

IAF Advisors
Energy Market Outlook
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Price Action: The May contract rose 12.3 cents (4.9%) to \$2.534 on a 21.8 cent range.

Price Outlook: Natural gas indeed remained true to historical norms with a new low of \$2.475. The weekly high of \$2.693 barely missed establishing a new high as well. The weekly close near the high suggests a move upward. However, the storage surplus is still expanding and that biases the outlook lower. As last week barely missed both a new and high, that possibility is still very real. CFTC data indicated a sizable increase in the managed money net short speculative position to the largest since November 2011. Total open interest had a small uptick to 3.59 million as of April 14, but that is still quite low.. Therefore, the current position is extremely large as a percent of the total market. Aggregated CME futures and swaps open interest rose to 1.039 million as of April 16.

Weekly Storage: US working gas storage for the week ending April 10 indicated an injection of 63 bcf. Thus total working gas inventories rose to 1,539 bcf. Current inventories rise 689 bcf (81.1%) above last year while trailing the 5 year average by 145 bcf (8.6%).

Storage Outlook: Weather forecasts throughout the week lowered the injection forecast by over 11 bcf. Still, the yearly storage surplus is projected to exceed 700 bcf in mid-April. Storage inventories are also still anticipated to breach 4,100 bcf in early November. Until the yearly storage surplus begins to decline at a noticeable pace, the market will likely remain weak.

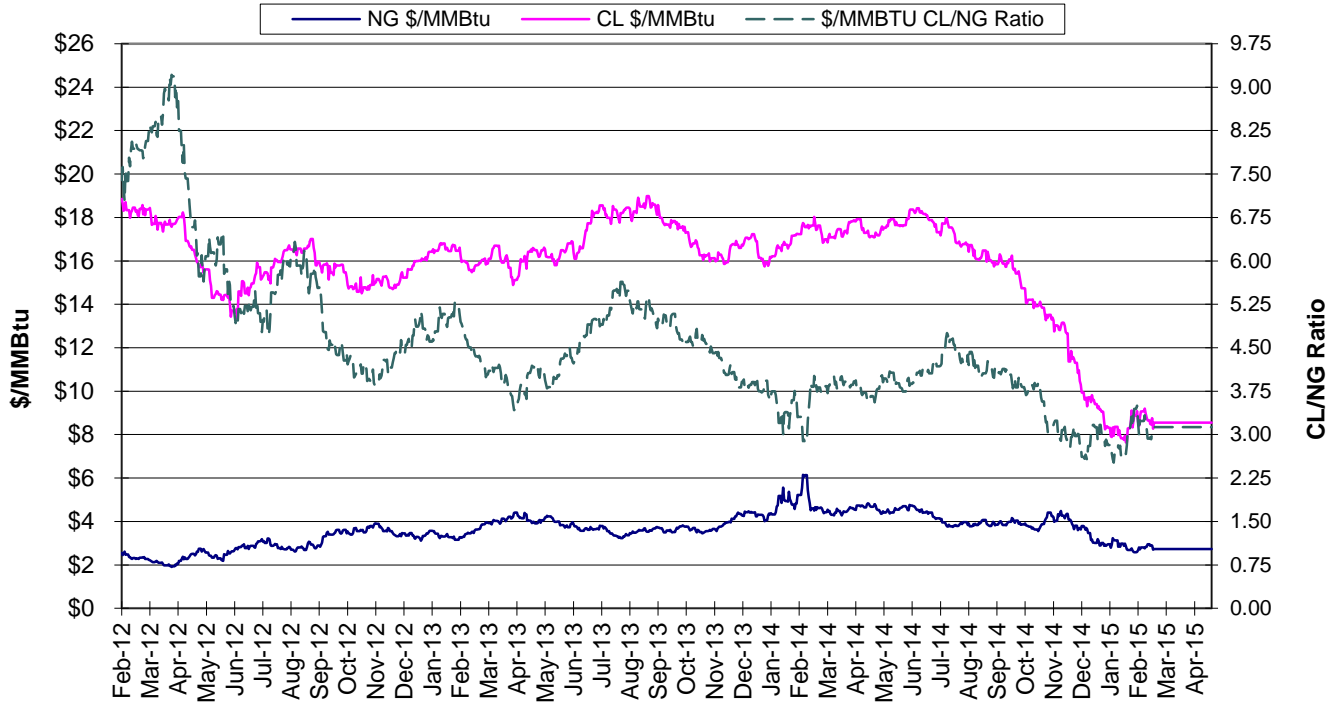
Supply Trends: Total supply fell 0.4 bcf/d to 75.7 bcf/d. Canadian imports were higher. LNG imports were unchanged. US production was lower with Mexican exports higher. The US Baker Hughes rig count fell 34 as both oil and natural gas activity declined. The total US rig count now stands at 954. The Canadian rig count fell 19 to 80. Thus, the total North American rig count fell 53 to 1,034 and now trails last year by 996. **The higher efficiency US horizontal rig count fell 29 to 741 and falls 483 below last year. This is lowest US horizontal rig count since April 2, 2010.**

Demand Trends: Total demand fell 5.7 bcf/d to 66.0 bcf/d. Power demand was higher with all other sectors lower. Electricity demand fell 733 gigawatt-hrs to 68,444 which exceeds last year by 477 (0.7%). It trails the 5 year average by 125 (0.2%).

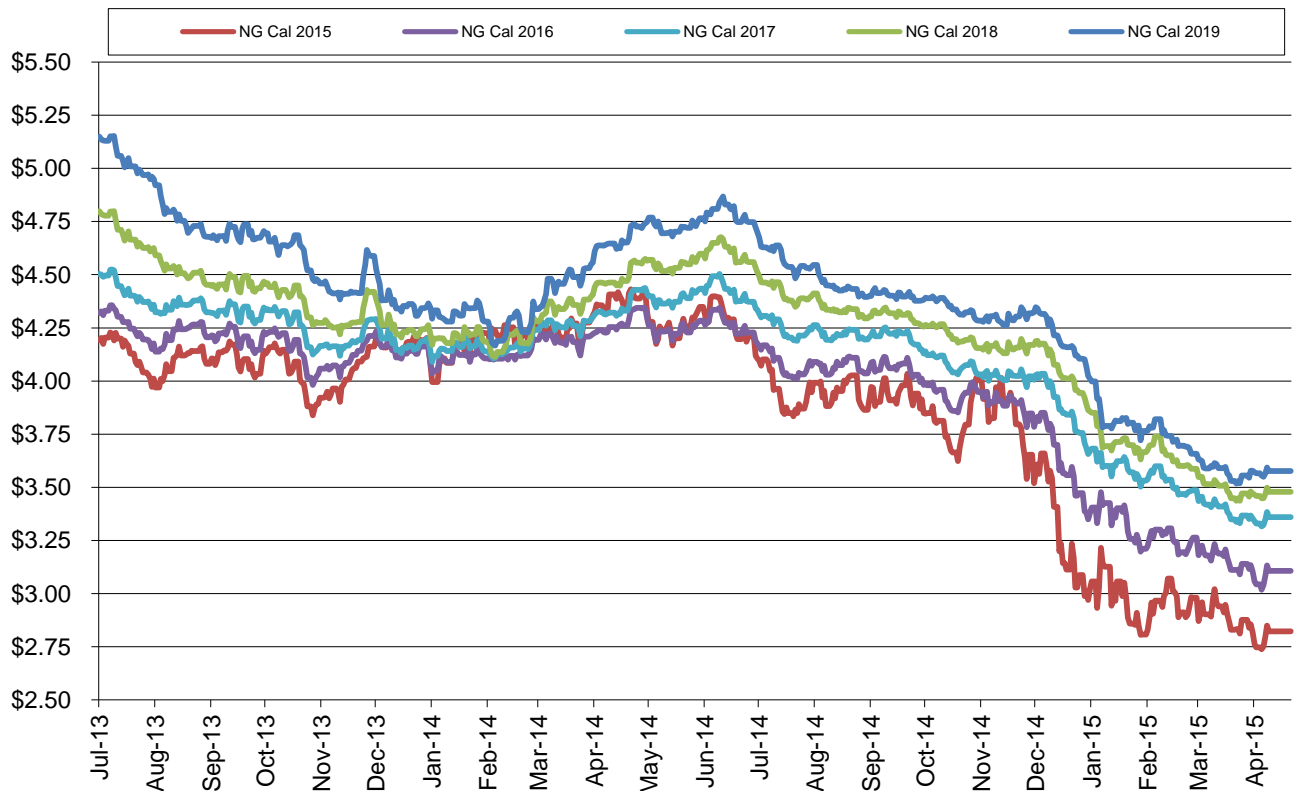
Other Factors: Nuclear output was slightly lower in the reference week as normal maintenance is nearing an end. Output is still well above last year and the 5 year average as this year's maintenance schedule was light.

- Our proprietary heating index remained in 4th place with a forecast through May 1 as the heating season comes to a close. The total index stands at 2,869 compared to 3,223 for 2013/14, 3,022 for 2012/13, 2,567 for 2011/12 and 3,128 for 2010/11.

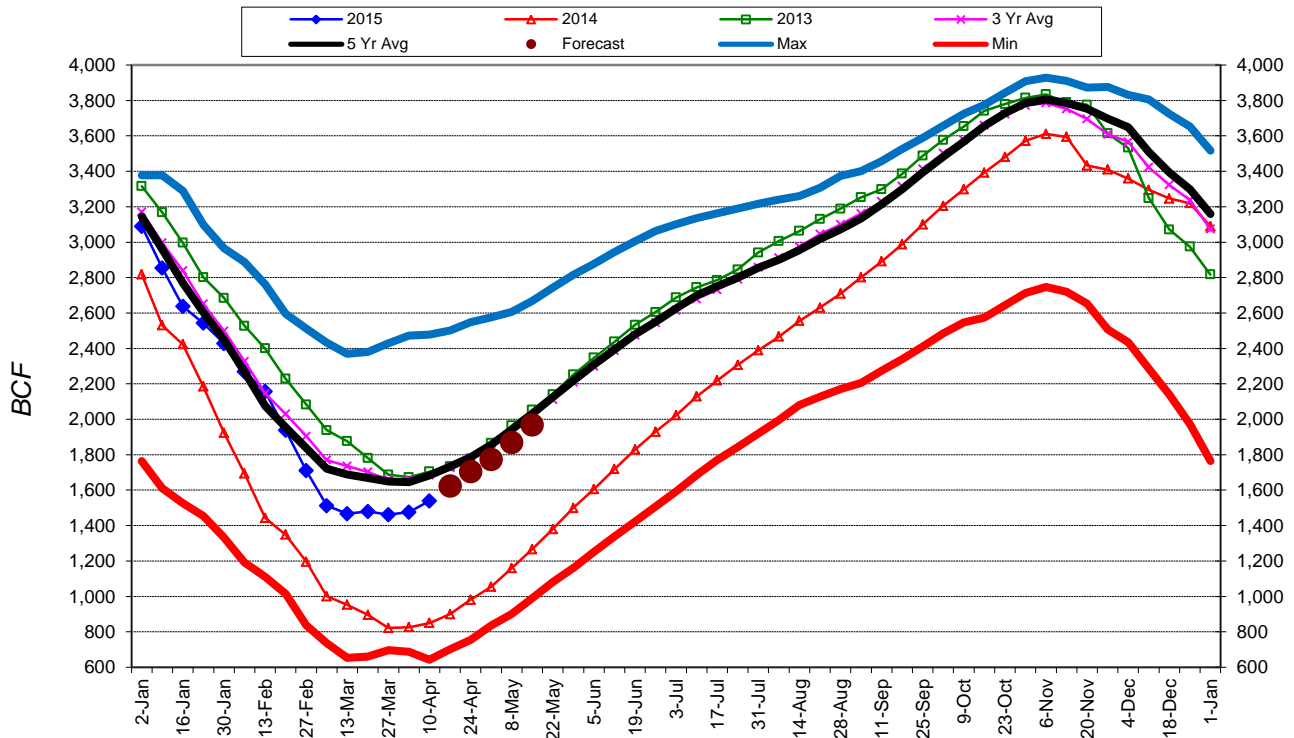
\$/MMBtu Ratio of NYMEX CL and NG



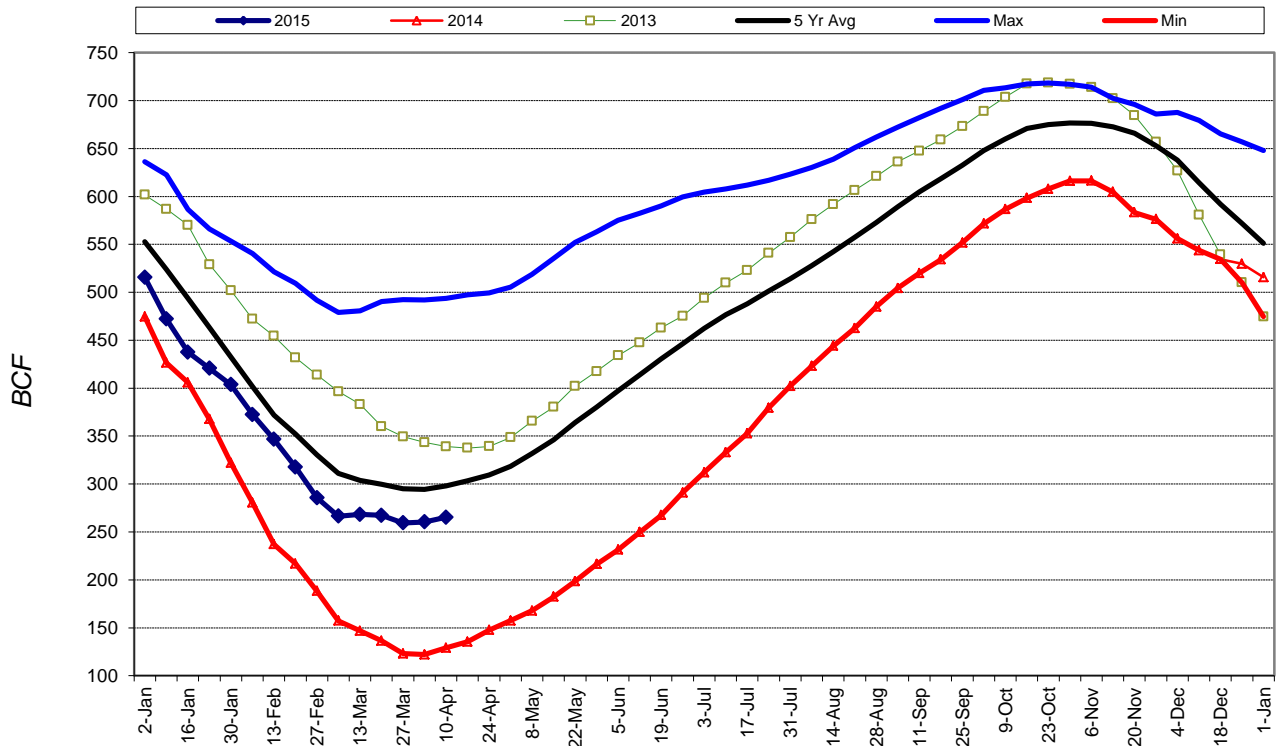
NYMEX Calendar Strips



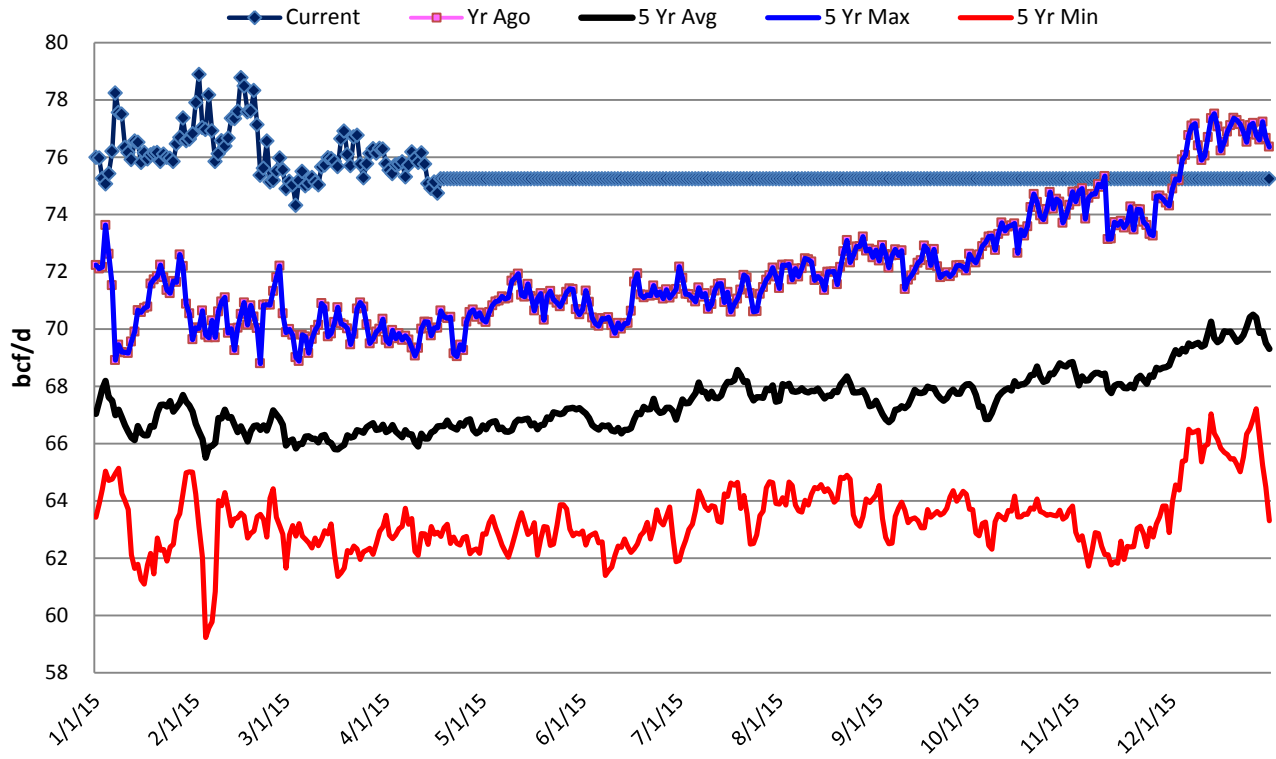
US Working Gas Storage - Source - EIA



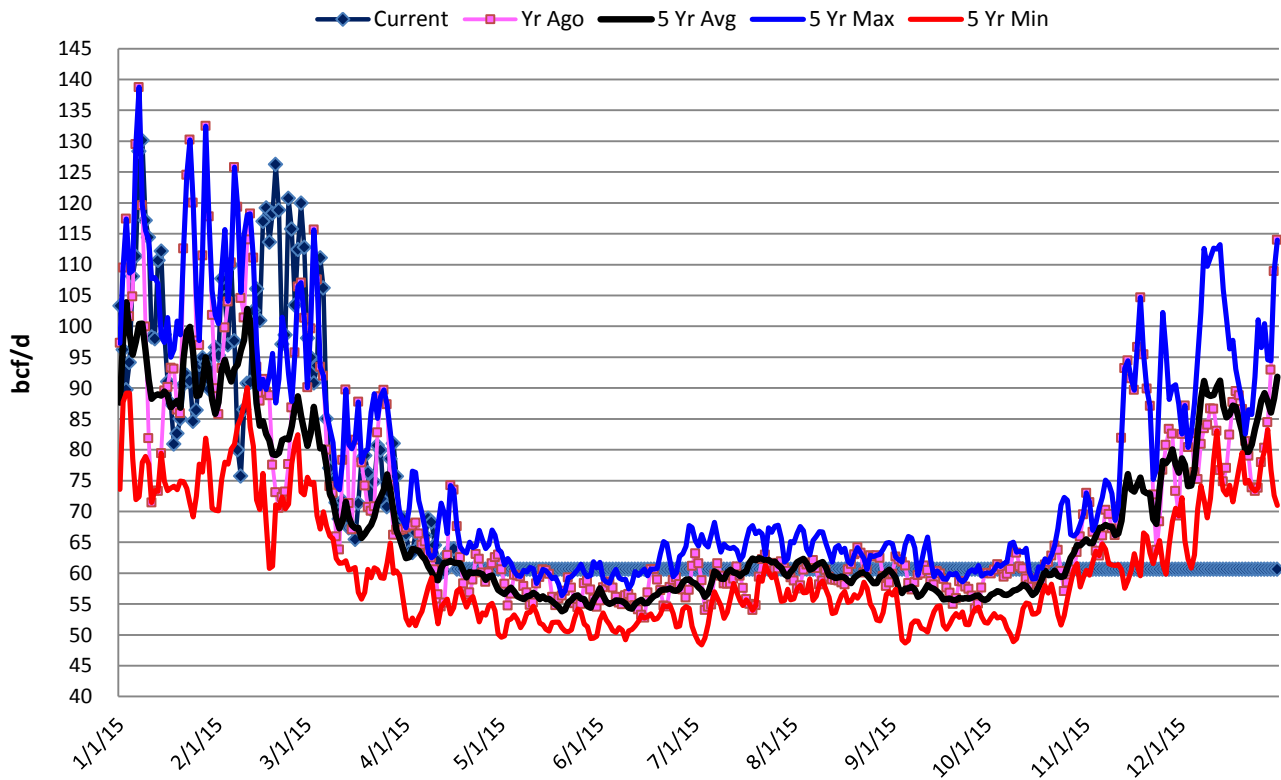
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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