

IAF Advisors
Energy Market Outlook
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Price Action: The July contract fell 5.2 cents (2.0%) to \$2.590 on a 16.8 cent range.

Price Outlook: Natural gas continued to slide after a record EIA injection. This is just the 2nd consecutive week and from that perspective, prices could easily slide further. May 2015 injections are now projected to break the record 2014 May injections. The market did seem reluctant to move much lower despite the huge injection and that is noteworthy as the market may be waiting on summer temperatures and injections before pushing lower. The combined managed money net short position soared as shorts rose and length fell. Total delta adjusted open interest rose to 3.496 million as of June 2. Aggregated CME futures open interest rose to 1.036 million as of June 4. Further liquidation of length and returning shorts may keep pressure on the market.

Weekly Storage: US working gas storage for the week ending May 29 indicated an injection of 132 bcf. Thus total working gas inventories rose to 2,133 bcf. Current inventories rise 734 bcf (49.0%) above last year while surpassing the 5 year average by 15 bcf (0.7%).

Storage Outlook: This week's injection established a new record, eclipsing the +127 from June 2003. Although some records will indicate an injection of +147 bcf in July 2003, this was the result of a methodological change and one-time adjustment. The actual weekly change was +111 bcf. Inventories remain on track to exceed 4,100 bcf in November.

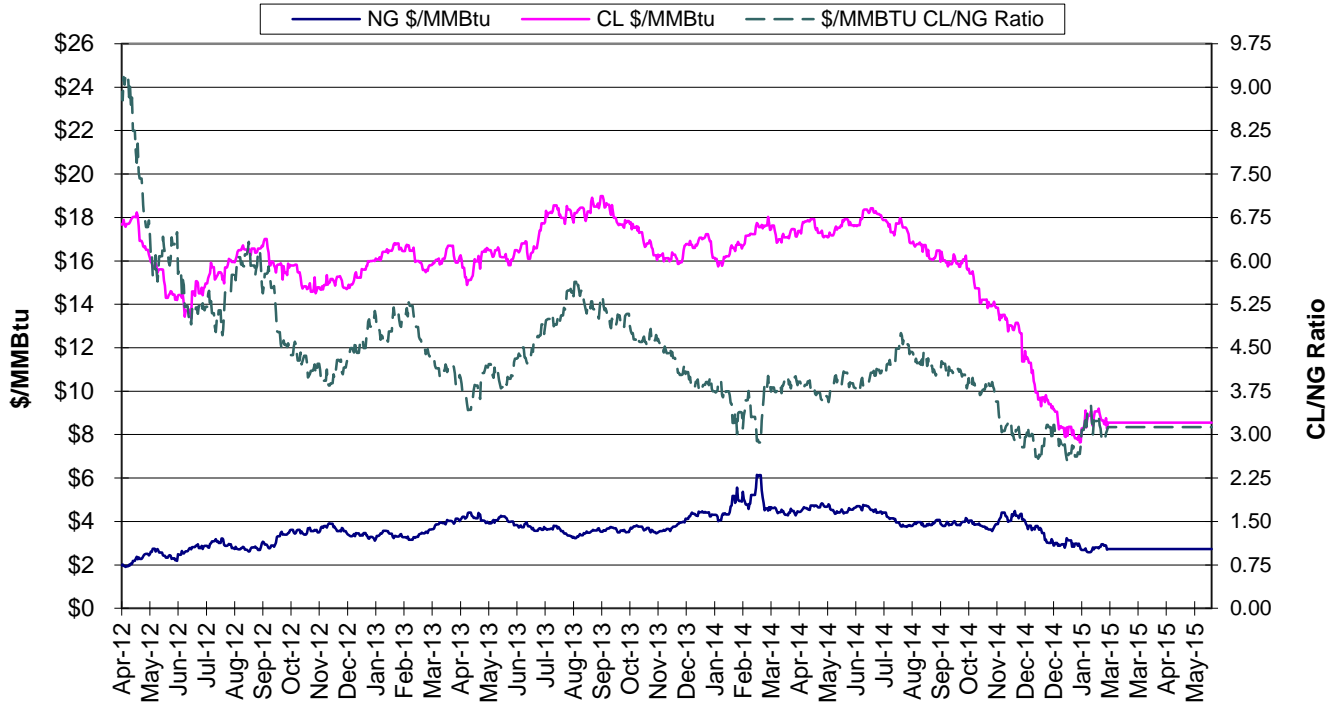
Supply Trends: Total supply fell 0.2 bcf/d to 75.1 bcf/d. Canadian imports rose. US production fell. Mexican exports and LNG imports were unchanged. The US Baker Hughes rig count fell 7 with both oil and natural gas activity lower. The total US rig count now stands at 868. This is the lowest total US rig count since January 24, 2003. The Canadian rig count rose 18 and now stands at 116. Thus, the total North American rig count rose 11 to 984 and now trails last year by 1,090. The higher efficiency US horizontal rig count fell 1 to 673 and falls 577 below last year. This is the lowest US horizontal rig count since February 19, 2010. The EIA revised its' monthly production after discovering an error. However, storage levels, considered the most accurate data, were unrevised.

Demand Trends: Total demand fell 2.8 bcf/d to 57.3 bcf/d. All sectors were lower. Electricity demand rose 3,554 gigawatt-hrs to 75,282 which surpassed last year by 618 (0.8%) and trails the 5 year average by 1,893 (2.5%).

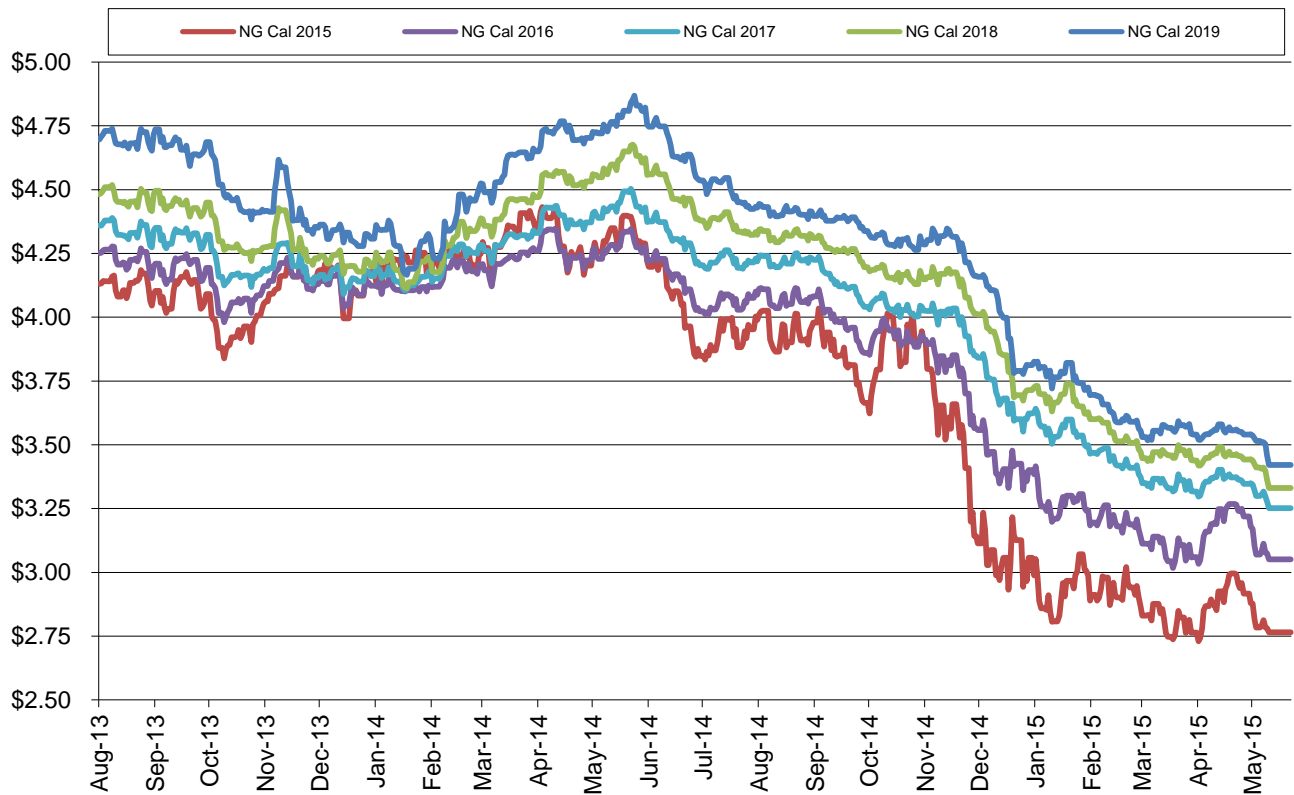
Other Factors Nuclear output was yet again higher in the reference week as normal maintenance ends. Output should continue increasing in coming weeks.

- We have switched to our proprietary cooling index. With a forecast through June 19, the 2015 total cooling index is off to a very slow start at 341 compared to 552 for 2014, 608 for 2013, 798 for 2012 and 917 for 2011.

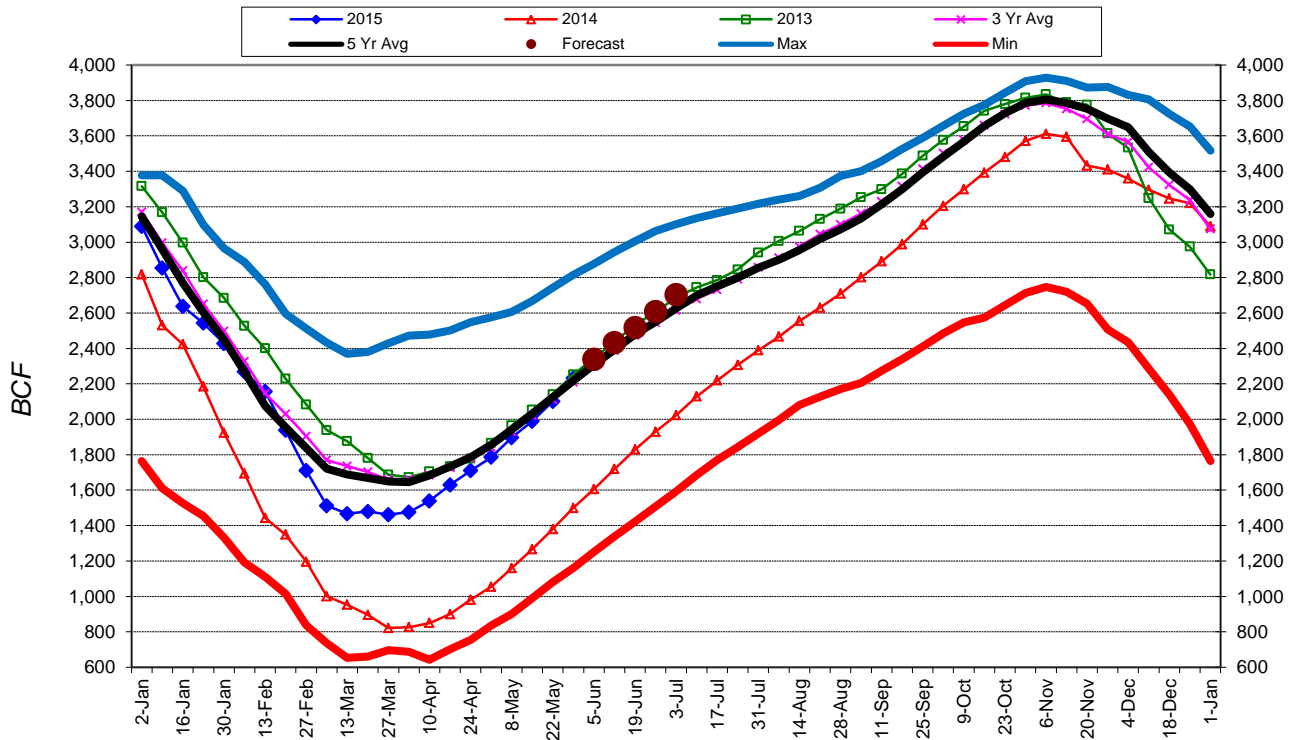
\$/MMBtu Ratio of NYMEX CL and NG



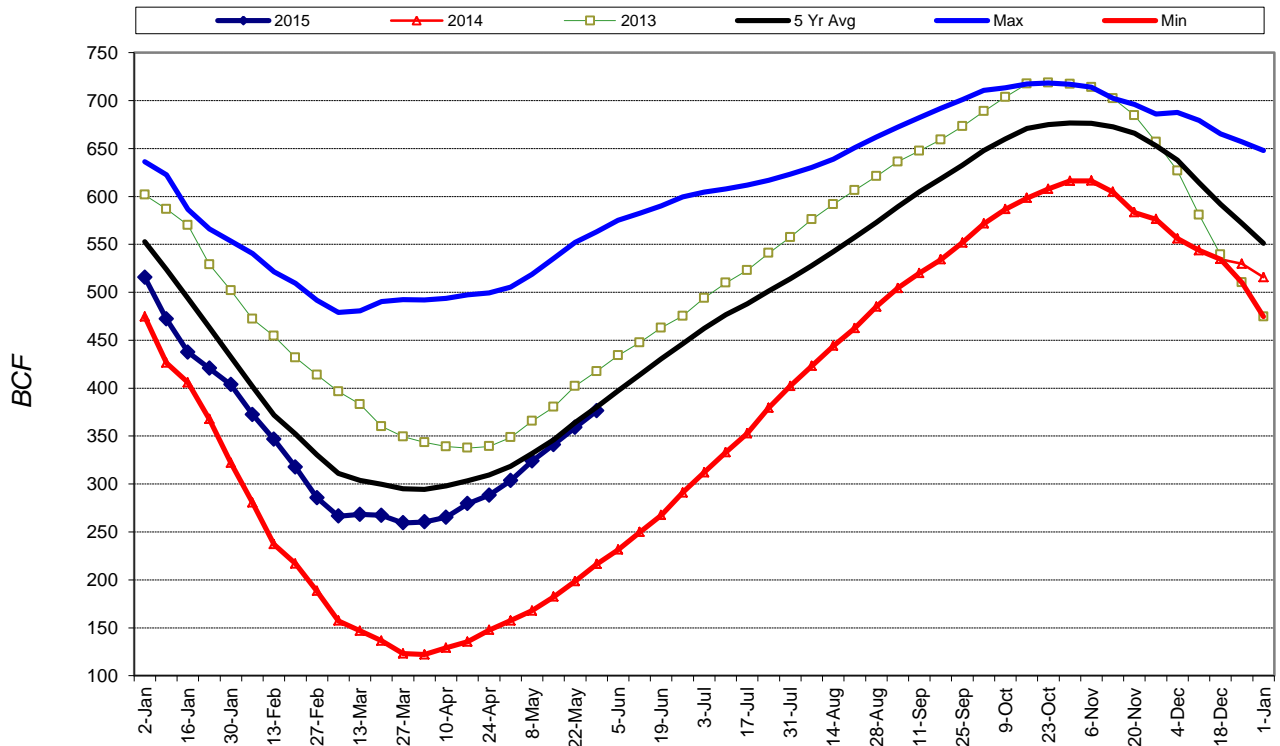
NYMEX Calendar Strips



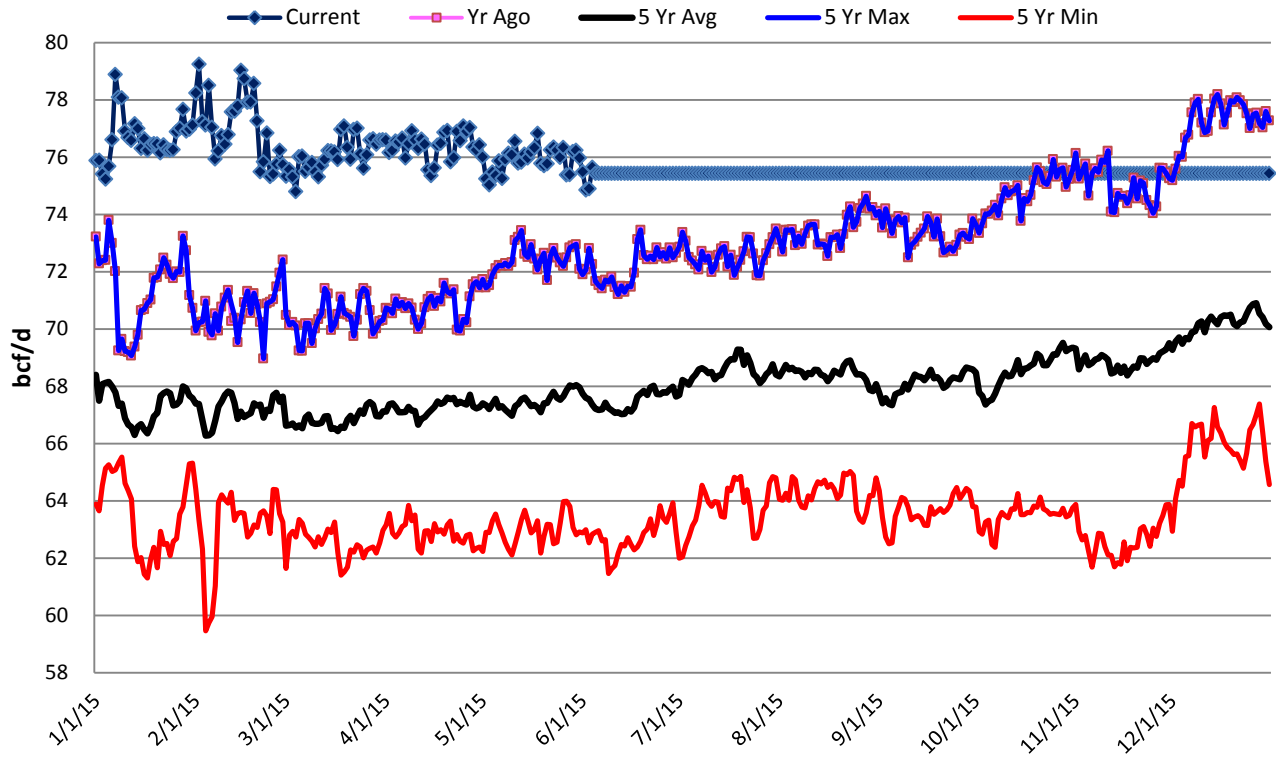
US Working Gas Storage - Source - EIA



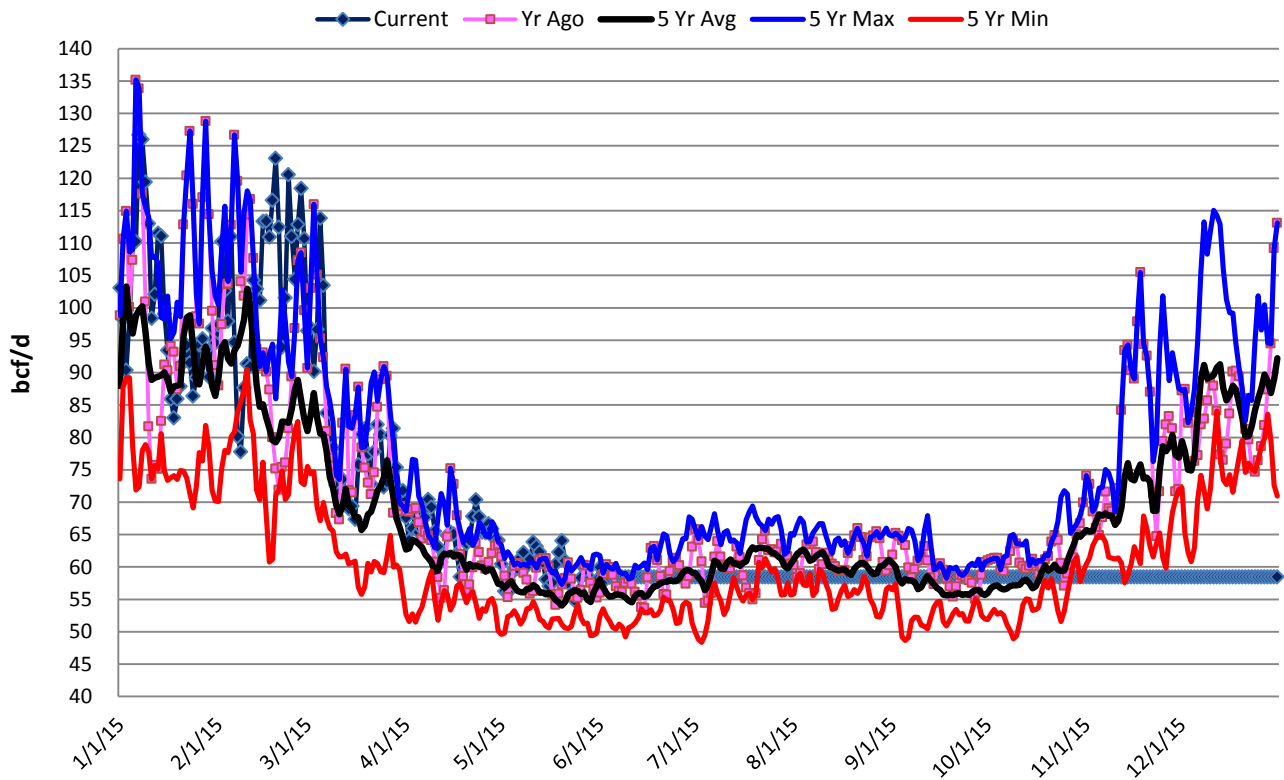
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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