IAF Advisors
Energy Market Outlook
Kyle Cooper, (713) 722-7171, Kyle.Cooper@IAFAdvisors.com
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Price Action: The January contract fell 45.7 cents (13.2%) to $3.007 on a 37.8 cent range.

Price Outlook: **The market easily established a new low for the 5th consecutive week as weather forecasts that do indicate a cold shot in early January moderated the cold. At the same time, the weather forecasts are extending closer and closer to the historically coldest day of the year and also the midpoint of winter. Thus, any fear of shortages that may have been present is rapidly fading. Since 2000, there have been 20 instances of exactly 5 down weeks in a row and 10 of exactly 6. With weather still deemed bearish, a price rebound is not expected. However, the market is now becoming extended to the downside and thus the likelihood of a short-covering rally is increasing. The CFTC data was not updated due to the Christmas Holiday. CME futures aggregated open interest rose to 923,000 as of December 24.**

Weekly Storage: US working gas storage for the week ending December 19 indicated a draw of 49 bcf. Thus total working gas inventories fell to 3,246 bcf. Current inventories rise 175 bcf (5.7%) above last year while still trailing the 5 year average by 178 bcf (5.2%).

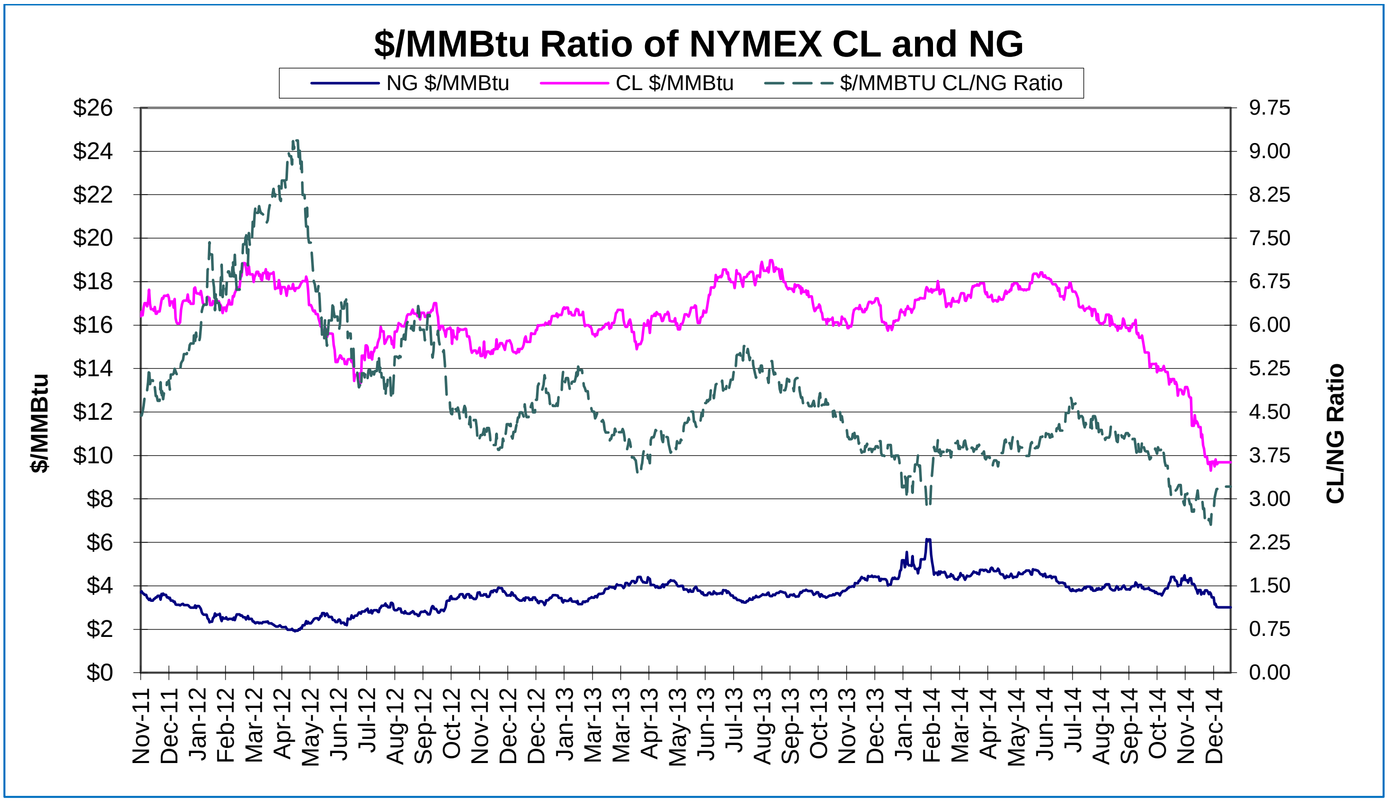
Storage Outlook: **Even though there is a cold snap now predicted, cold temperatures and a bullish supply/demand balance last year resulted in large withdrawals. Thus, the yearly surplus is likely to continue to expand in early 2015 and keep pressure on the market. It is easy to envision a surplus near 900 bcf by the end of March. This is still very dependent on actual temperatures and there are still many calling for below normal temperatures in January and February.**

Supply Trends: Total supply rose 0.4 bcf/d to 77.0 bcf/d. US production was higher. Canadian imports and Mexican exports were lower. LNG imports were unchanged. The US Baker Hughes rig count was not updated due to the Christmas Holiday. **US E&P companies are continuing to announce reductions to capex budgets. Still, we do not envision a supply response in the first quarter and only a possible slowing to growth rates in the 2nd quarter. There are still too many projects underway and company production guidance estimates to meet. However, the longer oil and natural gas prices remain at this level, the more significant the eventual response.**

Demand Trends: Total demand fell 0.4 bcf/d to 80.2 bcf/d. Power and industrial demand were lower with R&C demand higher.

Other Factors: The S&P 500 rose to a new record as buying continued and decent economic data helped support the rise.

- Our proprietary heating index remained in 3rd place with a forecast through January 9. The total index stands at 1,254 compared to 1,440 for 2013/14, 1,225 for 2012/13, 1,189 for 2011/12 and 1,380 for 2010/11.



$/MMBtu Ratio of NYMEX CL and NG
NG $/MMBtu
CL $/MMBtu
$/MMBTU CL/NG Ratio
$/MMBtu
CL/NG Ratio
$26
$24
$22
$20
$18
$16
$14
$12
$10
$8
$6
$4
$2
$0
9.75
9.00
8.25
7.50
6.75
6.00
5.25
4.50
3.75
3.00
2.25
1.50
0.75
0.00
Nov-11
Dec-11
Jan-12
Feb-12
Mar-12
Apr-12
May-12
Jun-12
Jul-12
Aug-12
Sep-12
Oct-12
Nov-12
Dec-12
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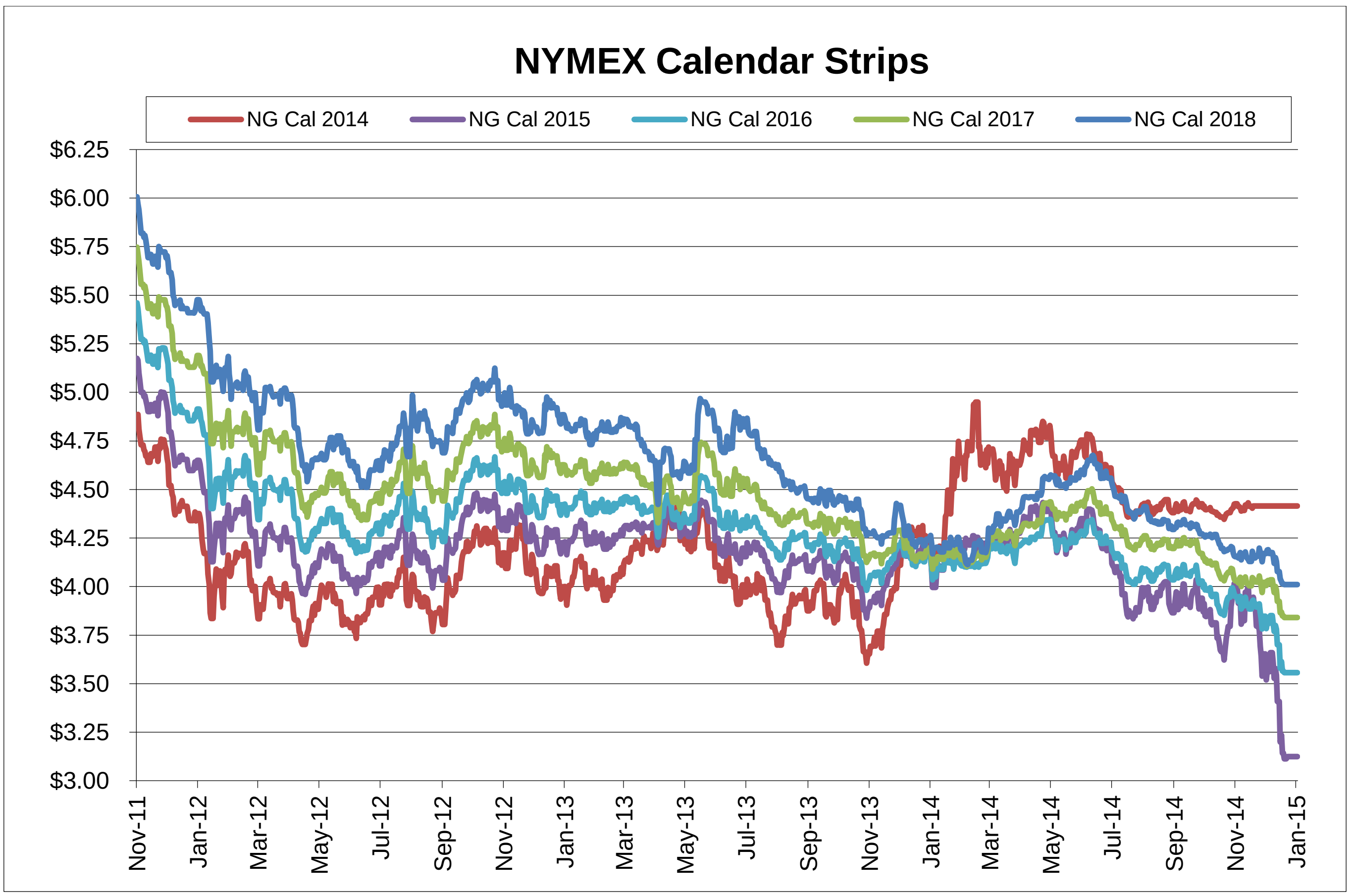
Dec-14



NYMEX Calendar Strips
NG Cal 2014
NG Cal 2015
NG Cal 2016
NG Cal 2017
NG Cal 2018
$6.25
$6.00
$5.75
$5.50
$5.25
$5.00
$4.75
$4.50
$4.25
$4.00
$3.75
$3.50
$3.25
$3.00
Nov-11
Jan-12
Mar-12
May-12
Jul-12
Sep-12
Nov-12
Jan-13
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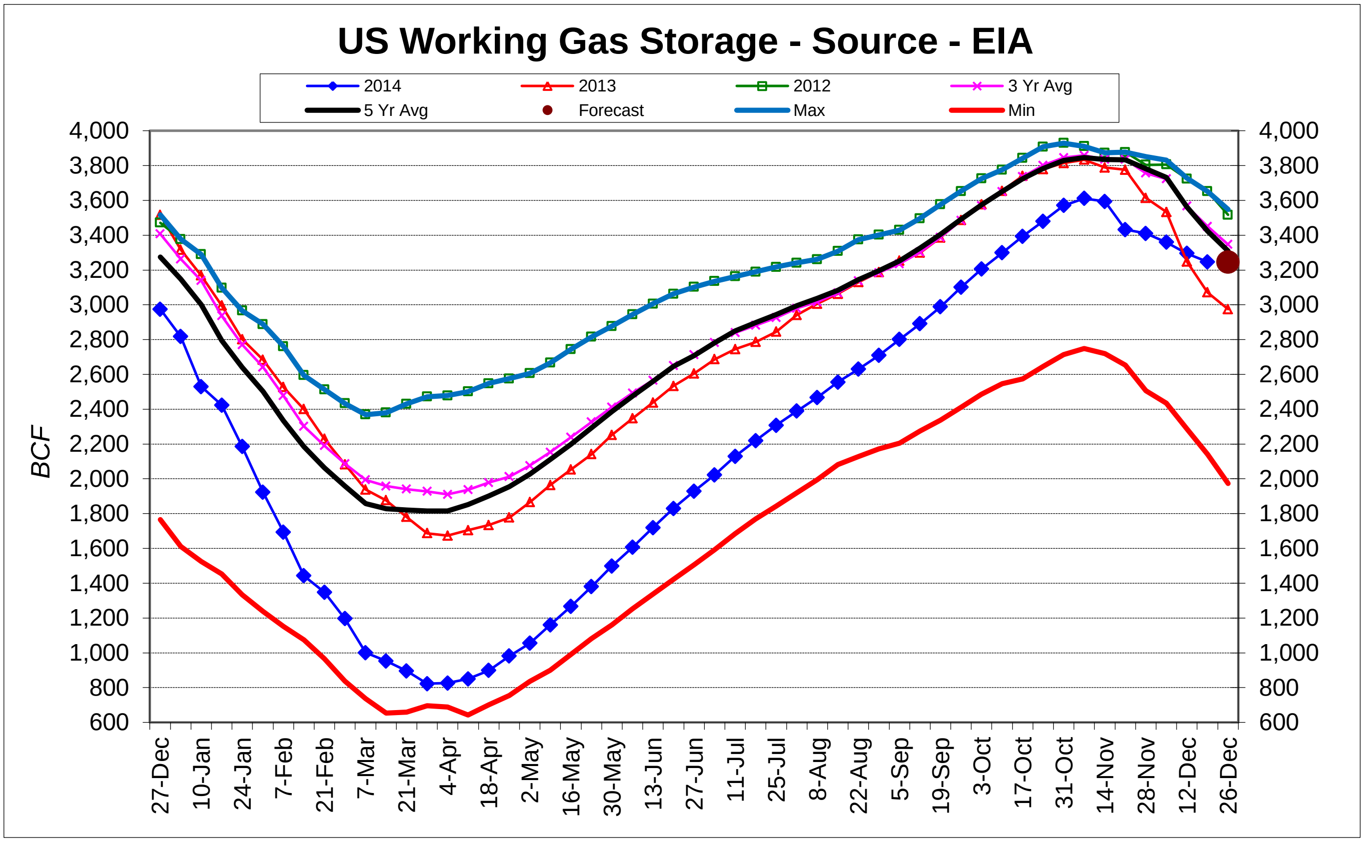
Sep-14
Nov-14
Jan-15


US Working Gas Storage - Source - EIA
2014
2013
2012
3 Yr Avg
5 Yr Avg
Forecast
Max
Min
BCF
4,000
3,800
3,600
3,400
3,200
3,000
2,800
2,600
2,400
2,200
2,000
1,800
1,600
1,400
1,200
1,000
800
600
27-Dec
10-Jan
24-Jan
7-Feb
21-Feb
7-Mar
21-Mar
4-Apr
18-Apr
2-May
16-May
30-May
13-Jun
27-Jun
11-Jul
25-Jul
8-Aug
22-Aug
5-Sep
19-Sep
3-Oct
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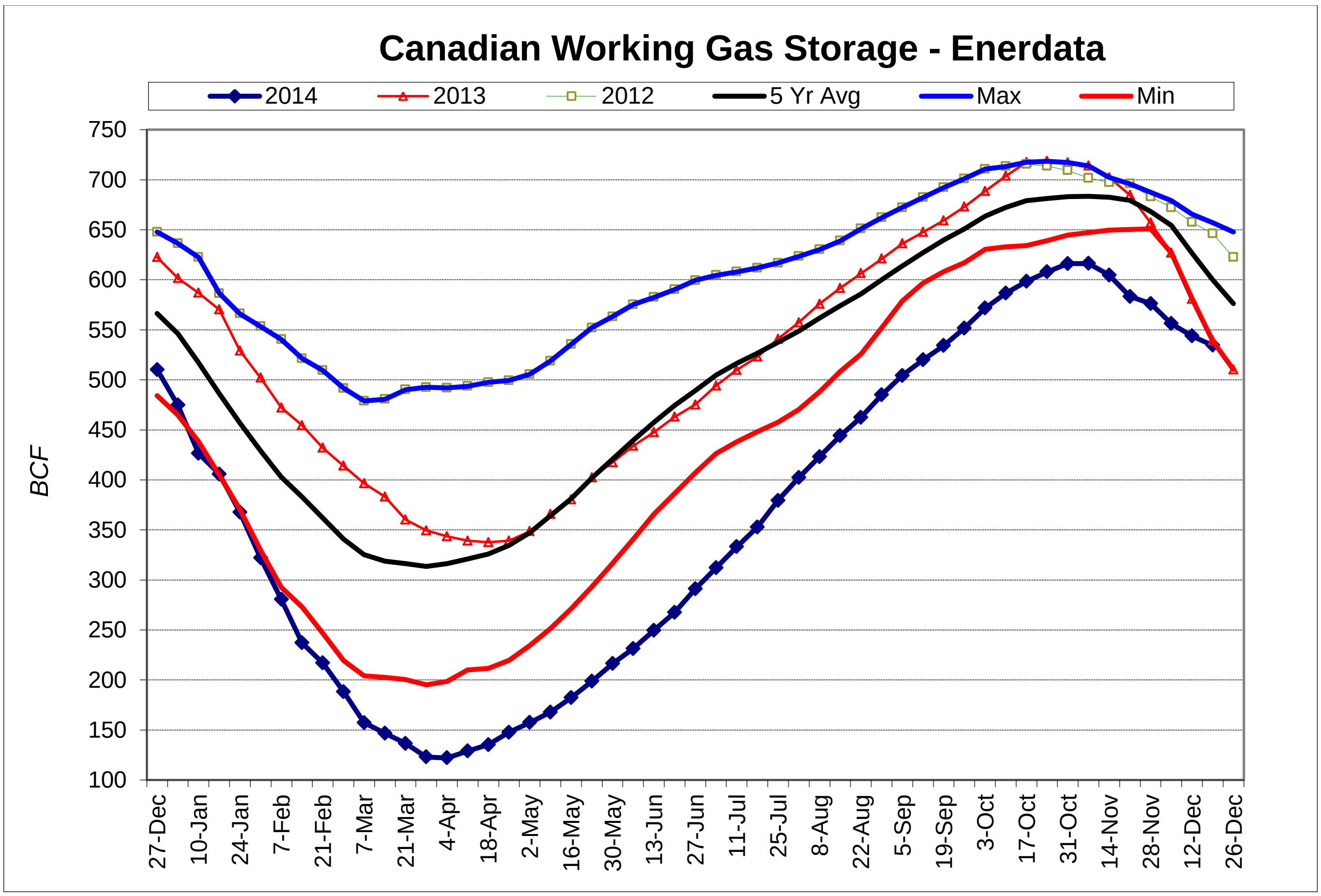
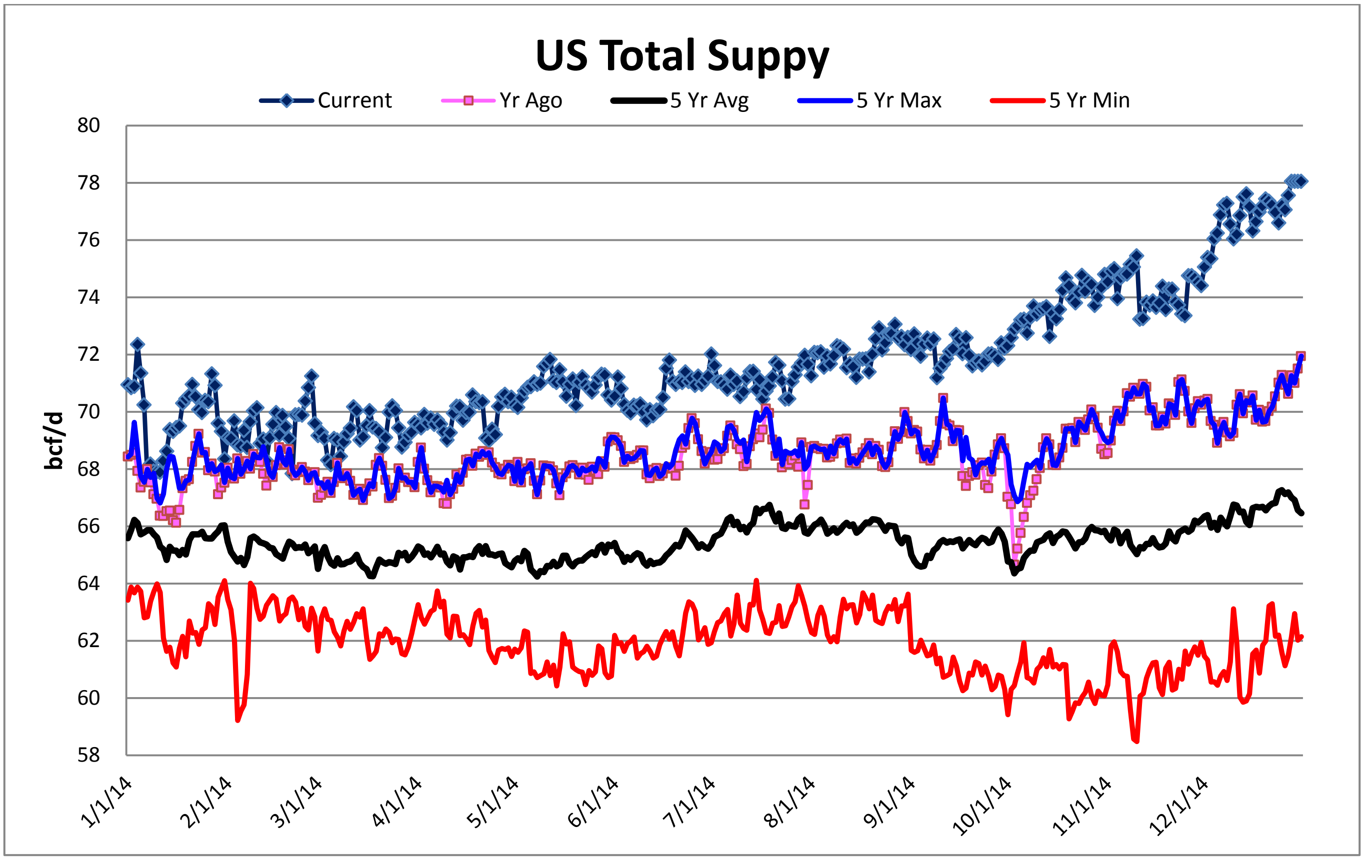
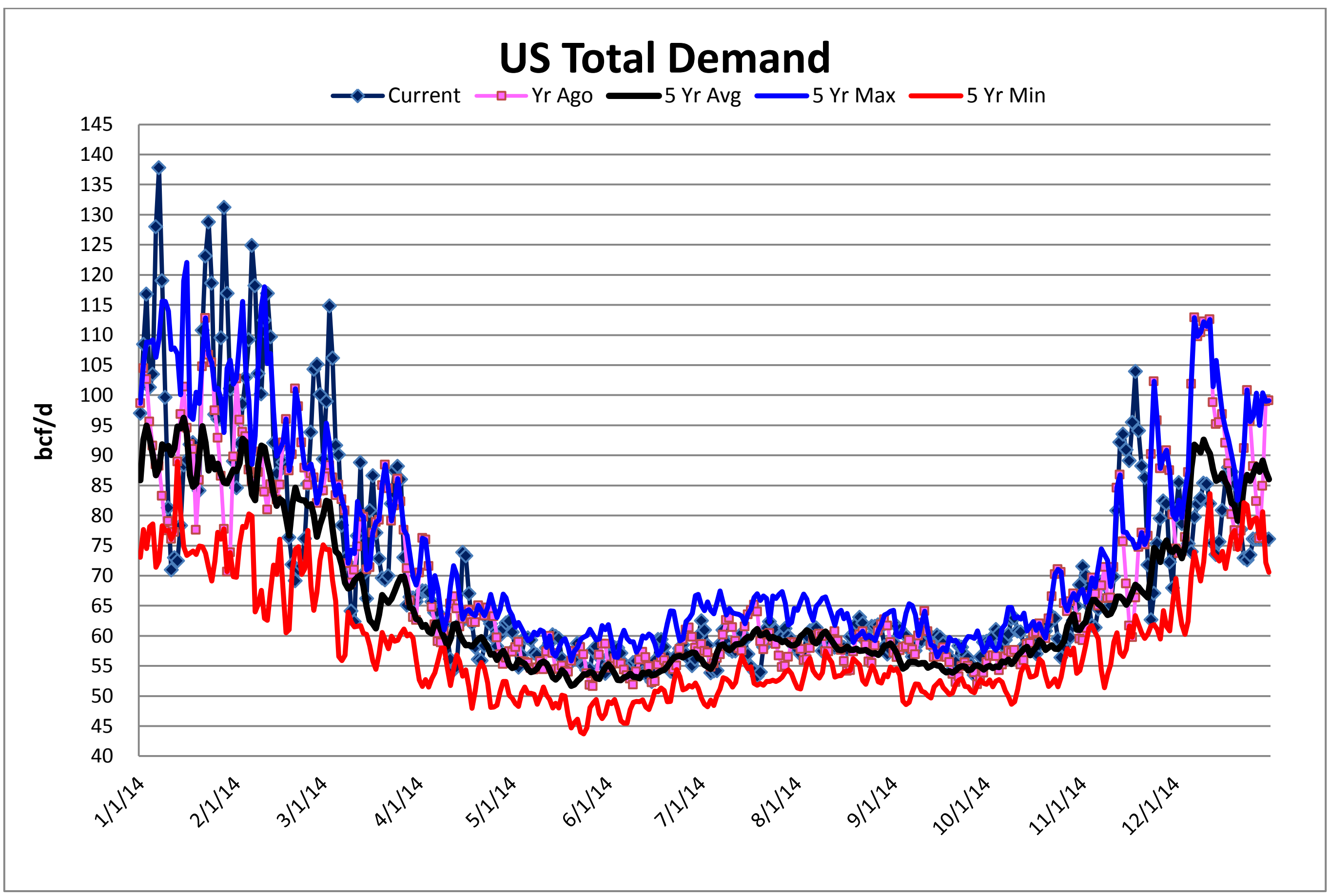
14-Nov
28-Nov
12-Dec
26-Dec


Canadian Working Gas Storage - Enerdata
2014
2013
2012
5 Yr Avg
Max
Min
BCF
750
700
650
600
550
500
450
400
350
300
250
200
150
100
27-Dec
10-Jan
24-Jan
7-Feb
21-Feb
7-Mar
21-Mar
4-Apr
18-Apr
2-May
16-May
30-May
13-Jun
27-Jun
11-Jul
25-Jul
8-Aug
22-Aug
5-Sep
19-Sep
3-Oct
17-Oct
31-Oct
14-Nov
28-Nov
12-Dec
26-Dec



US Total Suppy
Current
Yr Ago
5 Yr Avg
5 Yr Max
5 Yr Min
bcf/d
80
78
76
74
72
70
68
66
64
62
60
58
1/1/14
2/1/14
3/1/14
4/1/14
5/1/14
6/1/14
7/1/14
8/1/14
9/1/14
10/1/14
11/1/14
12/1/14



US Total Demand
Current
Yr Ago
5 Yr Avg
5 Yr Max
5 Yr Min
bcf/d
145
140
135
130
125
120
115
110
105
100
95
90
85
80
75
70
65
60
55
50
45
40
1/1/14
2/1/14
3/1/14
4/1/14
5/1/14
6/1/14
7/1/14
8/1/14
9/1/14
10/1/14
11/1/14
12/1/14

ADDITIONAL INFORMATION AVAILABLE UPON REQUEST
