

IAF Advisors
Energy Market Outlook
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Price Action: The May contract fell 10.3 cents (3.9%) to \$2.531 on a 10.4 cent range.

Price Outlook: Natural gas indeed confounded history with a rare inside week on the smallest weekly range since we began tracking this metric in January 2000. Due to this incredibly tight range, both a new and high are increasingly likely, despite a market that remains listless and lacking direction. Amazingly, 3 of the last 7 weeks have recorded inside weeks with just 71 in total since January 2000. CFTC data indicated a small reduction in the managed money net short speculative position that leaves the position near the largest since November 2011. Total open interest had a small uptick to 3.59 million as of April 21, 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 fell to 1.008 million as of April 23.

Weekly Storage: US working gas storage for the week ending April 17 indicated an injection of 90 bcf. Thus total working gas inventories rose to 1,629 bcf. Current inventories rise 730 bcf (81.2%) above last year while trailing the 5 year average by 104 bcf (6.0%).

Storage Outlook: The injection continues to reflect a bearish temperature adjusted supply/demand balance and thus injections are likely to remain very large. Considering the current supply/demand balance, inventories are expected to easily exceed 4,000 bcf in November with the yearly storage surplus still over 500 bcf.

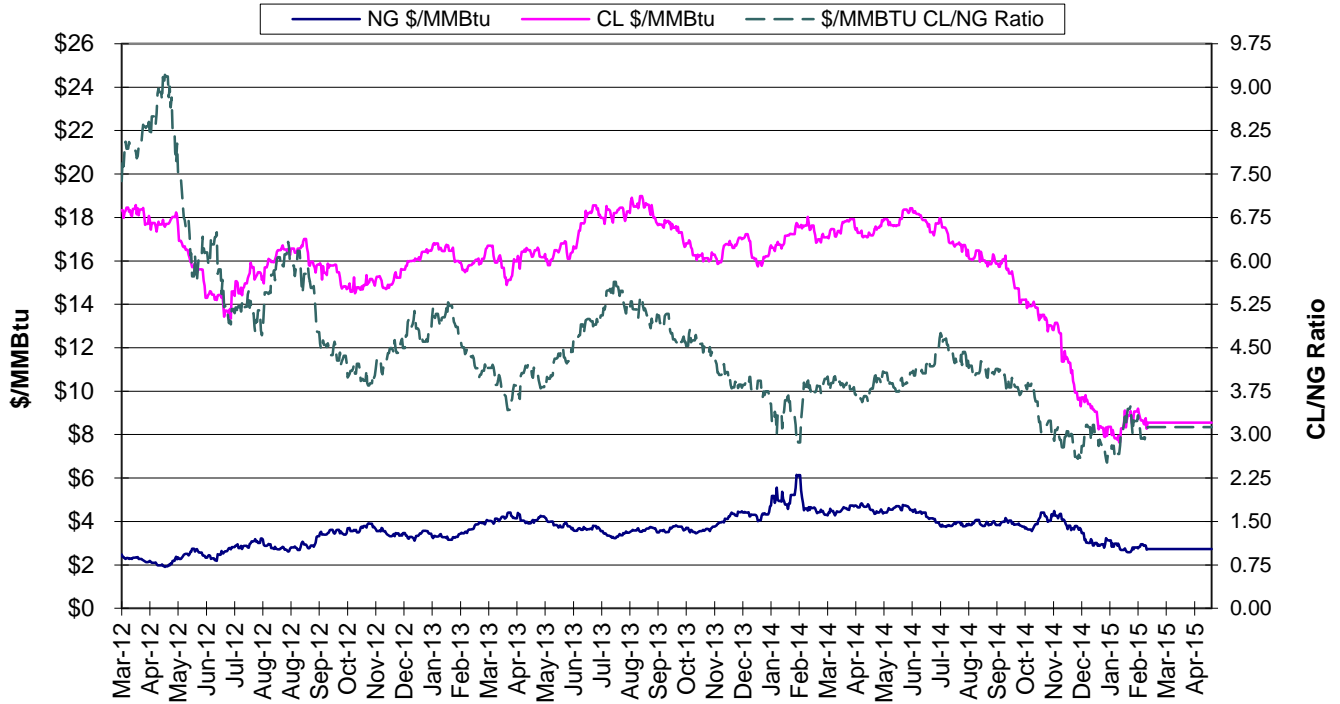
Supply Trends: Total supply fell 0.2 bcf/d to 75.5 bcf/d. Mexican exports were lower. US production and Canadian imports were lower. LNG imports were unchanged. The US Baker Hughes rig count fell 22 with oil activity slipping while natural gas rose. The total US rig count now stands at 932. This is the lowest total rig count since July 17, 2009. The Canadian rig count fell 1 to 79. Thus, the total North American rig count fell 23 to 1,011 and now trails last year by 1,018. The higher efficiency US horizontal rig count fell 21 to 720 and falls 525 below last year. This is the lowest US horizontal rig count since March 19, 2010. Currently, we estimate 478 total Permian rigs are required to maintain natural gas output. There are currently 246 total rigs operating in the Permian. This is not a static number and estimates will be updated monthly.

Demand Trends: Total demand fell 3.4 bcf/d to 62.6 bcf/d. Power demand was higher with all other sectors lower. Electricity demand fell 59 gigawatt-hrs to 68,385 which exceeds last year by 66 (0.1%). It trails the 5 year average by 95 (0.1%).

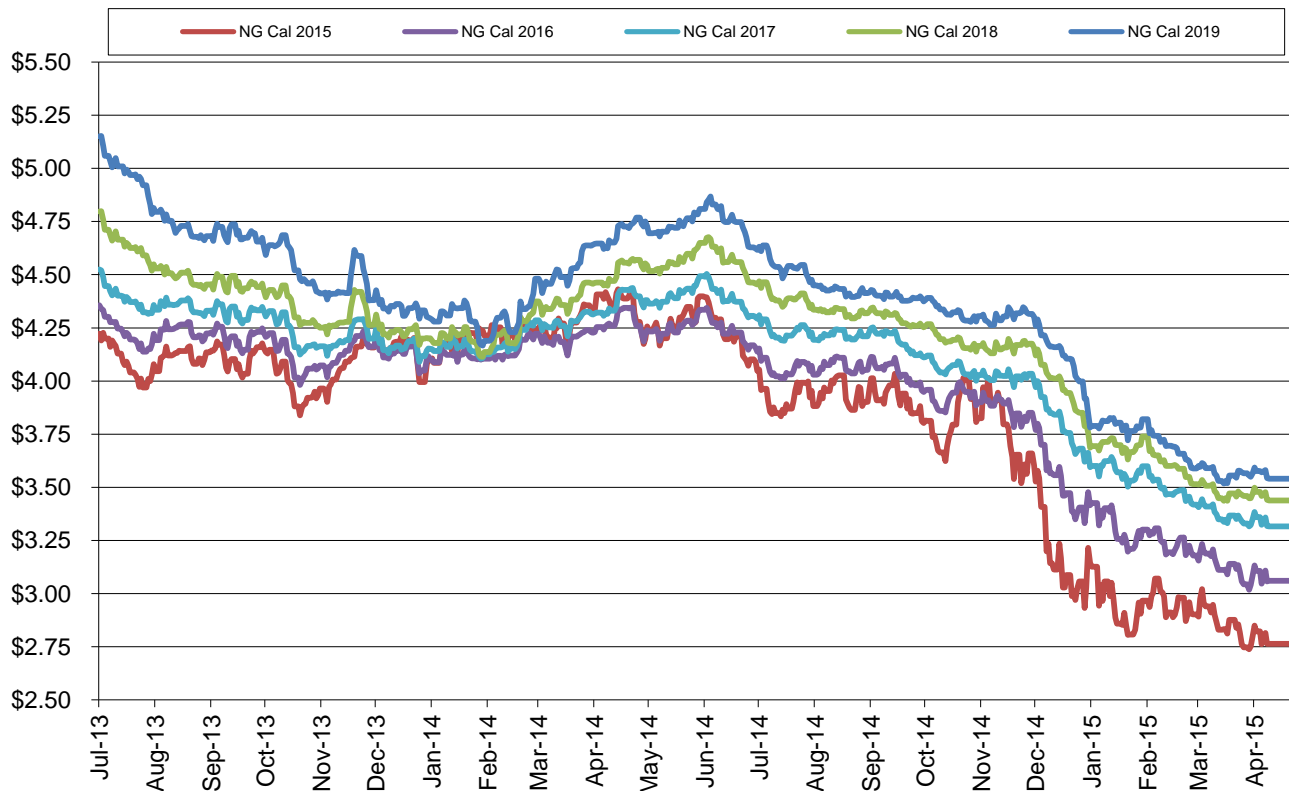
Other Factors: Nuclear output was slightly lower in the reference week as normal maintenance is nearing an end. Output is still well above last year and the 5 year average as this year's maintenance schedule was light.

- Our proprietary heating index remained in 4th place with a forecast through May 8 as the heating season comes to a close. The total index stands at 2,874 compared to 3,224 for 2013/14, 3,039 for 2012/13, 2,567 for 2011/12 and 3,139 for 2010/11. We will soon transition to the cooling index.

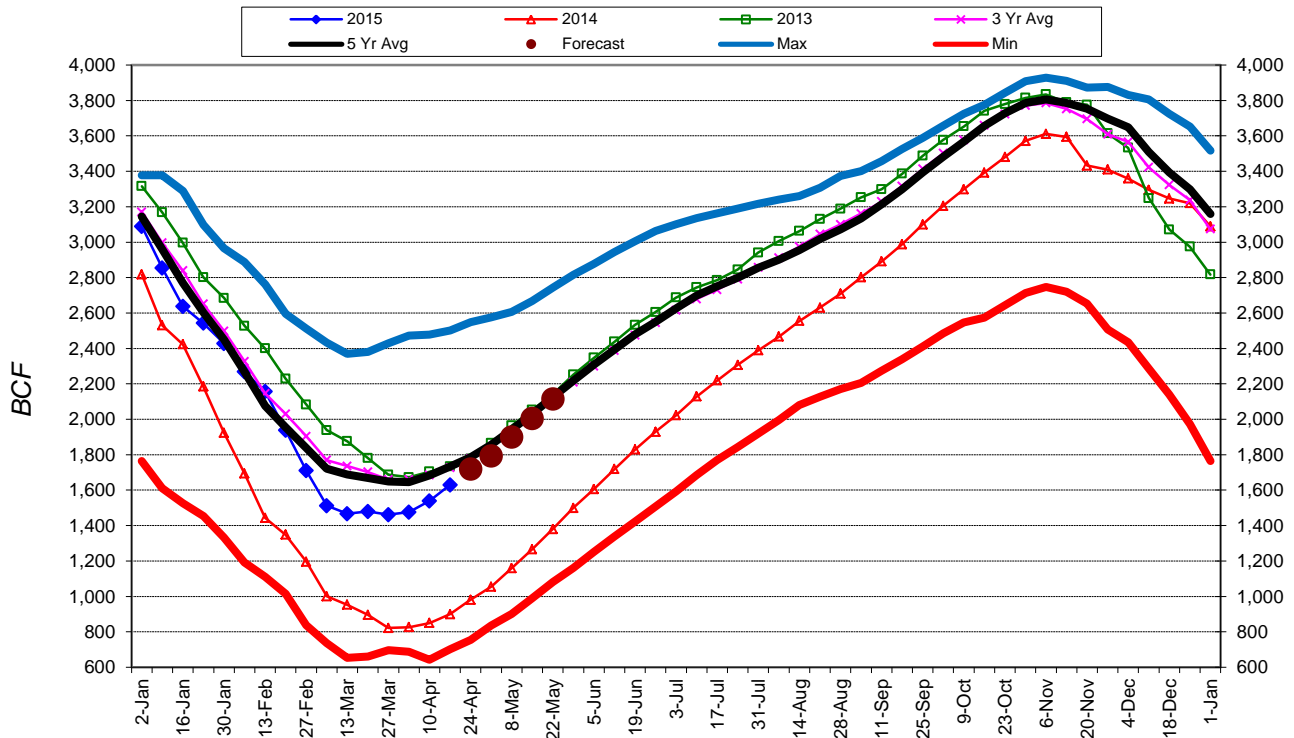
\$/MMBtu Ratio of NYMEX CL and NG



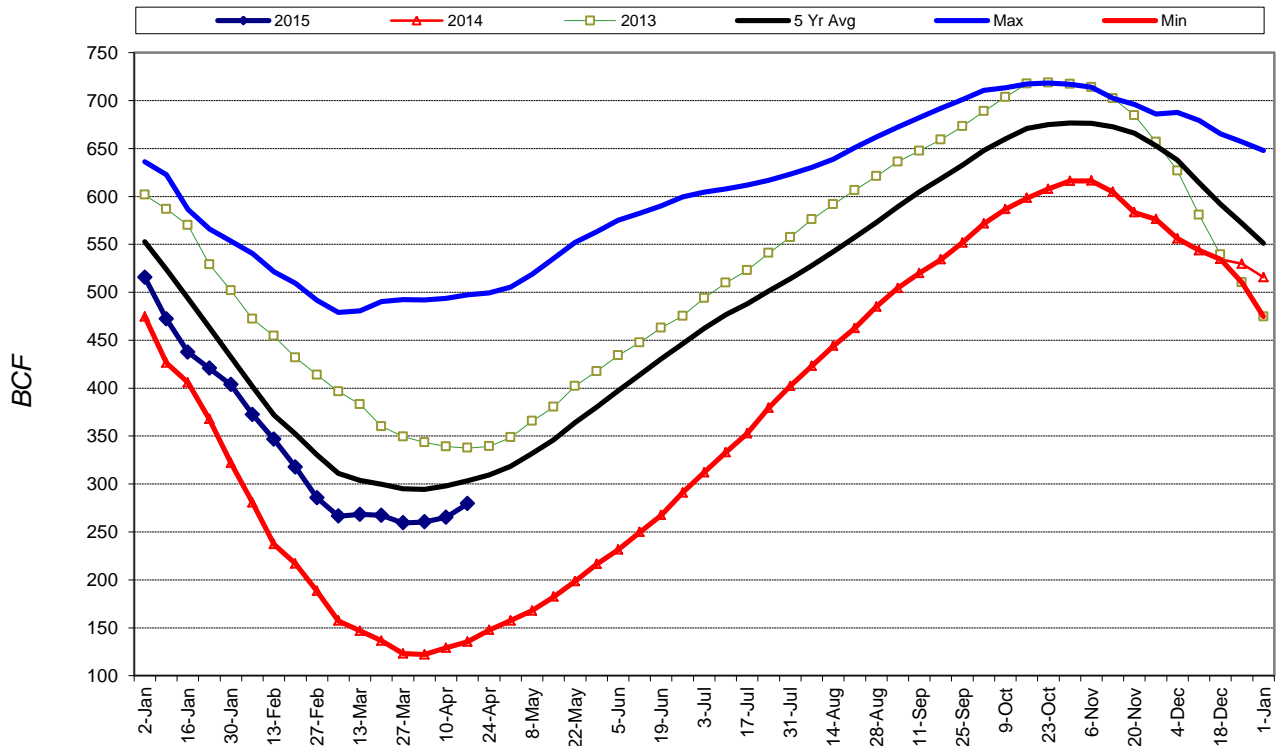
NYMEX Calendar Strips



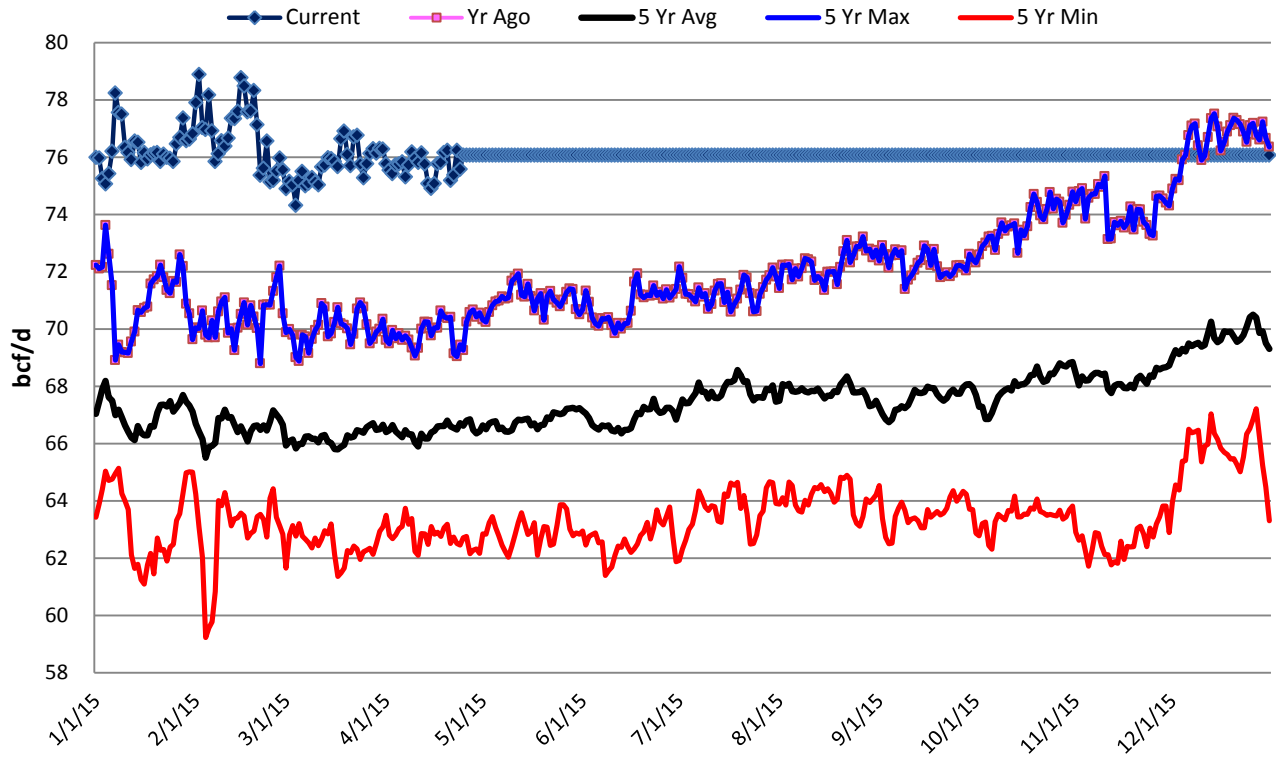
US Working Gas Storage - Source - EIA



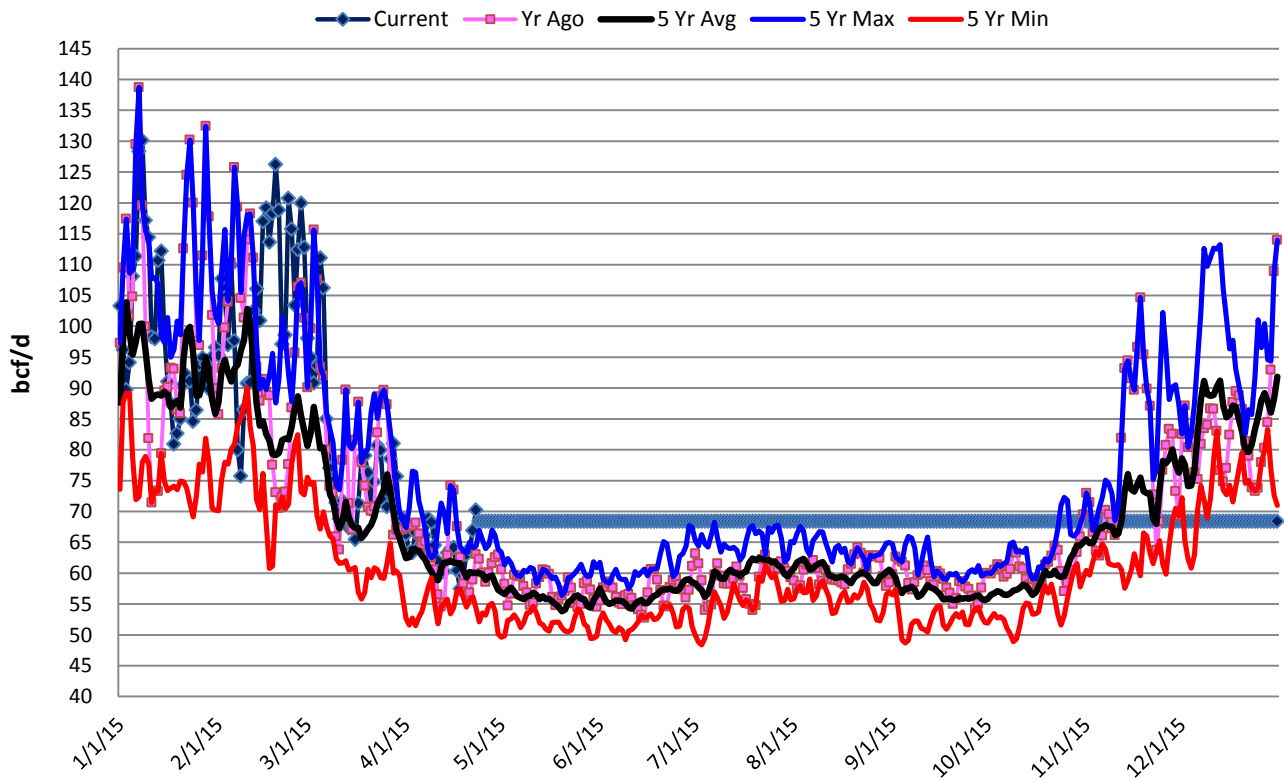
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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