

IAF Advisors
Energy Market Outlook
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Price Action: The April contract fell 11.2 cents (3.9%) to \$2.727 on a 20.2 cent range.

Price Outlook: Even though the market fell over 10 cents, this weeks' \$2.662 low failed to drop below last week's \$2.641 level and thus failed to established a new low. Therefore a rare inside week occurred. With the winter rapidly coming to an end, the market seems poised to trend lower. However, there have been some signs that the supply/demand balance is tightening and storage injections are expected to trail last year beginning in April. Thus, there is not a strong bias to price direction and witnessing both a new high and low would not be overly surprising. The CFTC data indicated a small reduction in the managed money net short speculative position. Total open interest as of March 10 was barely higher at 3.61 million contracts. The option related position rose. CME futures aggregated open interest fell to 979,000 as of March 12.

Weekly Storage: US working gas storage for the week ending March 6 indicated a draw of 198 bcf. Thus total working gas inventories fell to 1,512 bcf. Current inventories rise 511 bcf (51.0%) above last year while trailing the 5 year average by 222 bcf (12.8%).

Storage Outlook: Current projections suggest the yearly storage surplus will be near 650 bcf to begin the injection season. Considering the large injections last year and expectations for higher A/C demand this year, a gradual reduction in the yearly storage surplus is anticipated. However, if the pace of injections is robust, prices are likely to head lower.

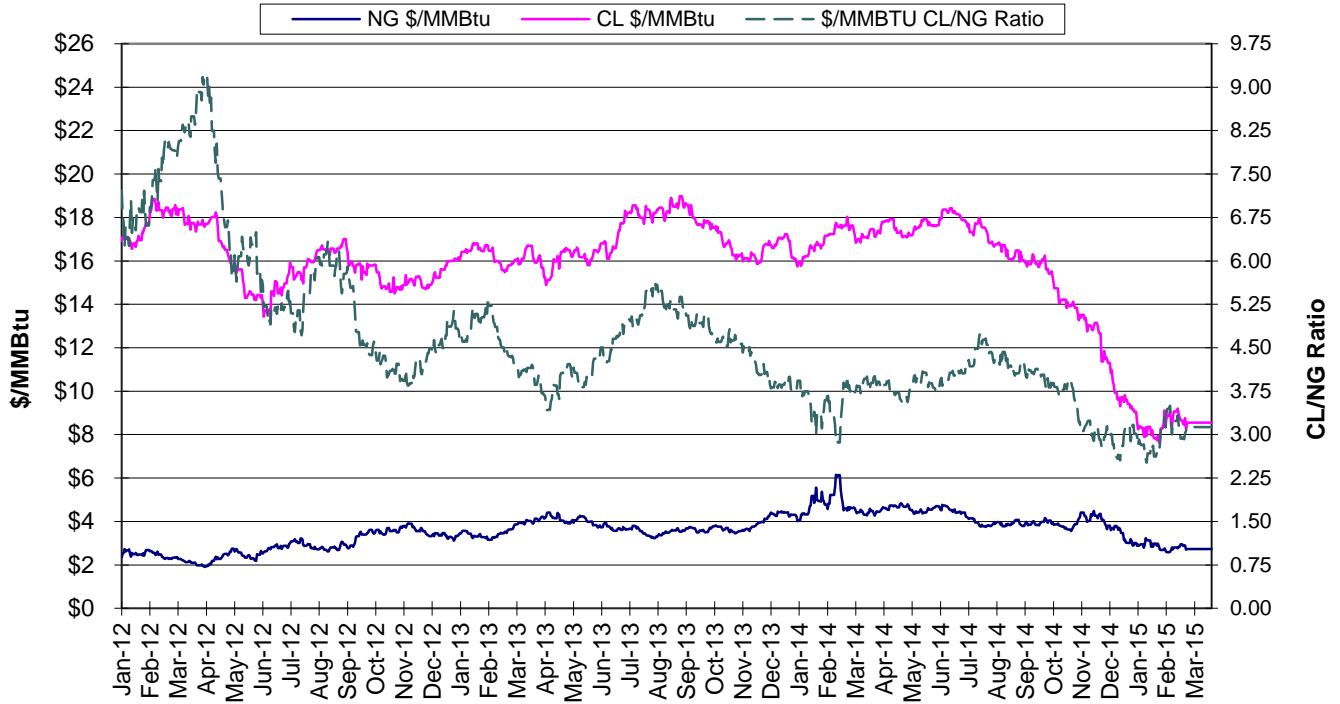
Supply Trends: Total supply fell 0.5 bcf/d to 75.1 bcf/d. Canadian and LNG imports were lower while US production and Mexican exports were unchanged. The US Baker Hughes rig count fell 67 as both oil and natural gas activity declined. The total US rig count now stands at 1,125. The Canadian rig count fell 80 to 220. Thus, the total North American rig count fell 147 to 1,345 and now trails last year by 986. The higher efficiency US horizontal rig count fell 46 to 849 and falls 363 below last year. **This is first time since July 2, 2010 that the US horizontal rig count has been below 850. Currently, we estimate 73 total Marcellus rigs are required to maintain natural gas output. There are currently 63 total rigs operating in the Marcellus. This is not a static number and estimates will be updated monthly.**

Demand Trends: Total demand fell 6.6 bcf/d to 102.6 bcf/d. Power demand rose with all other sectors lower. Electricity demand fell 4,630 gigawatt-hrs to 80,765 which exceeds last year by 623 (0.8%) and the 5 year average by 5,517 (7.3%).

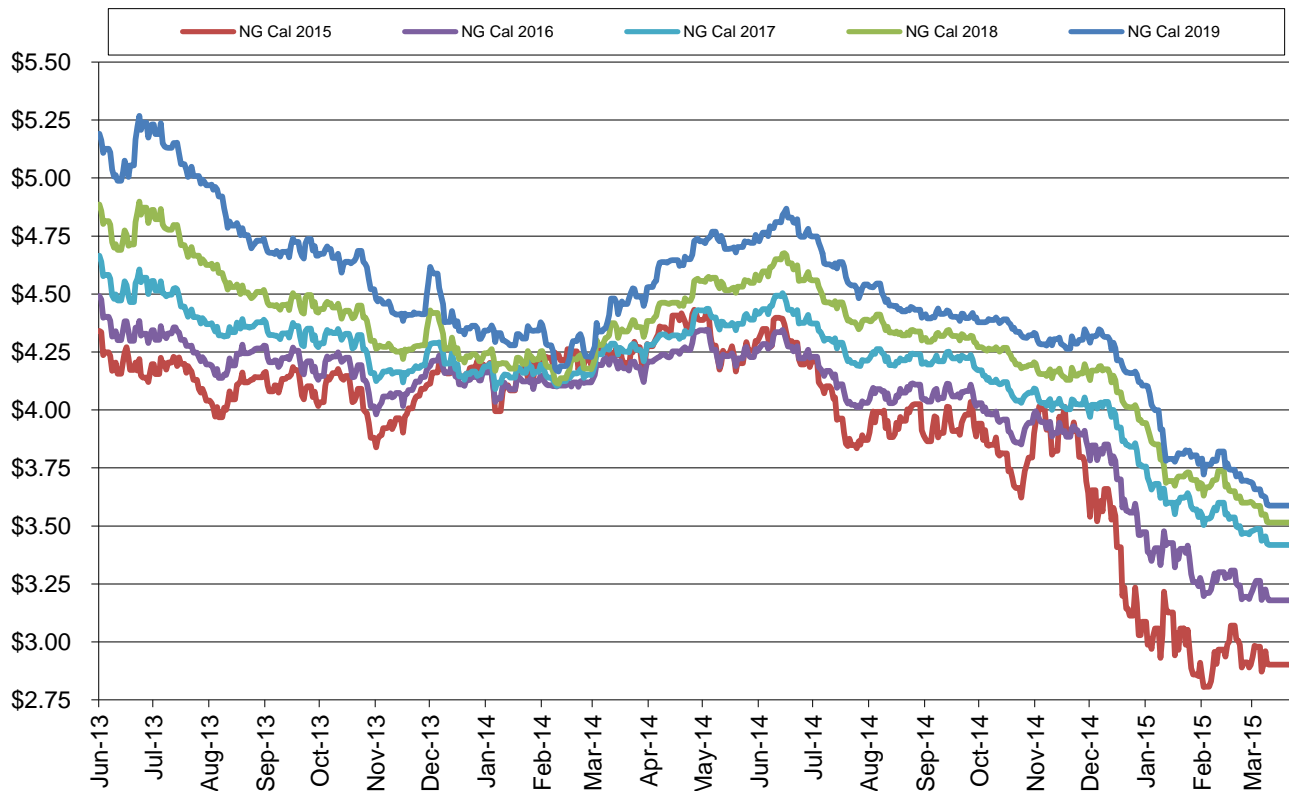
Other Factors: The S&P 500 fell further as concerns centered on Fed tightening and a strong US dollar.

- Our proprietary heating index slipped into 4th place with a forecast through March 27. The total index stands at 2,736 compared to 3,032 for 2013/14, 2,788 for 2012/13, 2,497 for 2011/12 and 2,923 for 2010/11.

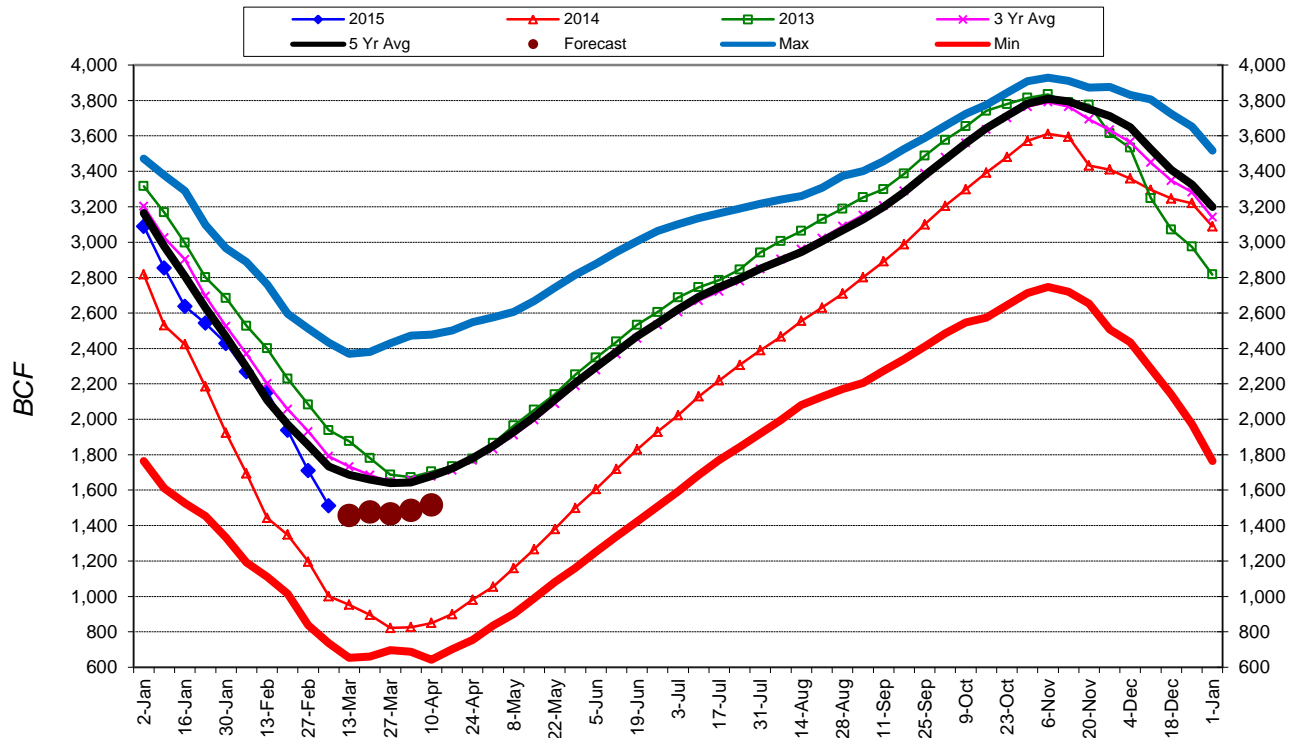
\$/MMBtu Ratio of NYMEX CL and NG



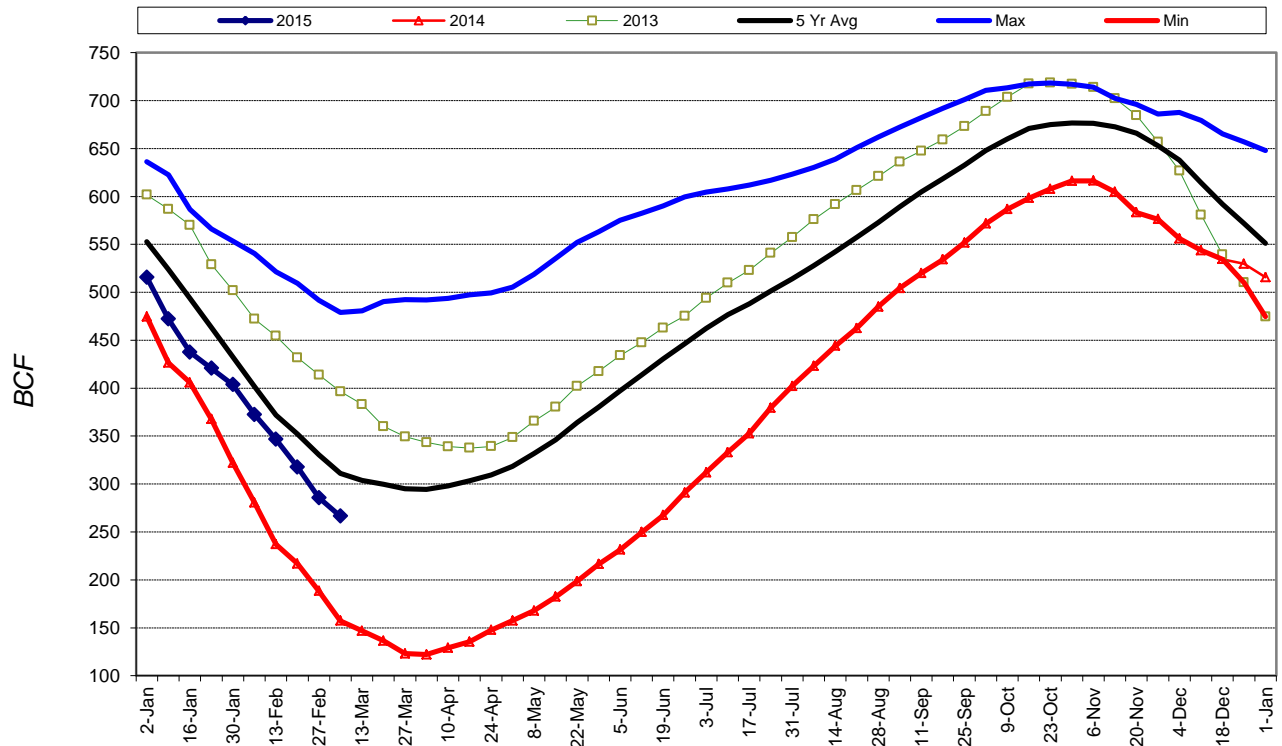
NYMEX Calendar Strips



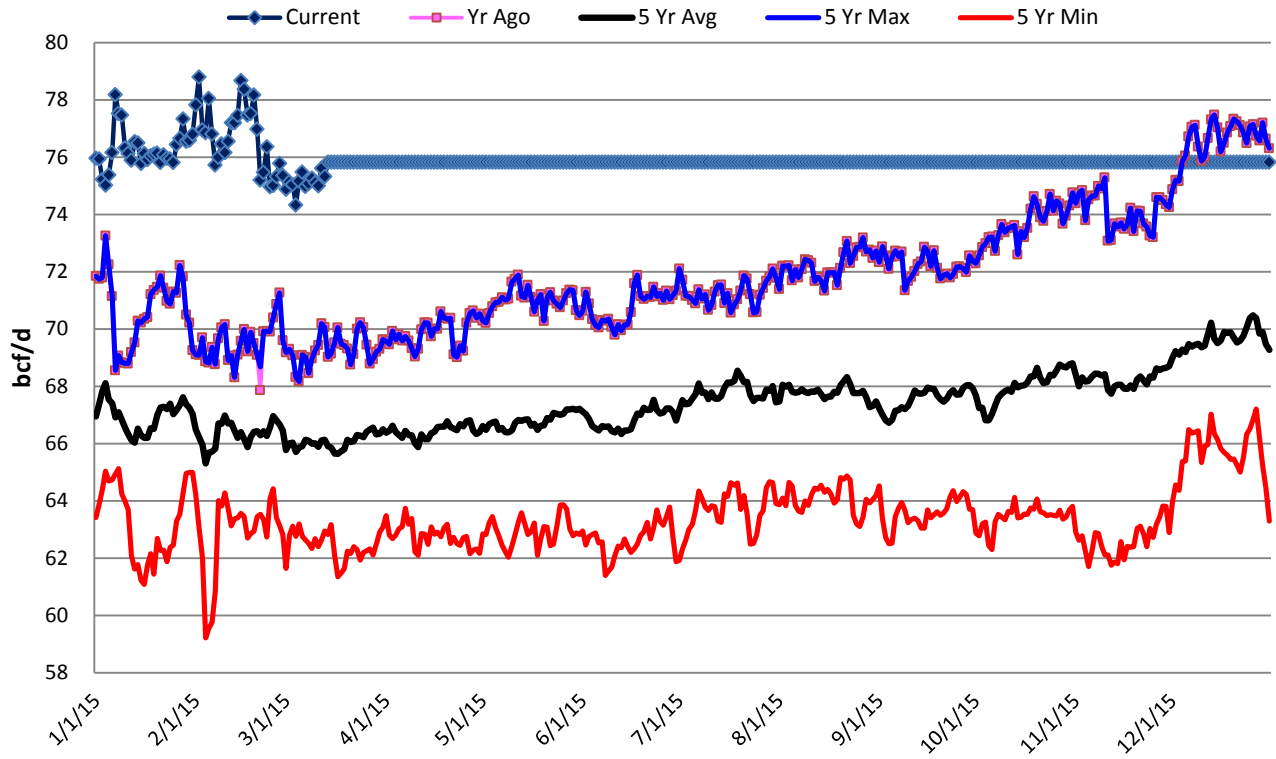
US Working Gas Storage - Source - EIA



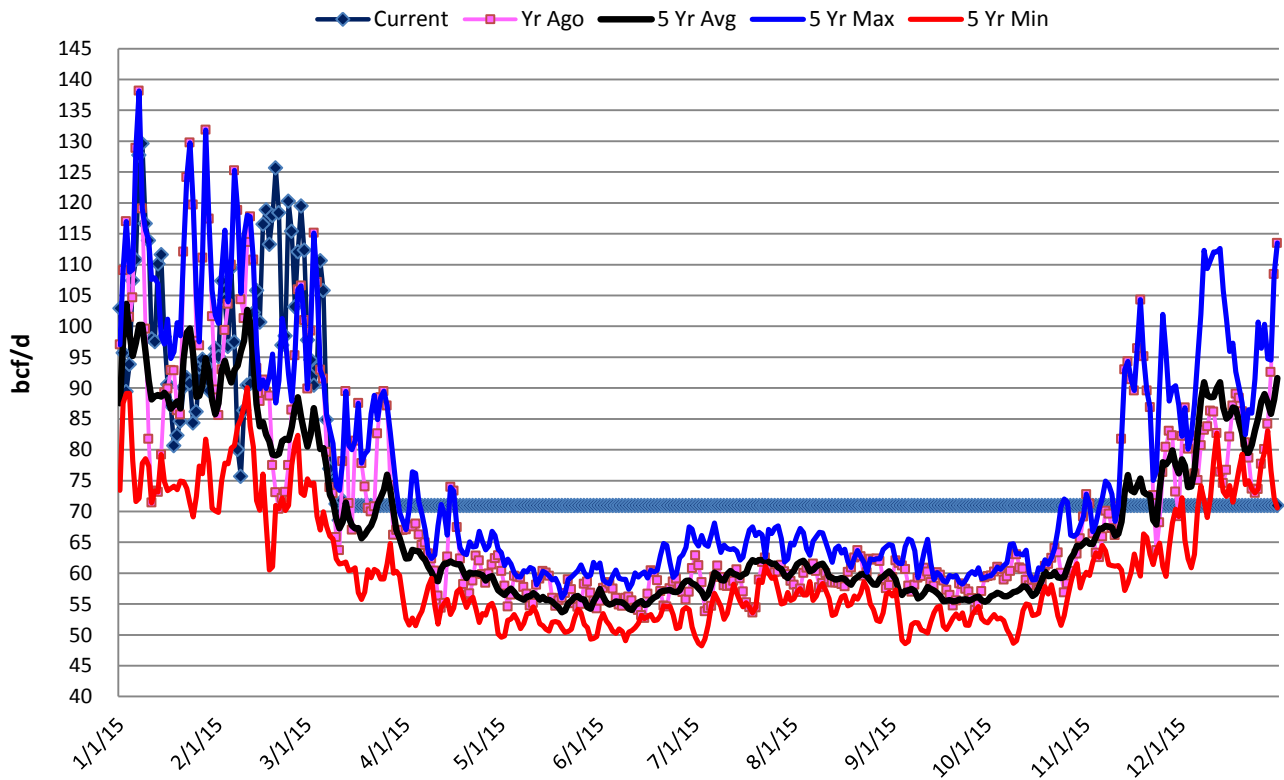
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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