

IAF Advisors
Energy Market Outlook
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Price Action: The July contract fell 27.7 cents (9.5%) to \$2.642 on a 28.2 cent range.

Price Outlook: Natural gas collapsed as the EIA posted a much higher than expected storage report. With expectations of large storage injections the next two weeks that will only marginally reduce the storage surplus, prices are likely to remain weak. May injections are projected to come very close to the record 2014 May injections. The combined managed money net short position rose as net length was reduced and shorts returned to the market. Total delta adjusted open interest fell to 3.443 million as of May 26. Aggregated CME futures open interest fell to 988,000 as of May 28. Further liquidation of length and returning shorts may keep pressure on the market.

Weekly Storage: US working gas storage for the week ending May 22 indicated an injection of 112 bcf. Thus total working gas inventories rose to 2,101 bcf. Current inventories rise 721 bcf (52.2%) above last year while trailing the 5 year average by 25 bcf (1.23%).

Storage Outlook: This weeks' storage injection was well above our expectation. Along with physical data, injections should exceed +100 bcf the next two weeks with injections the back half of June falling just shy of the triple digit mark. Inventories are still expected to rise just above 4,100 bcf in early November.

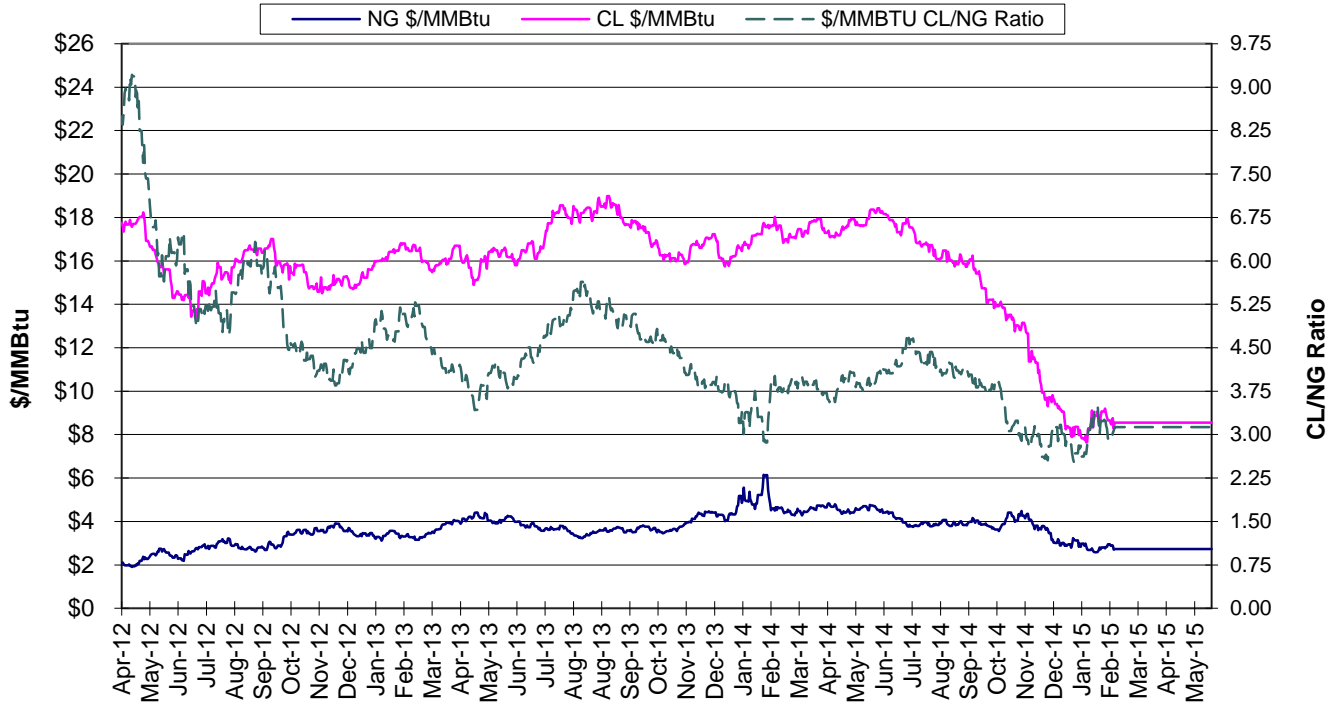
Supply Trends: Total supply was unchanged at 75.3 bcf/d. Canadian imports rose. US production fell. Mexican exports and LNG imports were unchanged. The US Baker Hughes rig count fell 10 with oil activity lower while natural gas rose. The total US rig count now stands at 875. This is the lowest total US rig count since January 31, 2003. The Canadian rig count rose 26 and now stands at 98. Thus, the total North American rig count rose 16 to 973 and now trails last year by 1,091. The higher efficiency US horizontal rig count fell 9 to 674 and falls 577 below last year. This is the lowest US horizontal rig count since February 19, 2010. The EIA Monthly Natural Gas report revealed a slight drop in March US production and Canadian imports along with increased Mexican exports that reduced total US supply. Gulf of Mexico output was lower and the impact of tropical storms on US supply is declining.

Demand Trends: Total demand fell 1.9 bcf/d to 60.1 bcf/d. Industrial demand was higher with all other sectors lower. Electricity demand fell 51 gigawatt-hrs to 71,728 which trails last year by 179 (0.2%) and the 5 year average by 1,475 (2.0%). March demand was the highest on record for March, driven primarily by power demand.

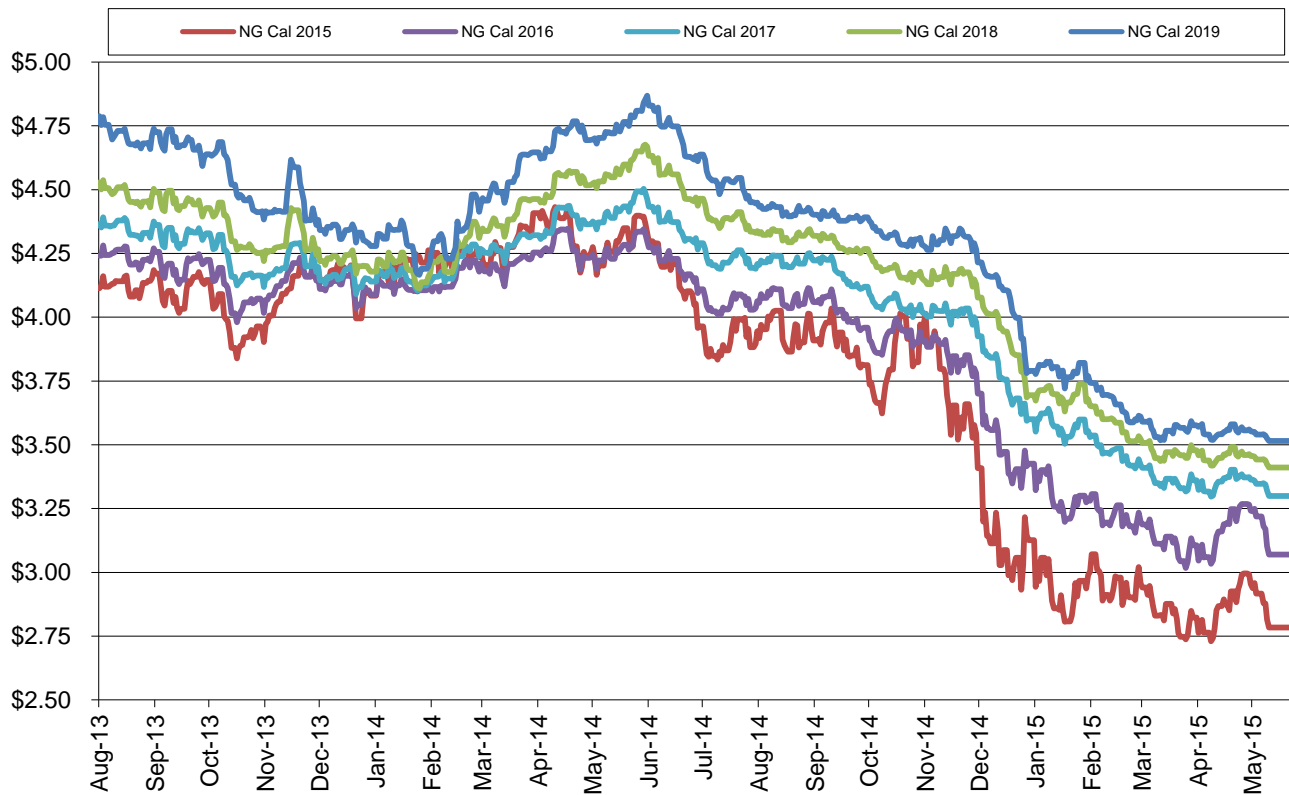
Other Factors Nuclear output was yet again higher in the reference week as normal maintenance ends. Output should continue increasing in coming weeks.

- We have switched to our proprietary cooling index. With a forecast through June 12, the 2015 total cooling index stands at 195 compared to 437 for 2014, 472 for 2013, 499 for 2012 and 637 for 2011.

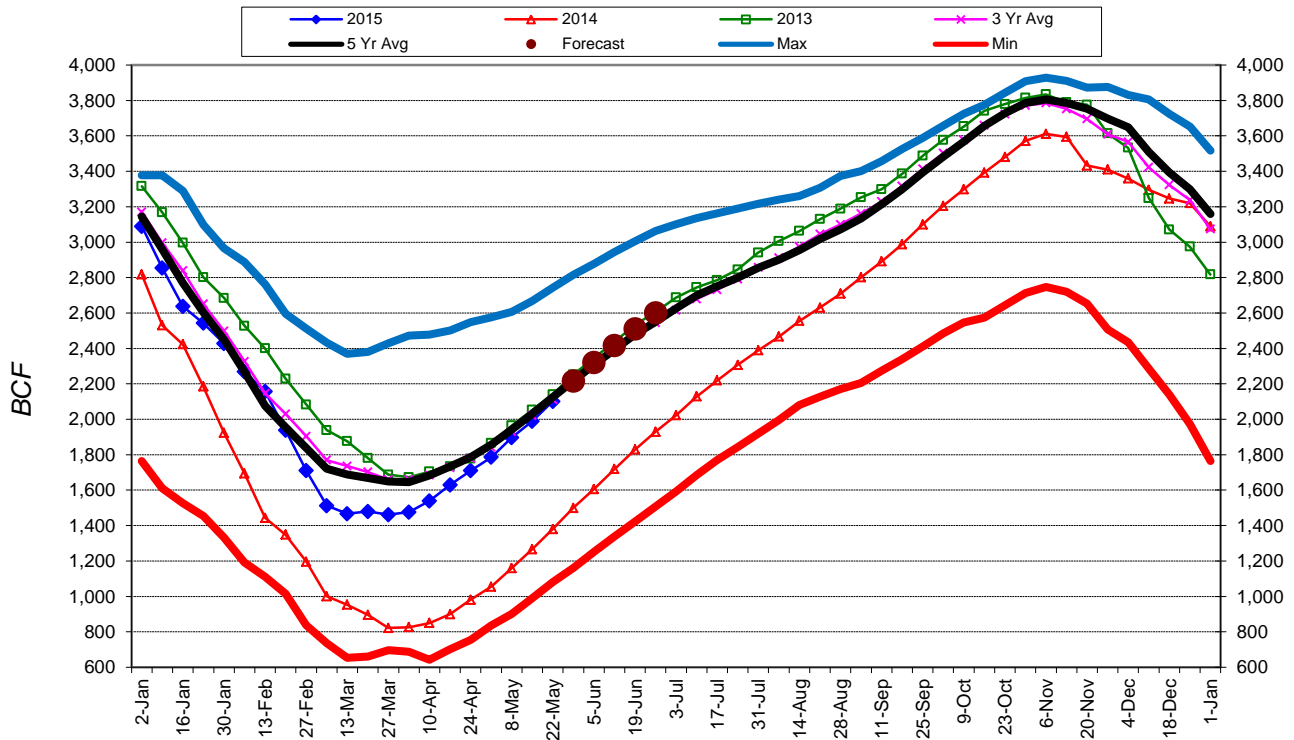
\$/MMBtu Ratio of NYMEX CL and NG



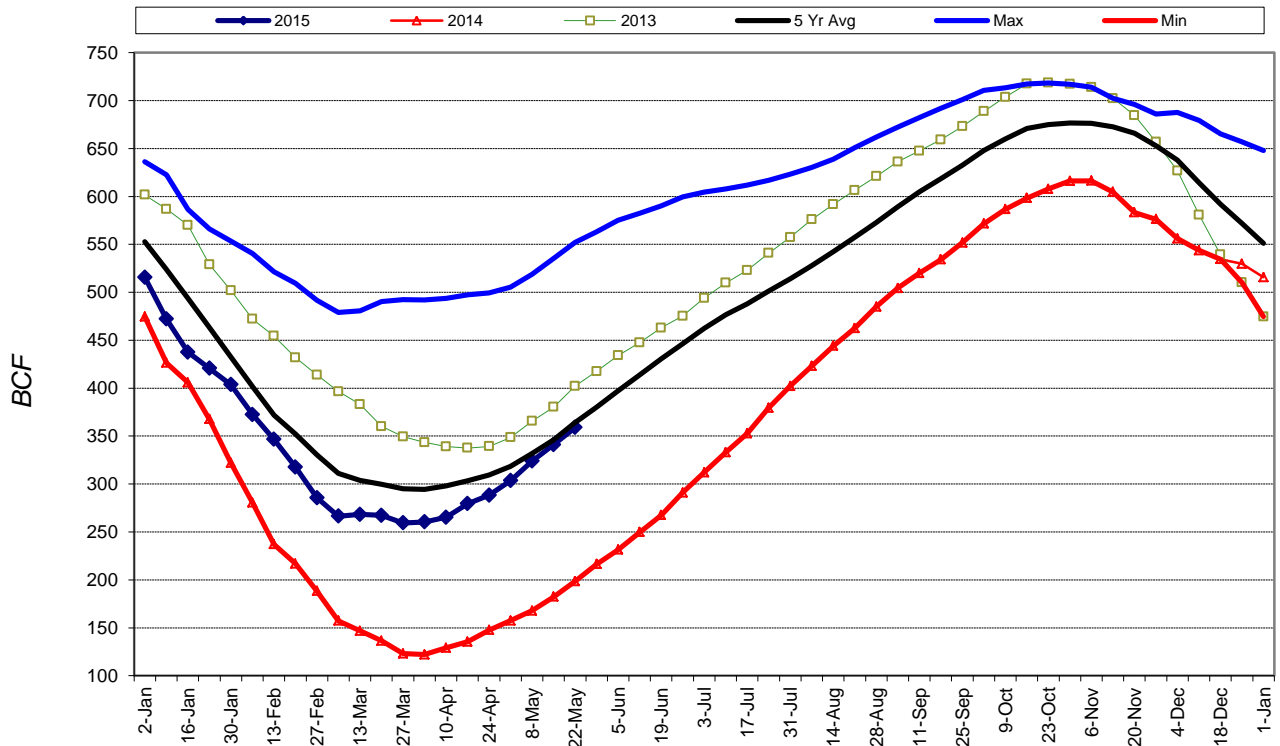
NYMEX Calendar Strips



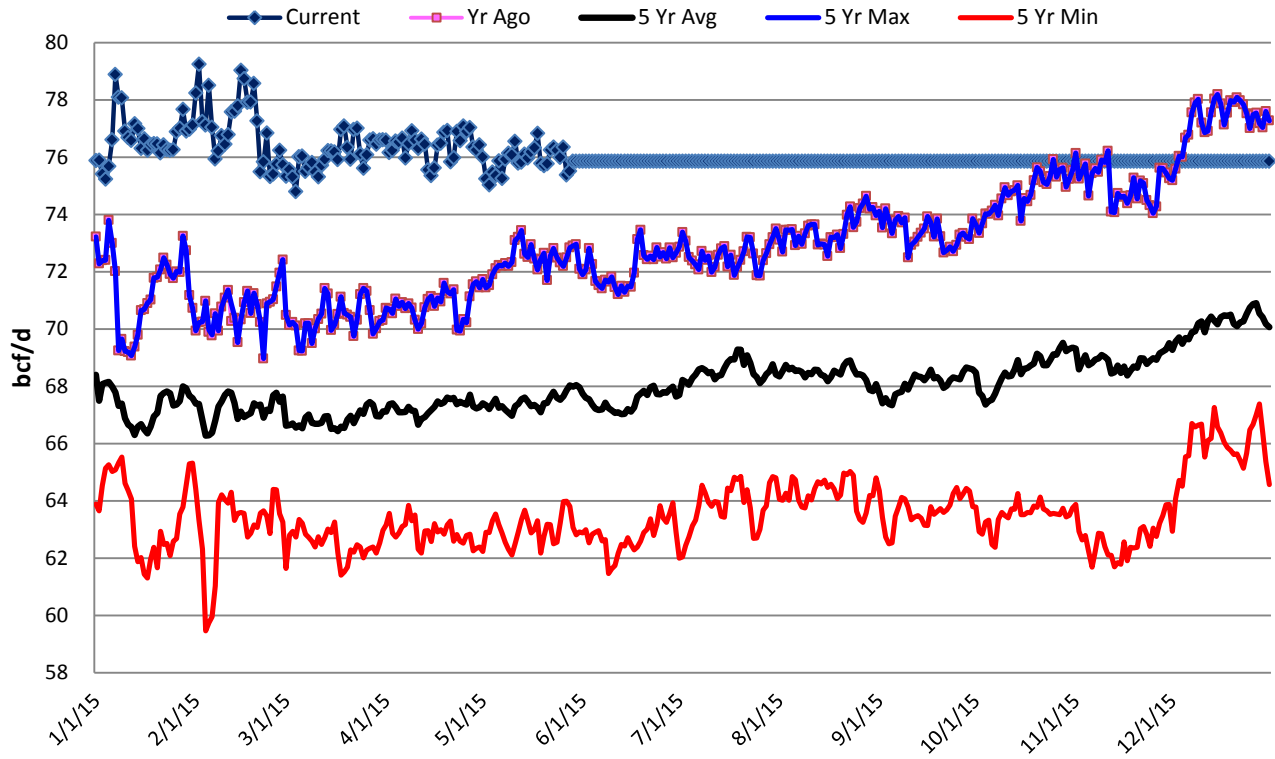
US Working Gas Storage - Source - EIA



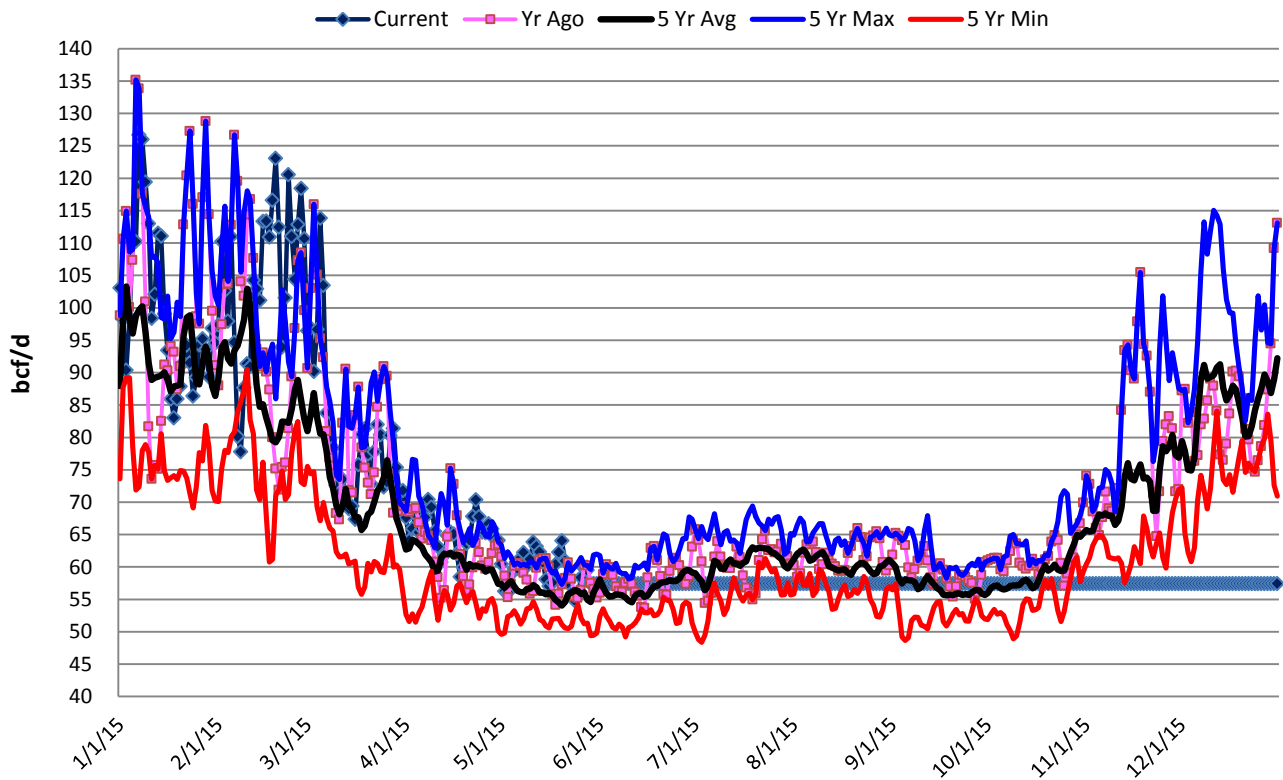
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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