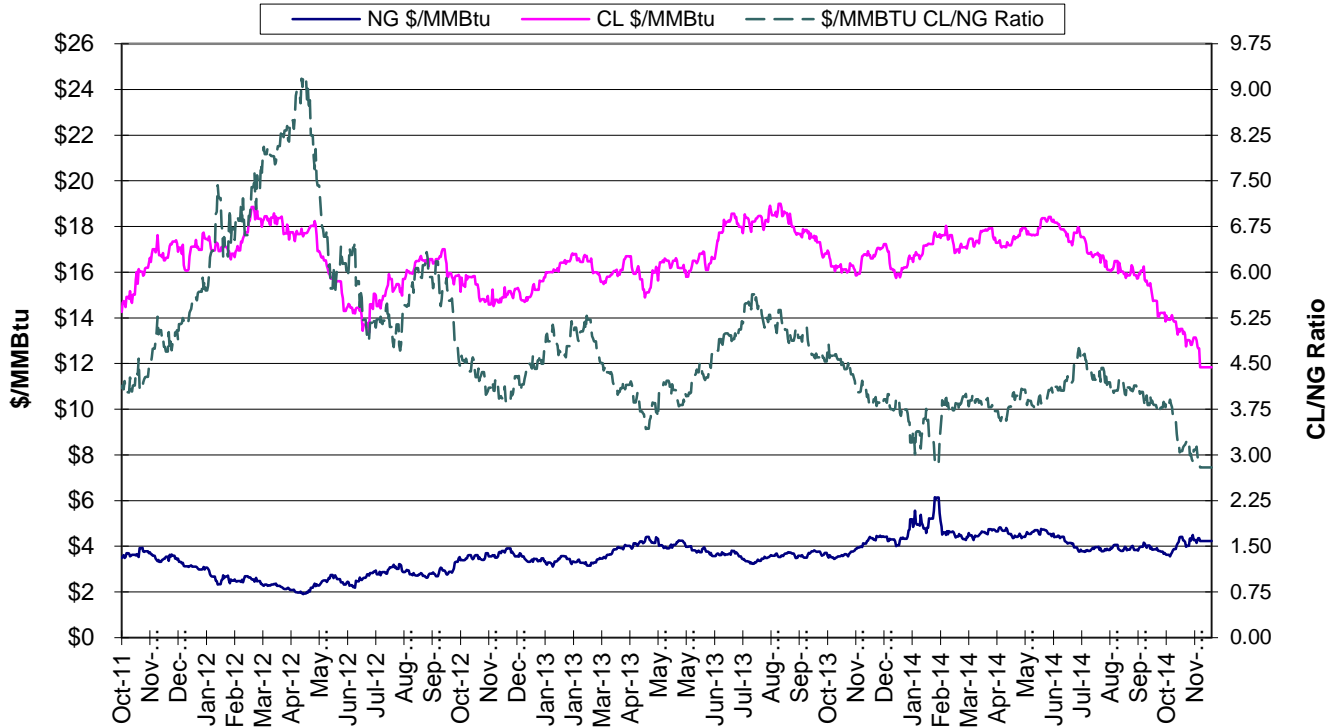
Supply Trends: Total supply fell 0.5 bcf/d to 73.6 bcf/d. US production fell while Canadian and LNG imports rose. Mexican exports were unchanged. The US Baker Hughes rig count fell 12 as both oil and natural gas activity slipped. The total US count now stands at 1,917. The Canadian rig count rose 4 to 438. Thus, the total North American rig count fell 8 to 2,355 and now surpasses last year by 207. The higher efficiency US horizontal rig count fell 1 to 1,371 and rises 244 above last year. Monthly data indicated yet another new lower 48 production record with output at nearly 71 bcf/d. However, due to lower Canadian imports and higher Mexican exports, US total supply is not up as much as US production.

Demand Trends: Total demand soared 20.6 bcf/d to 93.6 bcf/d. All sectors were higher with R&C demand easily leading the way. Electricity demand rose 5,177 gigawatt-hrs to 79,637, which exceeds last year by 7,318 (10.1%) and the 5 year average by 8,654 (12.2%). Monthly data indicated demand set a September record.

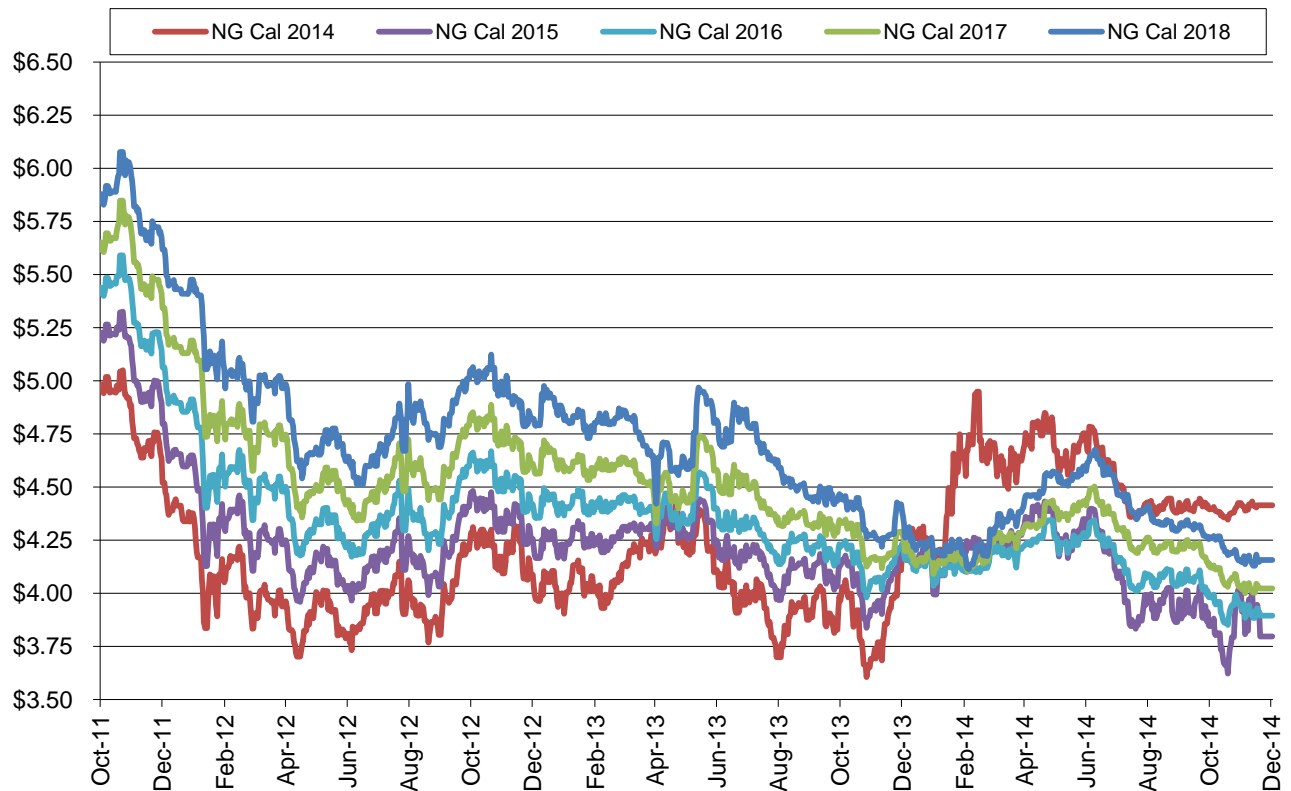
Other Factors: The S&P 500 remains very near all-time highs.

- Our proprietary heating index slipped into 2nd place with a forecast through December 12. The total index stands at 749 compared to 773 for 2013/14, 617 for 2012/13, 640 for 2011/12 and 714 for 2010/11.

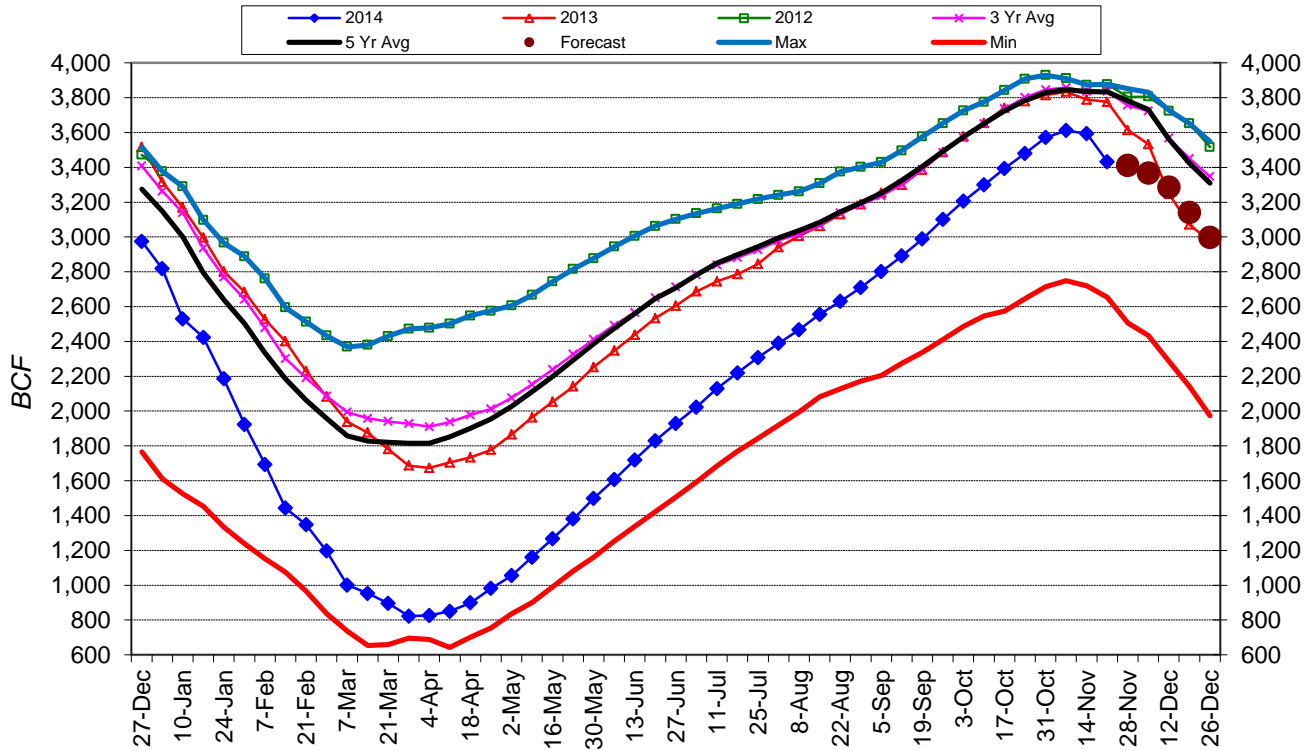
\$/MMBtu Ratio of NYMEX CL and NG



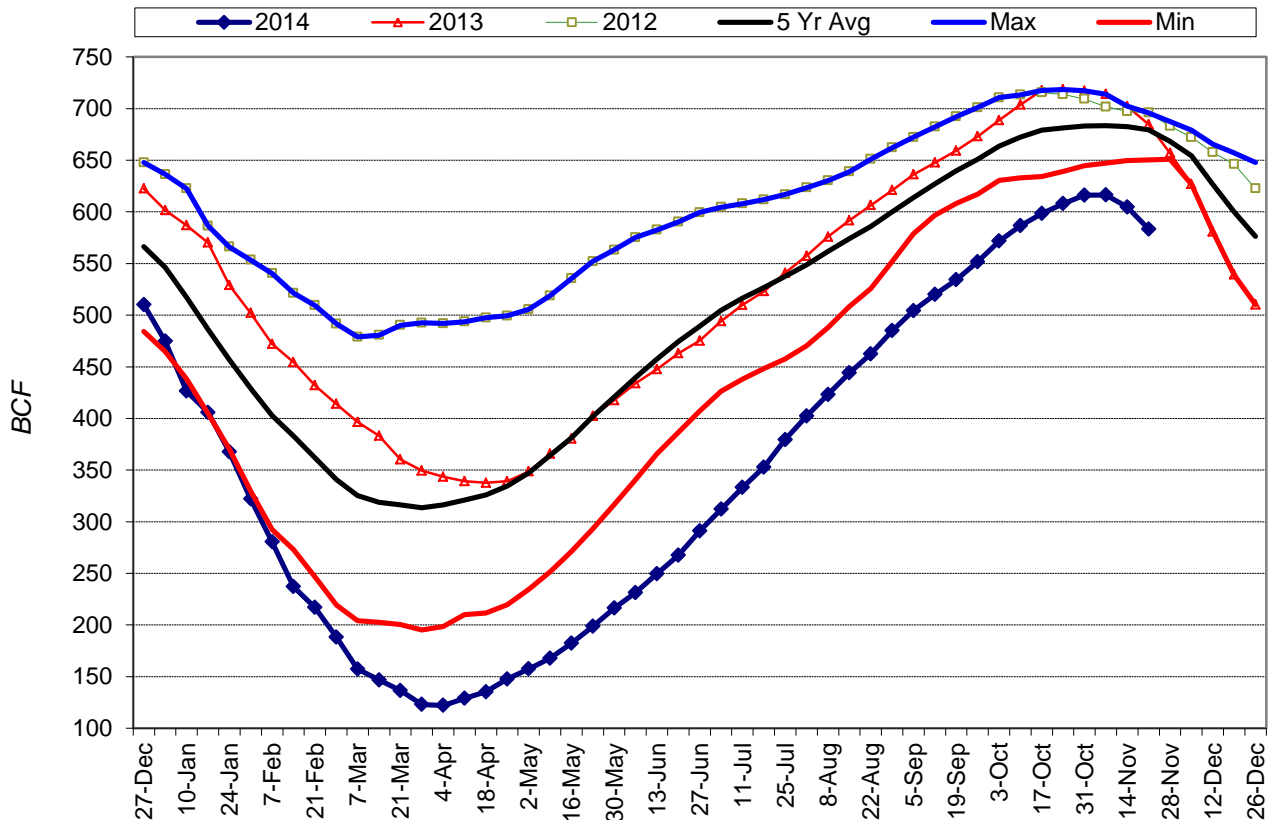
NYMEX Calendar Strips



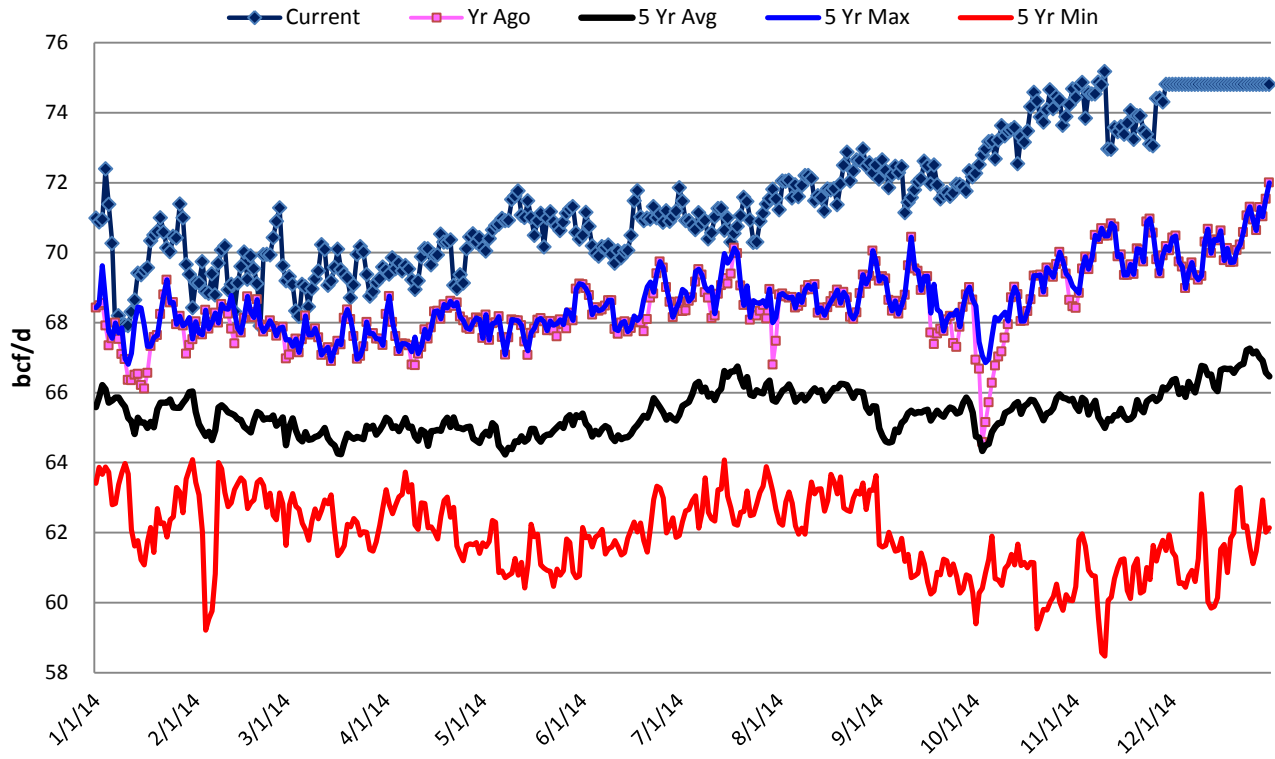
US Working Gas Storage - Source - EIA



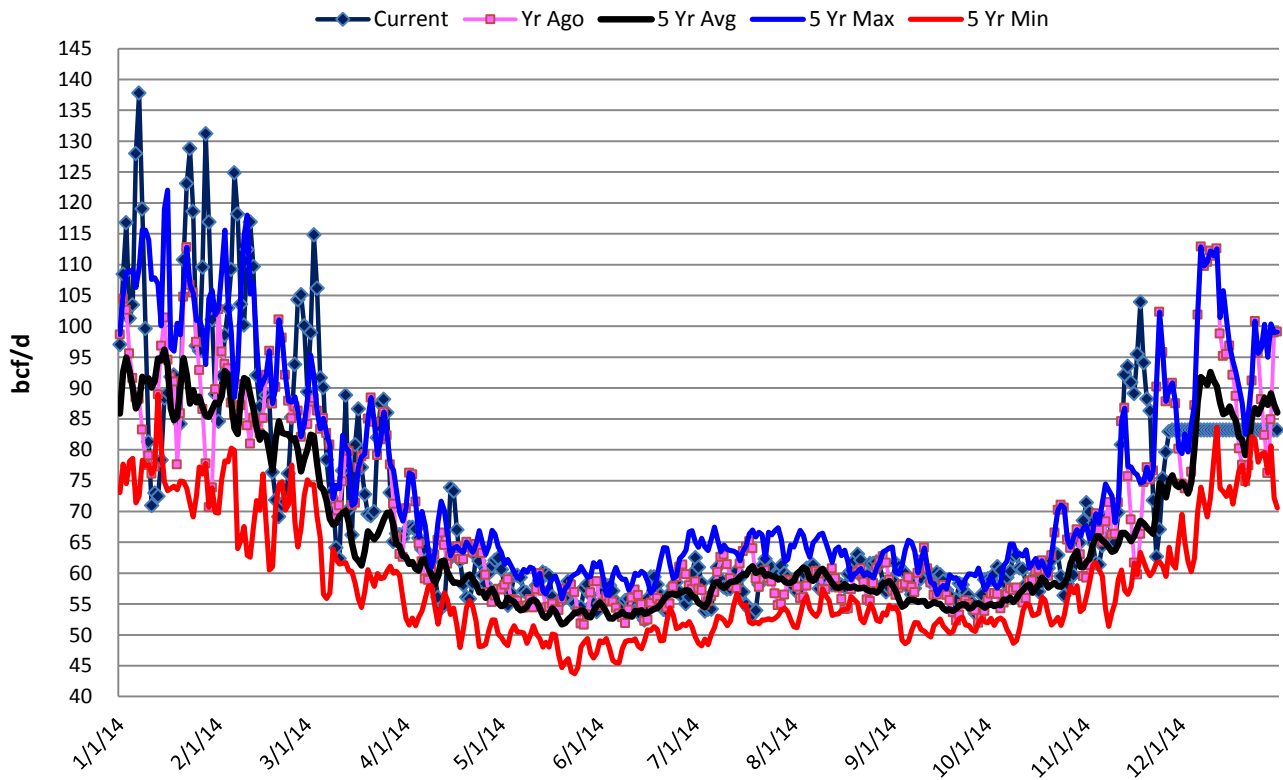
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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