

IAF Advisors  
Energy Market Outlook  
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**Price Action:** The January contract fell 0.7 cents (0.2%) to \$3.795 on a 24.1 cent range.

**Price Outlook:** The market established a new low for the 3rd consecutive week as weather forecasts remained very moderate. However, prices recovered to end the week as some hints of cooler weather entered the outlook. Since 2000, the market has fallen exactly 3 weeks in a row 57 times. The market has fallen exactly 4 weeks in a row 36 times. With the market very near last week's high, a new high is expected. However, considering the narrow range, establishing a new high and low would not be a surprise. The CFTC data reflected a dramatic drop in the managed money net long position. The position remains above the level from late October. Total open interest rose to 3.75 million contracts with option related open interest rising as well. CME futures aggregated open interest fell to just 933,000 as of December 11.

**Weekly Storage:** US working gas storage for the week ending December 5 indicated a draw of 51 bcf. Thus total working gas inventories fell to 3,359 bcf. Current inventories fall 174 bcf (4.9%) below last year and 373 bcf (10.0%) behind the 5 year average.

**Storage Outlook:** With a comparison to last year's near record 285 bcf withdrawal this week, inventories will undoubtedly move above last year this week, while remaining well below the 5 year average. There remains a huge variance regarding end of season inventories depending on weather.

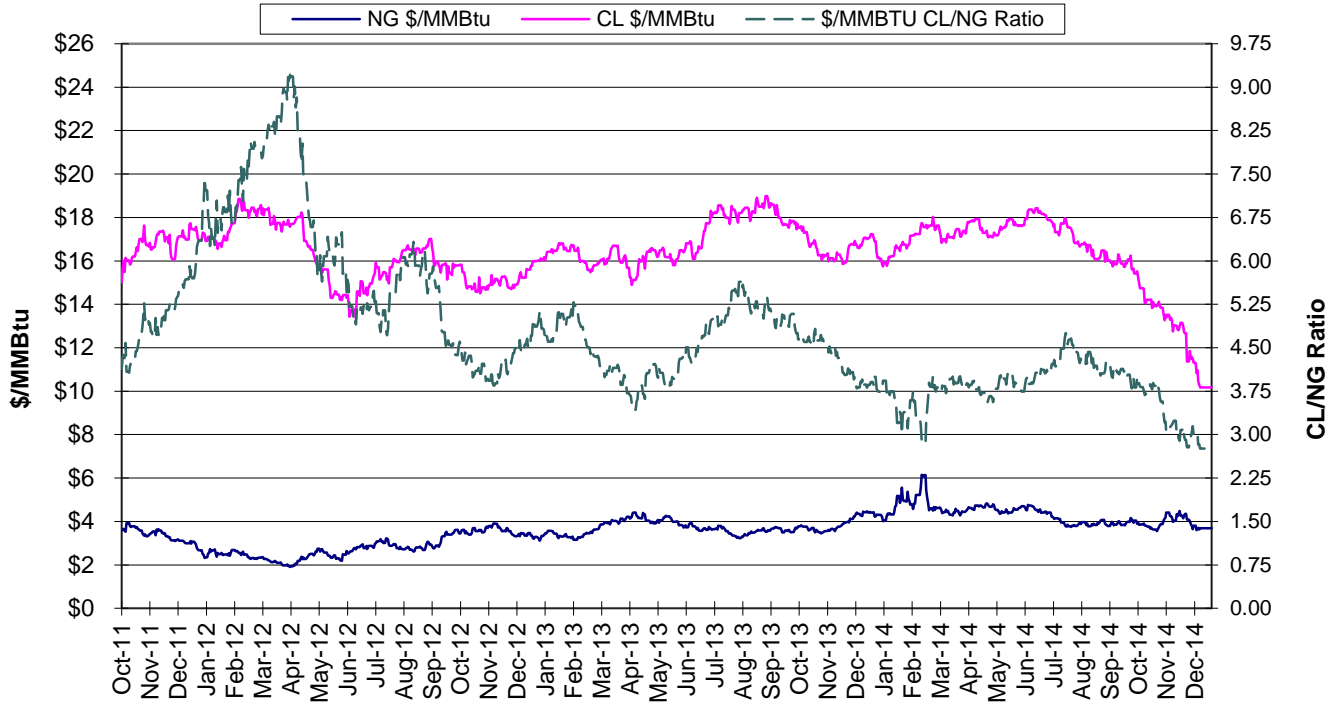
**Supply Trends:** Total supply rose 1.1 bcf/d to 74.8 bcf/d. US production, Canadian imports and Mexican exports were all higher. The US Baker Hughes rig count fell 27 as oil activity plummeted while natural gas rose. The total US count now stands at 1,893. The Canadian rig count rose 9 to 431. Thus, the total North American rig count fell 18 to 2,324 and now surpasses last year by 116. The higher efficiency US horizontal rig count fell 1 to 1,367 and rises 222 above last year. Pipeline data indicated a new record level of US production while the continued slide in US oil prices is beginning to alter US E&P capex plans.

**Demand Trends:** Total demand rose 3.3 bcf/d to 78.4 bcf/d. All sectors were higher with R&C rising faster than power. Electricity demand rose 3,084 gigawatt-hrs to 75,017, which trails last year by 1,607 (7.0%) while surpassing the 5 year average by 345 (0.5%).

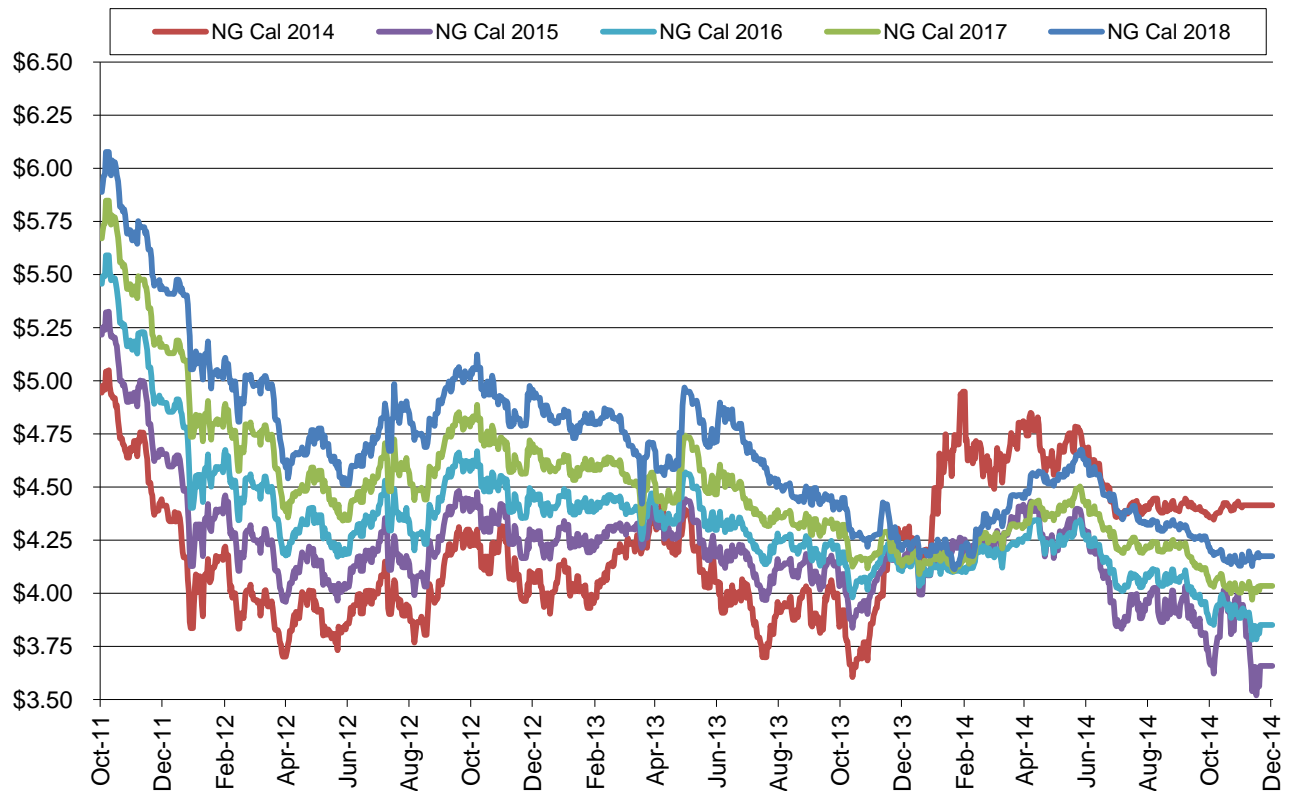
**Other Factors:** The S&P 500 collapsed and ended just above 2,000.

- Our proprietary heating index remained in 3rd place with a forecast through December 26. The total index stands at 997 compared to 1,090 for 2013/14, 881 for 2012/13, 891 for 2011/12 and 1,043 for 2010/11.

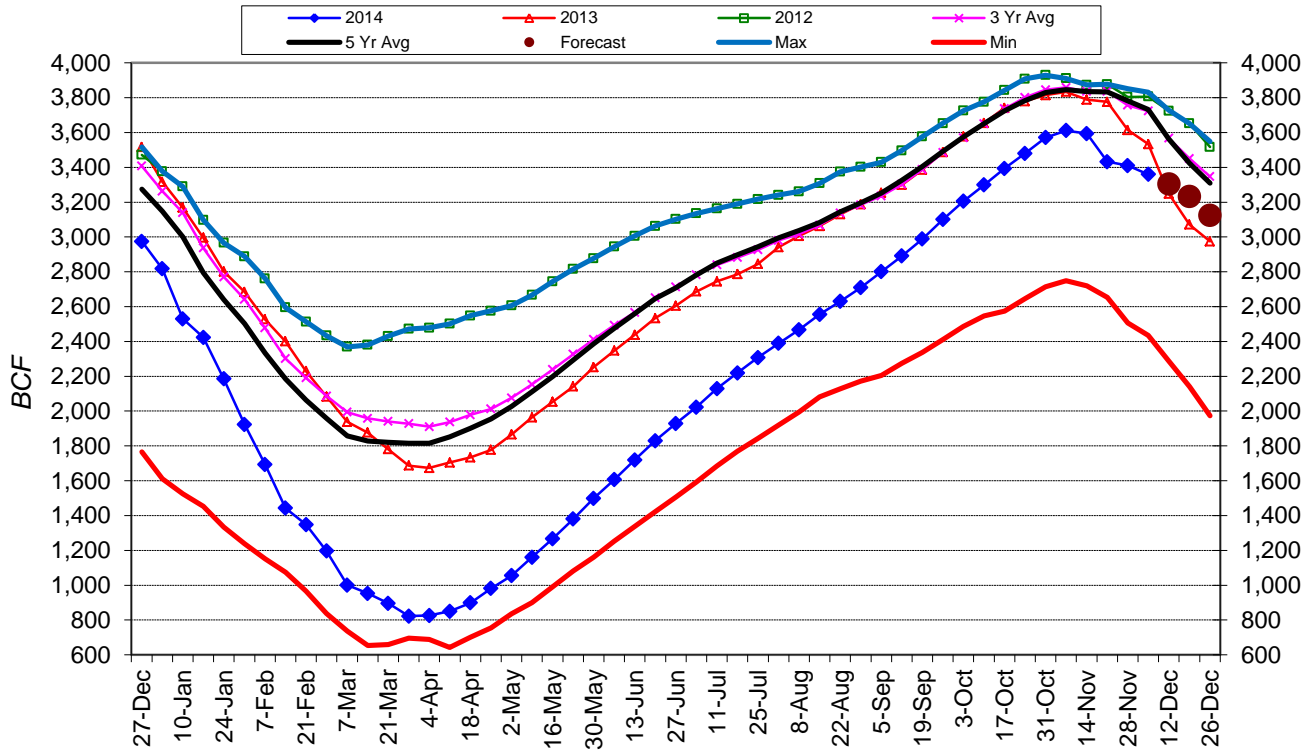
## \$/MMBtu Ratio of NYMEX CL and NG



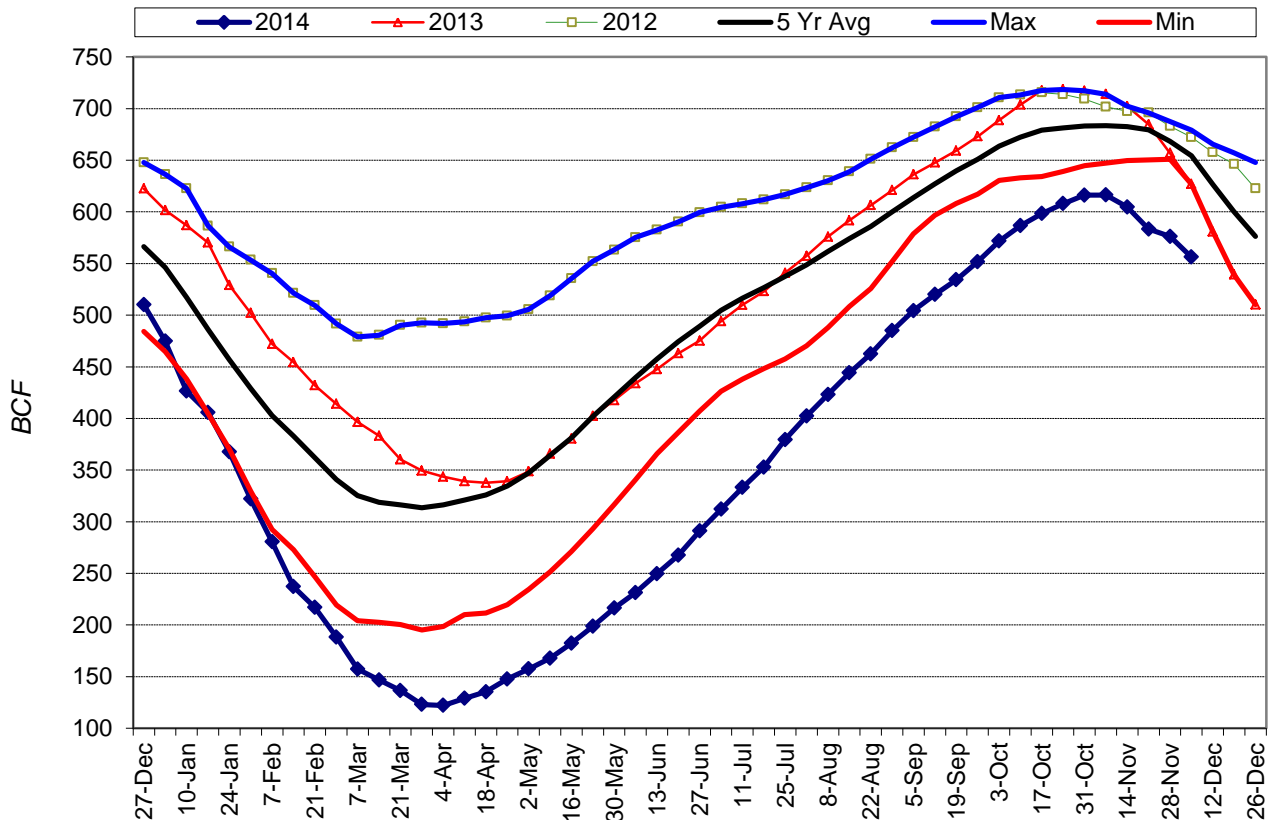
## NYMEX Calendar Strips



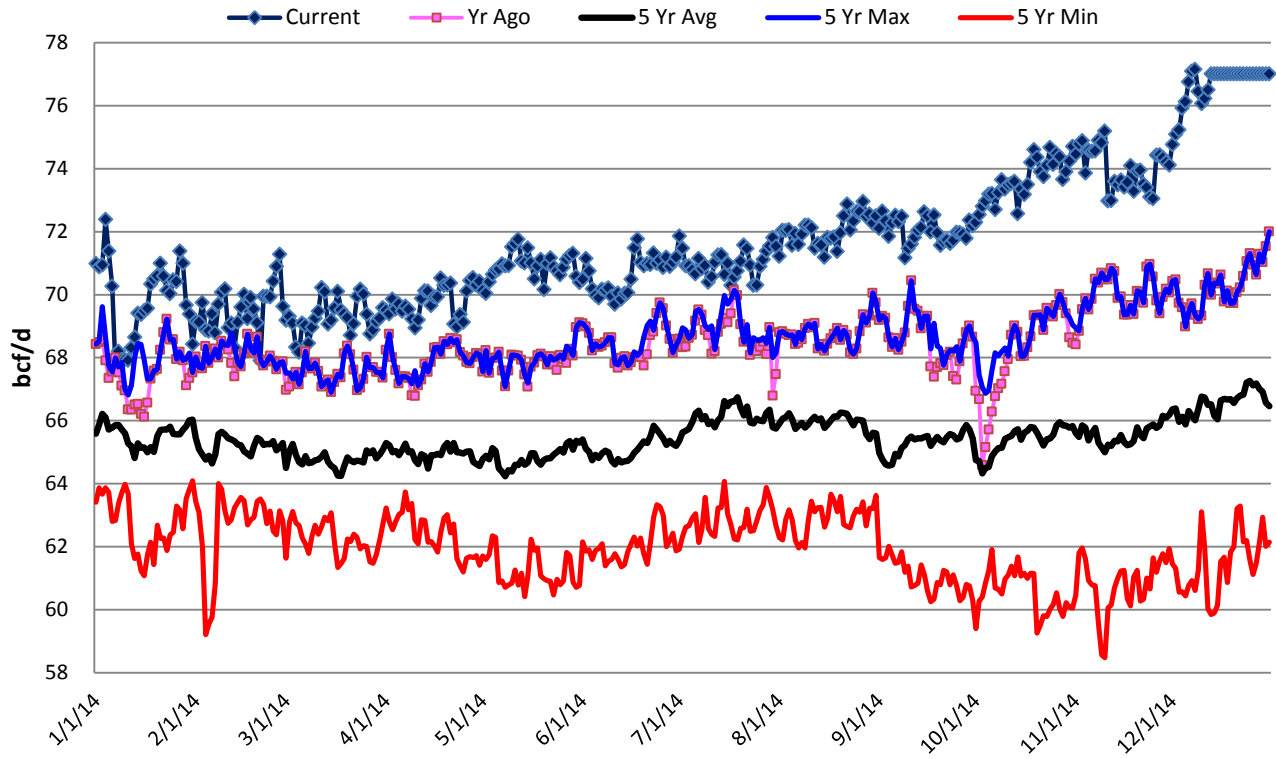
## US Working Gas Storage - Source - EIA



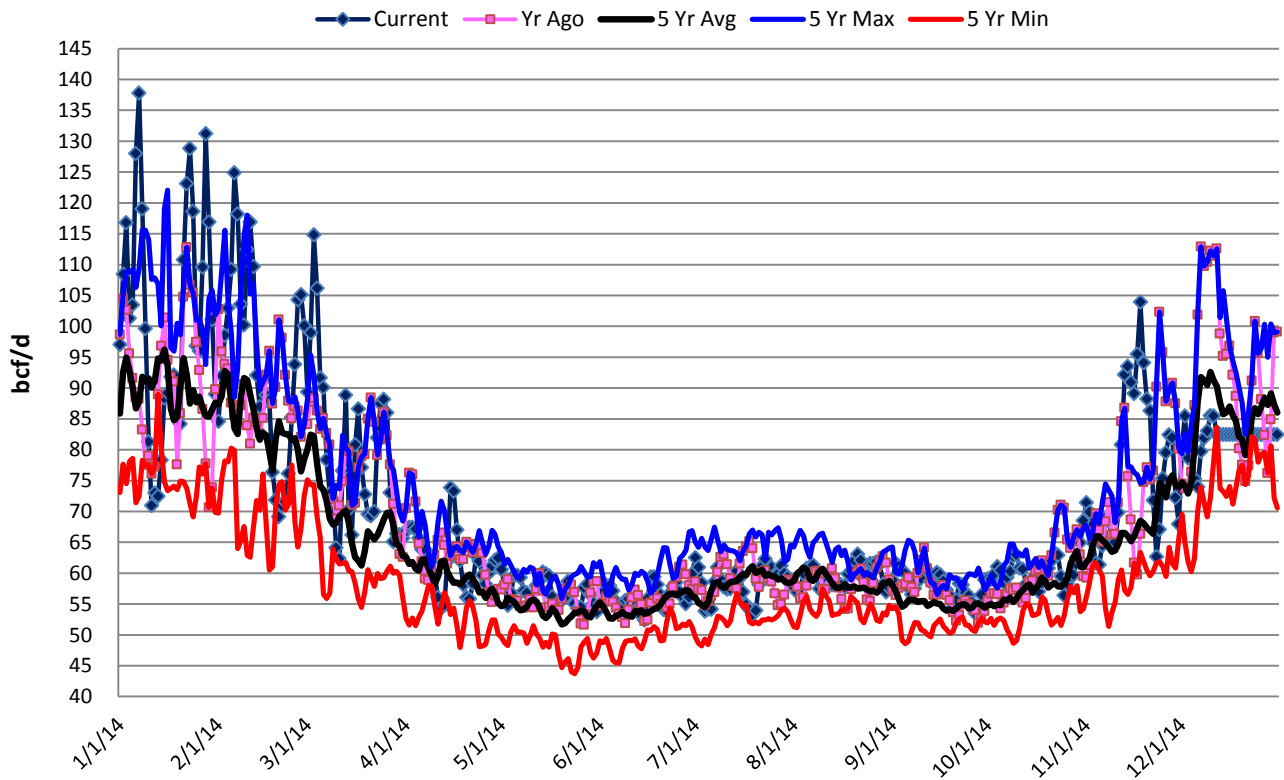
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



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

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