

IAF Advisors  
Energy Market Outlook  
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**Price Action:** The June contract fell 12.9 cents (4.3%) to \$2.887 on a 22.4 cent range.

**Price Outlook:** Natural gas posted a new weekly high as early strength lifted prices for the 4th consecutive week. Four consecutive weeks higher is hardly extreme. Still, the market seems extended and despite another weekly storage report below expectations, the market ended on a down note. Thus, the path of least resistance seems lower with triple digit injections expected the next two weeks. There was another plunge in the combined managed money net short position. The drop was again associated with both a smaller short position and an increase in the long position. Total delta adjusted open interest rose to 3.569 million as of May 19. Aggregated CME futures open interest fell to 1.014 million as of May 21. Now, liquidation of new, weak length may continue the price slide.

**Weekly Storage:** US working gas storage for the week ending May 15 indicated an injection of 92 bcf. Thus total working gas inventories rose to 1,989 bcf. Current inventories rise 723 bcf (57.1%) above last year while trailing the 5 year average by 40 bcf (2.3%).

**Storage Outlook:** This weeks' storage injection was again slightly below our expectation. However, physical data now suggests injections above +100 bcf the next two weeks. May injections are now forecast to approach and likely exceed 450 bcf. November inventories are now expected to reach just above 4,100 bcf.

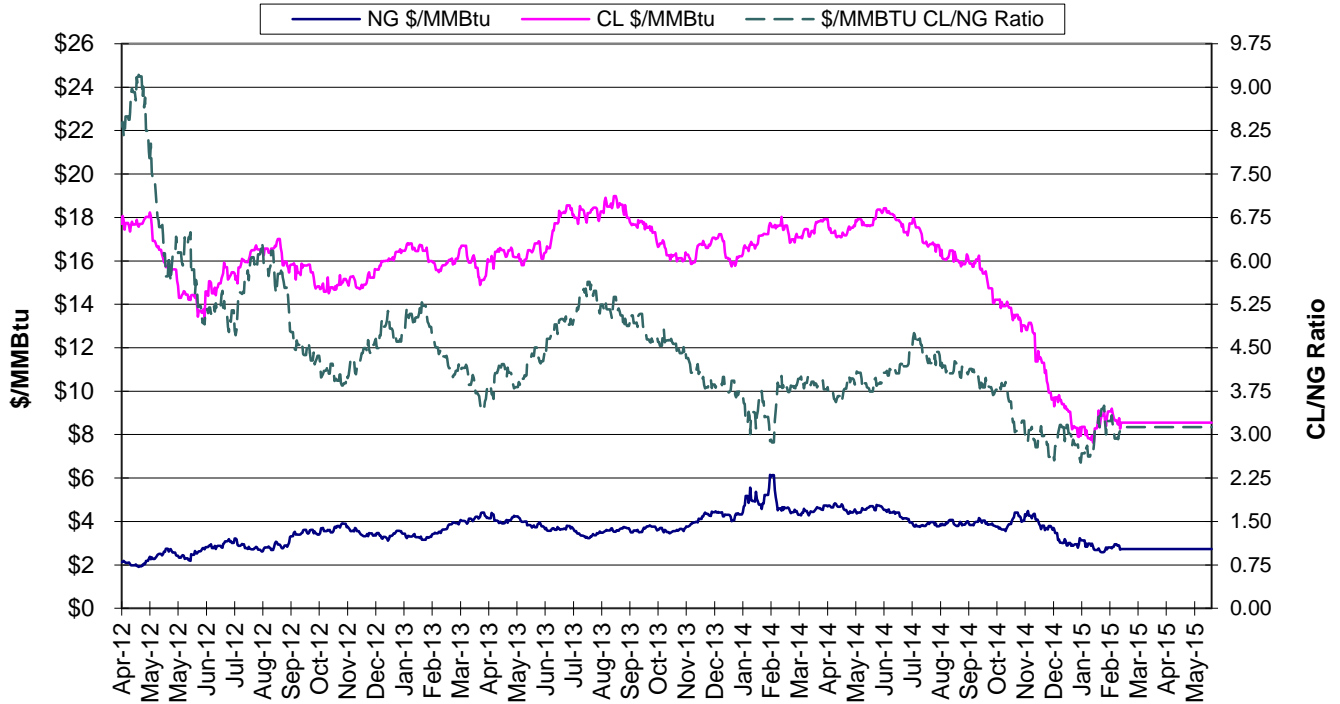
**Supply Trends:** Total supply rose 0.5 bcf/d to 75.3 bcf/d. US production and Canadian imports rose. Mexican exports rose and LNG imports were unchanged. The US Baker Hughes rig count fell 3 with both oil and natural gas activity lower. This was the smallest weekly reduction since a 3 rig increase on December 5, 2014. The total US rig count now stands at 885. This is the lowest total US rig count since June 12, 2009. The Canadian rig count fell 5 and now stands at 72. Thus, the total North American rig count fell 8 to 957 and now trails last year by 1,054. This is the lowest total rig count since May 17, 2002. The higher efficiency US horizontal rig count fell 2 to 683 and falls 560 below last year. This is the lowest US horizontal rig count since February 26, 2010.

**Demand Trends:** Total demand rose 3.0 bcf/d to 61.9 bcf/d. All sectors except industrial were higher. Electricity demand rose 1,145 gigawatt-hrs to 71,779 which exceeds last year by 165 (0.2%) and the 5 year average by 444 (0.6%).

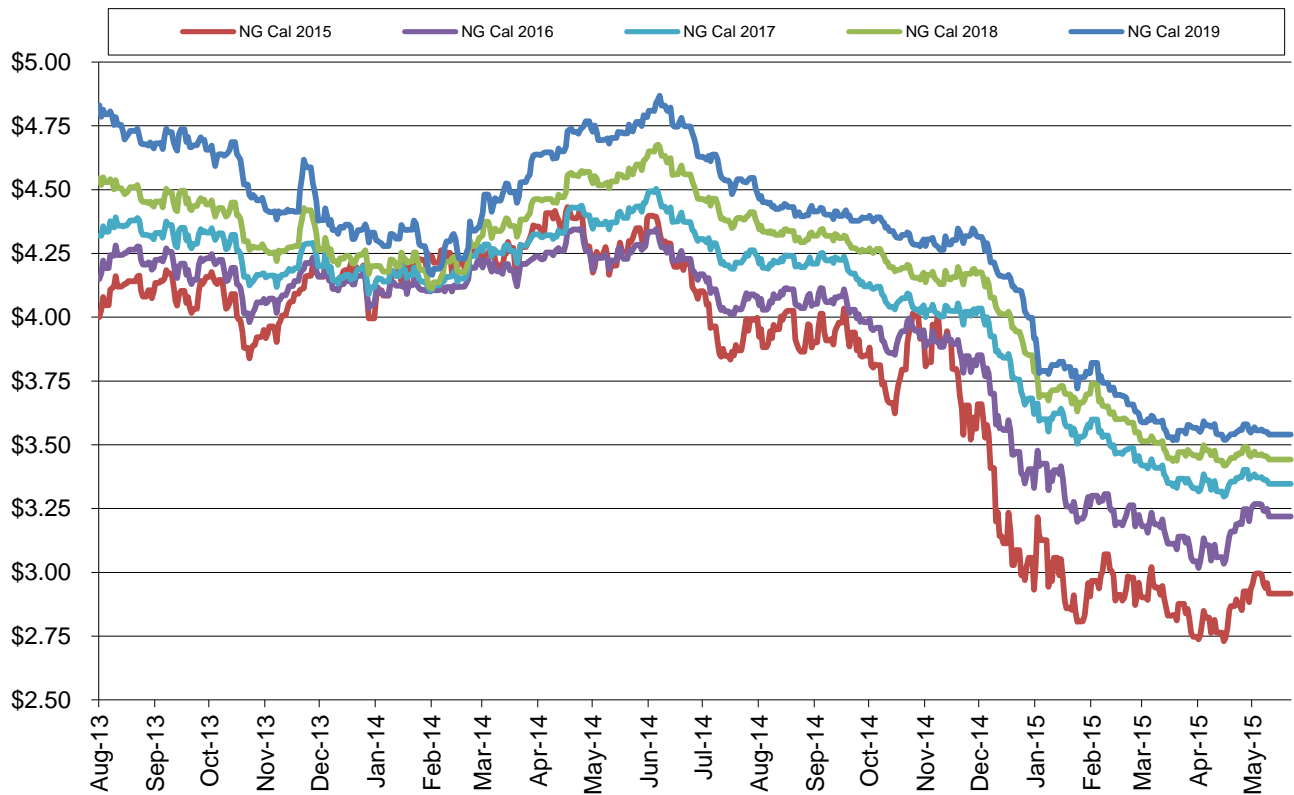
**Other Factors:** Nuclear output was yet again higher in the reference week as normal maintenance ends. Output should rise rapidly in coming weeks.

- We have switched to our proprietary cooling index. With a forecast through June 5, the total cooling index stands at 123 compared to 278 for 2014, 220 for 2013, 368 for 2012 and 324 for 2011.
- Comparing the summer of 2014 reveals that 2014 was the 4th coolest since 1994 based on our cooling index. However, it was well above the very cool 2004 while still significantly trailing the very hot summers of 2010, 2011 and 2012.

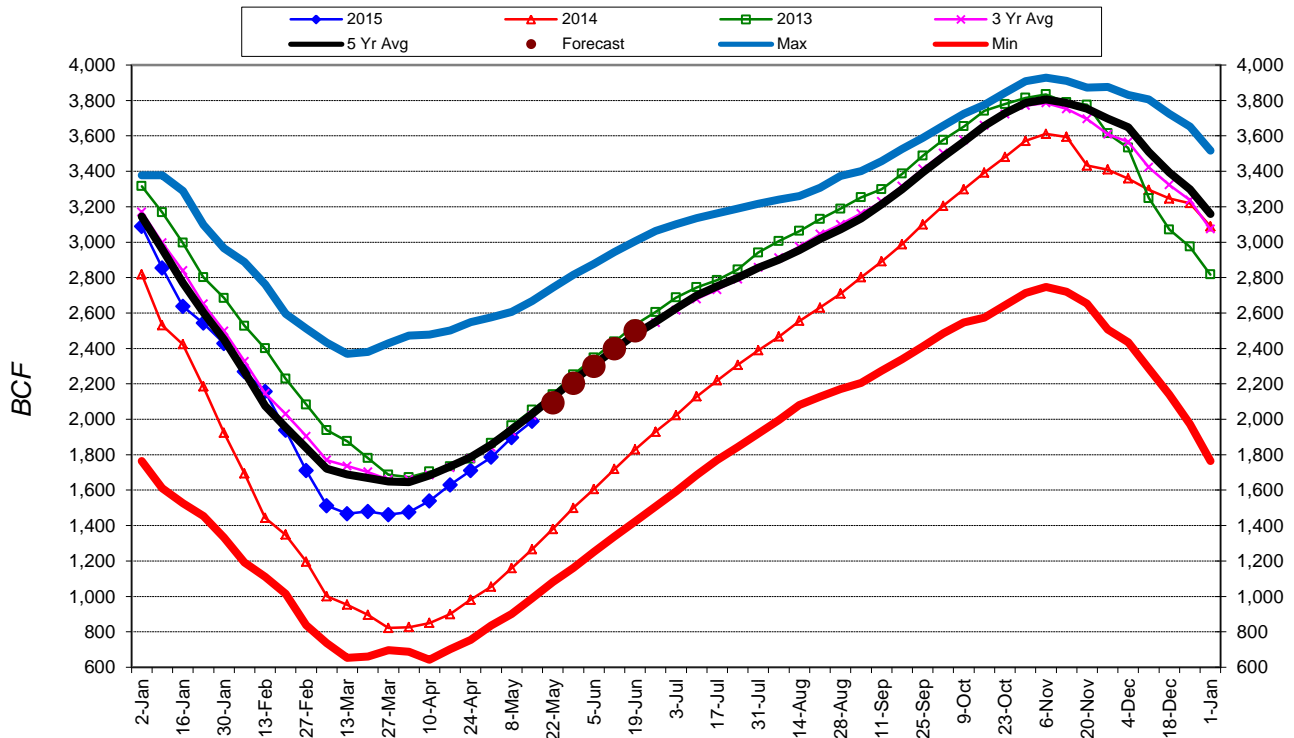
## \$/MMBtu Ratio of NYMEX CL and NG



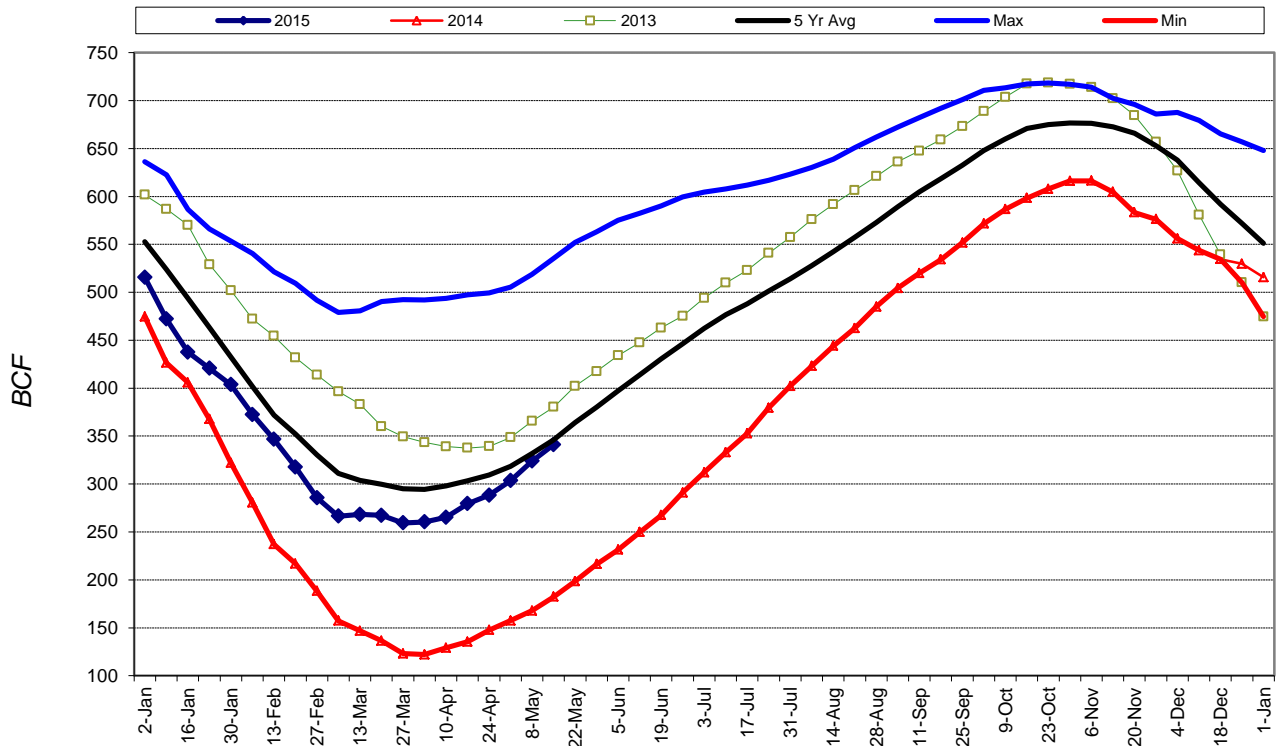
## NYMEX Calendar Strips



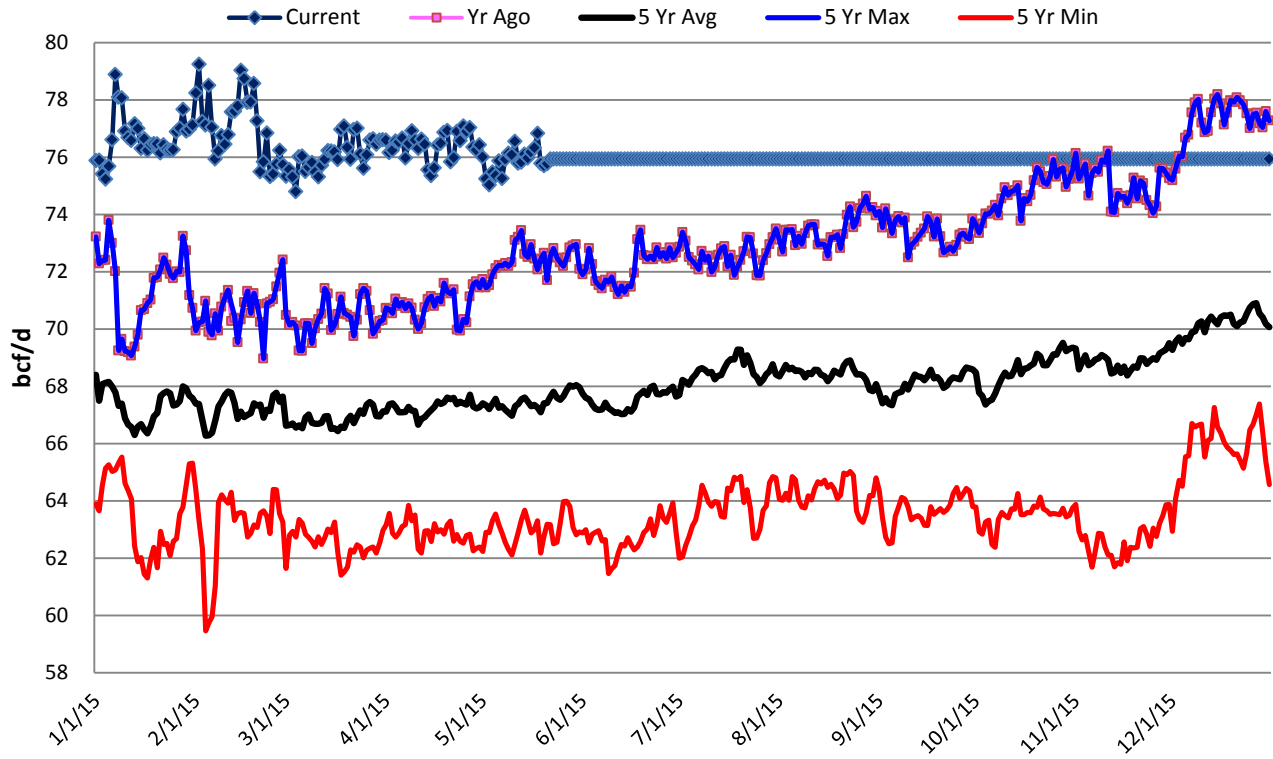
## US Working Gas Storage - Source - EIA



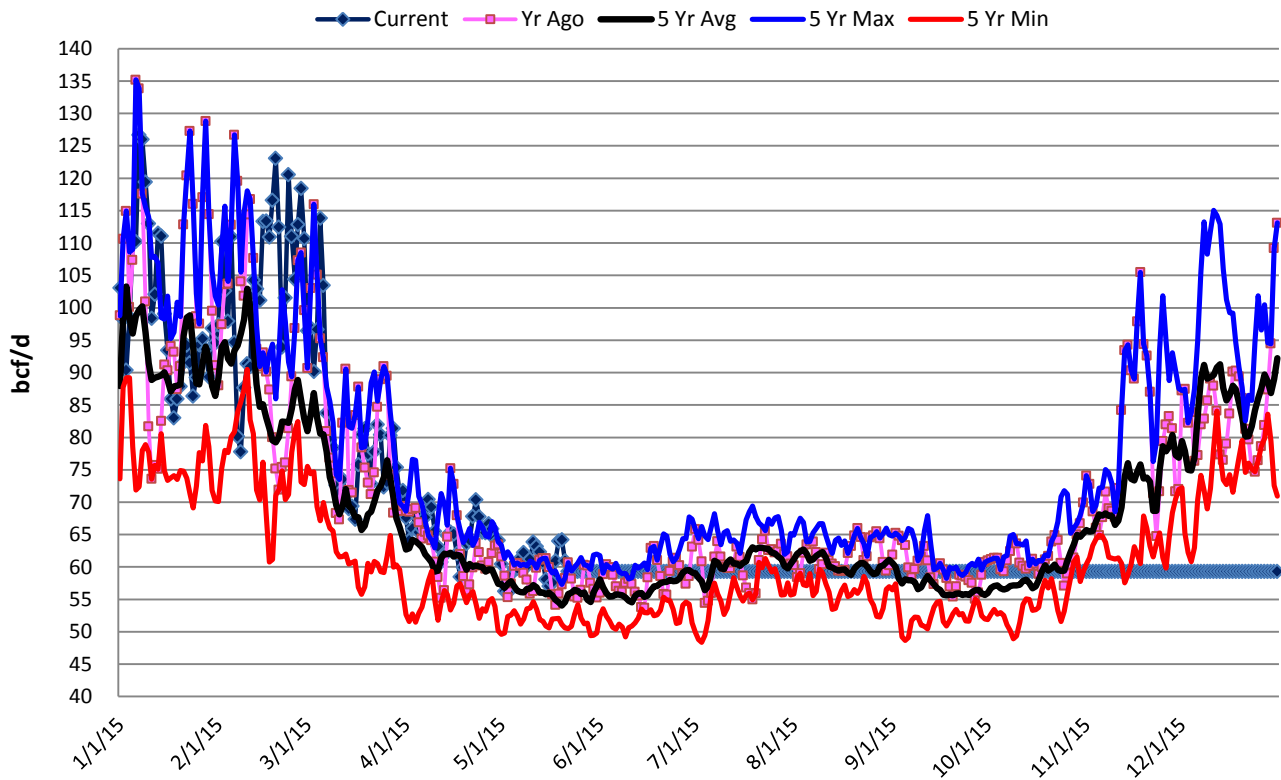
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



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

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