

IAF Advisors
Energy Market Outlook
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Price Action: The July contract rose 16.0 cents (6.2%) to \$2.750 on a 29.8 cent range.

Price Outlook: Natural gas rebounded despite an increase in the yearly storage surplus. Based on the weekly storage changes, May 2015 injections were estimated at +490 bcf, eclipsing the previous record 2014 May injections of +478 bcf. The market remains reluctant to trade lower despite remaining on track for a record storage level. The combined managed money net short position rose to over 95,000. Total delta adjusted open interest rose to 3.519 million as of June 9. Aggregated CME futures open interest fell to 1.032 million as of June 12. The market is now becoming vulnerable to a short covering rally.

Weekly Storage: US working gas storage for the week ending June 5 indicated an injection of 111 bcf. Thus total working gas inventories rose to 2,344 bcf. Current inventories rise 738 bcf (46.0%) above last year while surpassing the 5 year average by 36 bcf (1.6%).

Storage Outlook: This weeks' storage injection was slightly below our expectation. Physical data now suggests next weeks' injection will fall slightly below +100 bcf. Injections are likely to trail last year and reduce the yearly storage in coming weeks. Indications are still that the week of July 4th will come close to a triple digit injection. Storage levels are now expected to fall just shy of 4,100 bcf in November.

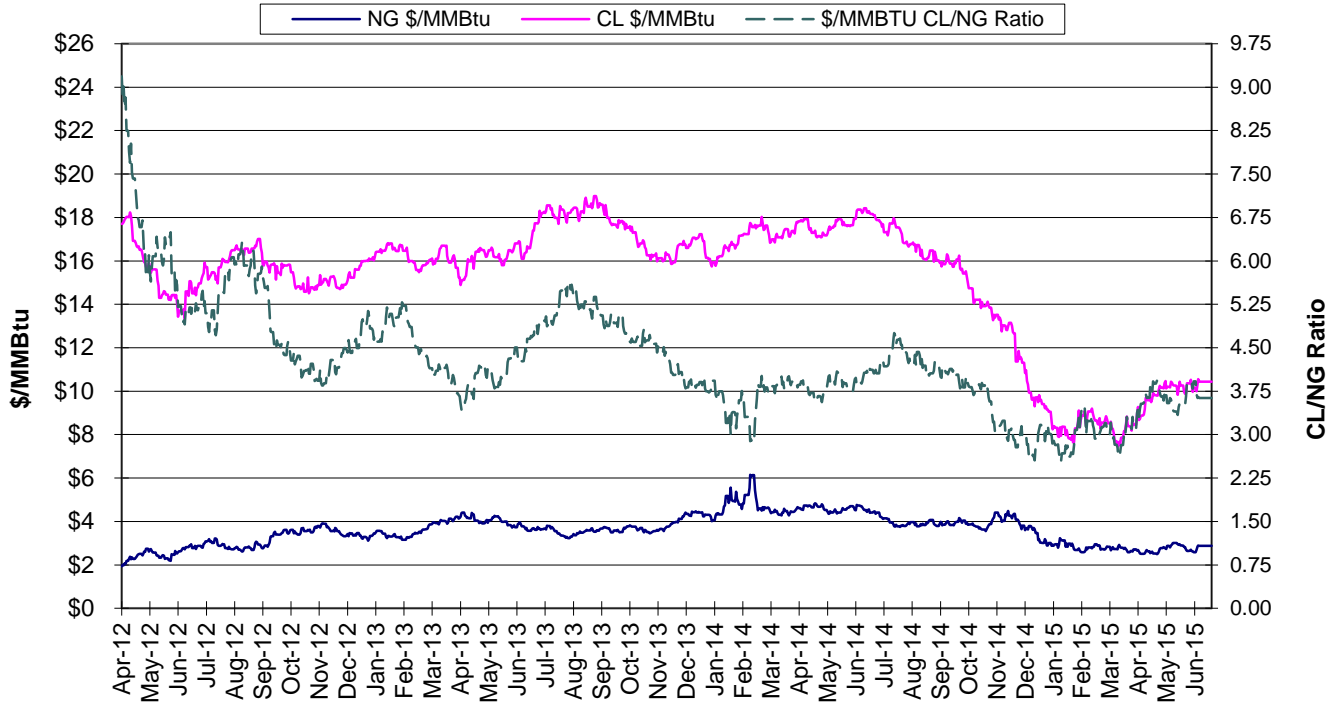
Supply Trends: Total supply fell 0.4 bcf/d to 74.7 bcf/d. US production and Canadian imports fell. Mexican exports and LNG imports were unchanged. The US Baker Hughes rig count fell 9 with both oil and natural gas activity lower. The total US rig count now stands at 859. This is the lowest total US rig count since January 17, 2003. The Canadian rig count rose 11 and now stands at 127. Thus, the total North American rig count rose 2 to 986 and now trails last year by 1,112. The higher efficiency US horizontal rig count fell 10 to 663 and falls 585 below last year. This is the lowest US horizontal rig count since February 19, 2010. The EIA Drilling Productivity report revised June production much lower while also projecting a further decline in July. The June revision was likely due to maintenance, but is still noteworthy as this was only the second lower revision in the reports history that began in October 2013.

Demand Trends: Total demand rose 1.0 bcf/d to 58.3 bcf/d. Industrial and power demand were higher while R&C fell. Electricity demand fell 518 gigawatt-hrs to 74,764 which trails last year by 4,798 (6.0%) and the 5 year average by 3,963 (5.0%).

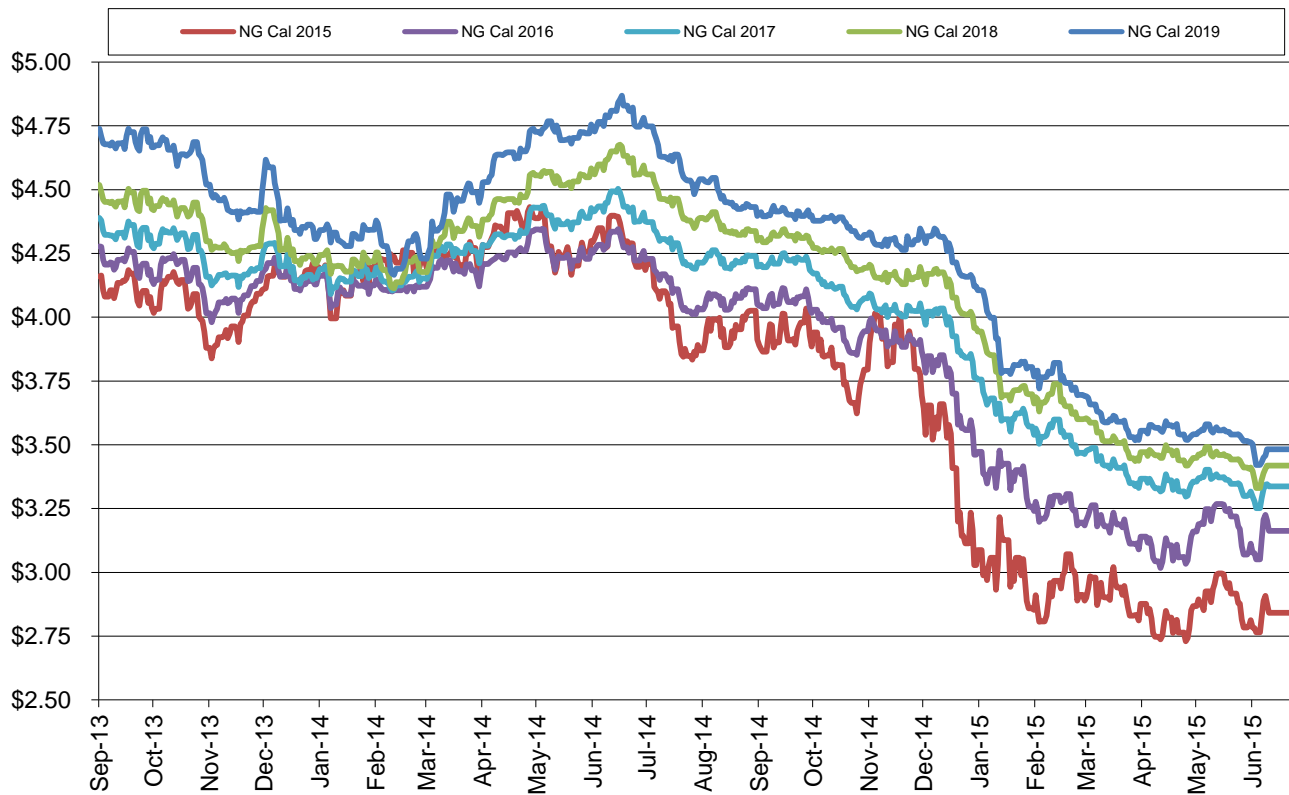
Other Factors Nuclear output was yet again higher in the reference week as normal maintenance ends. Output should near 95,000 MW in mid-July from roughly 92,000 MW currently.

- We have switched to our proprietary cooling index. With a forecast through June 26, the 2015 total cooling index is still off to a slow start at 690 compared to 690 for 2014, 826 for 2013, 1,321 for 2012 and 1,154 for 2011.

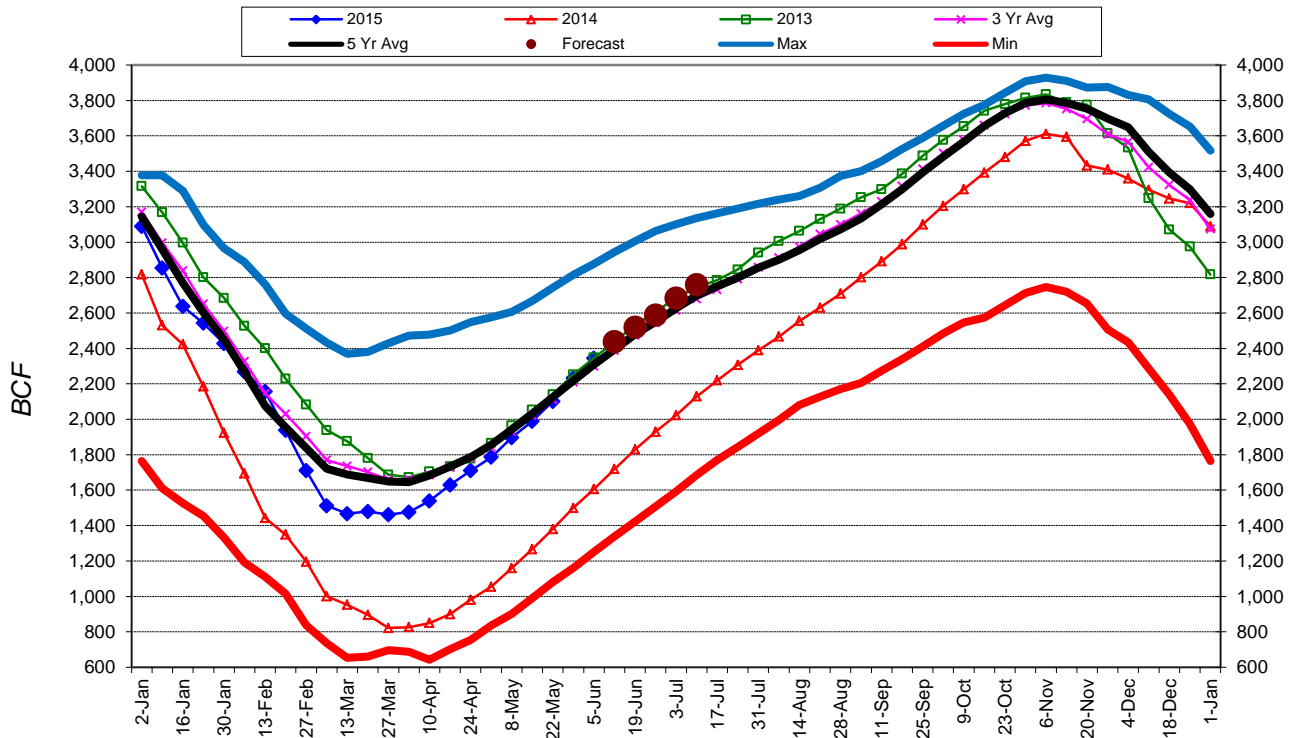
\$/MMBtu Ratio of NYMEX CL and NG



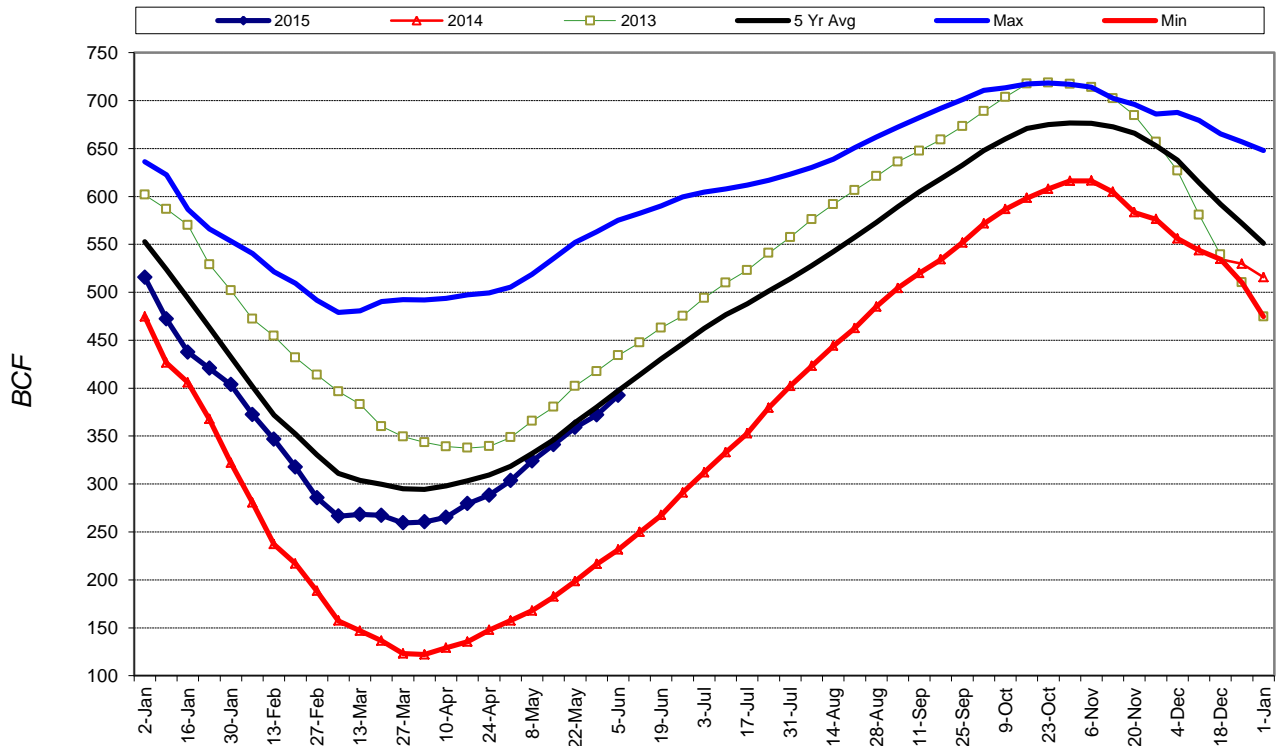
NYMEX Calendar Strips



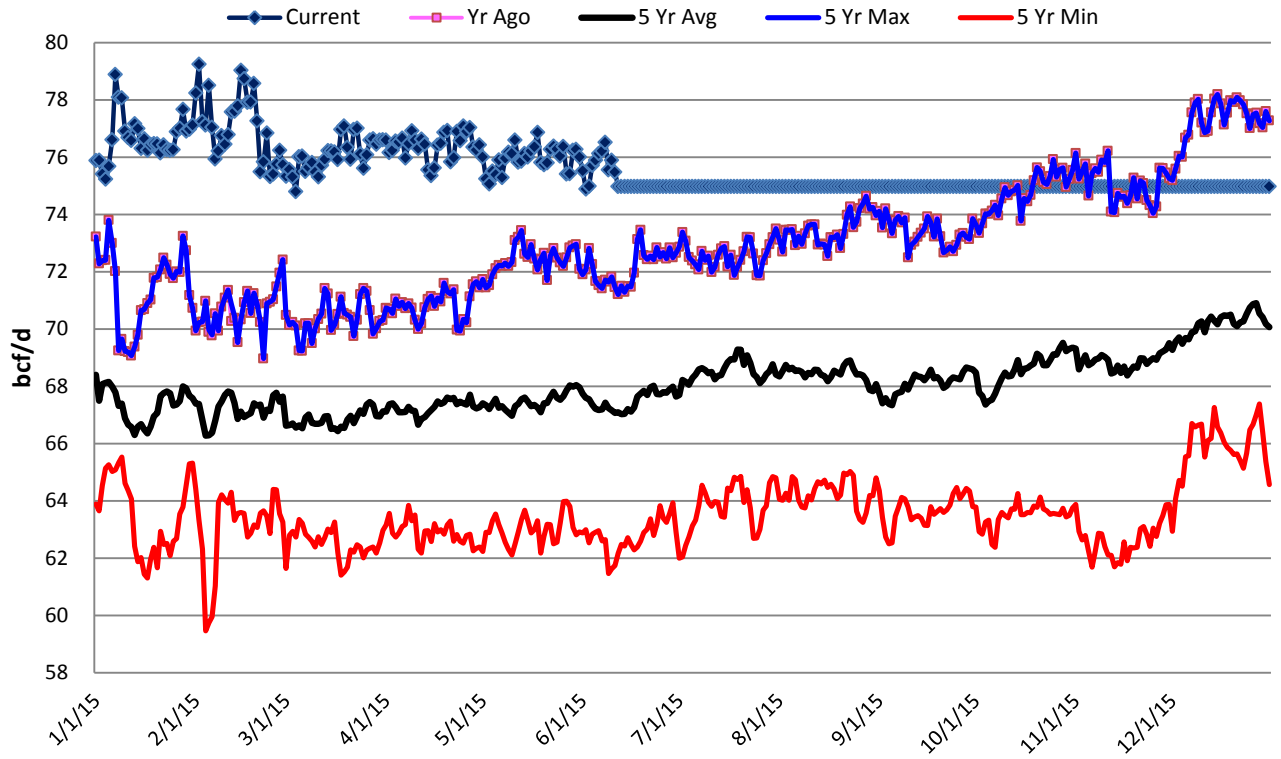
US Working Gas Storage - Source - EIA



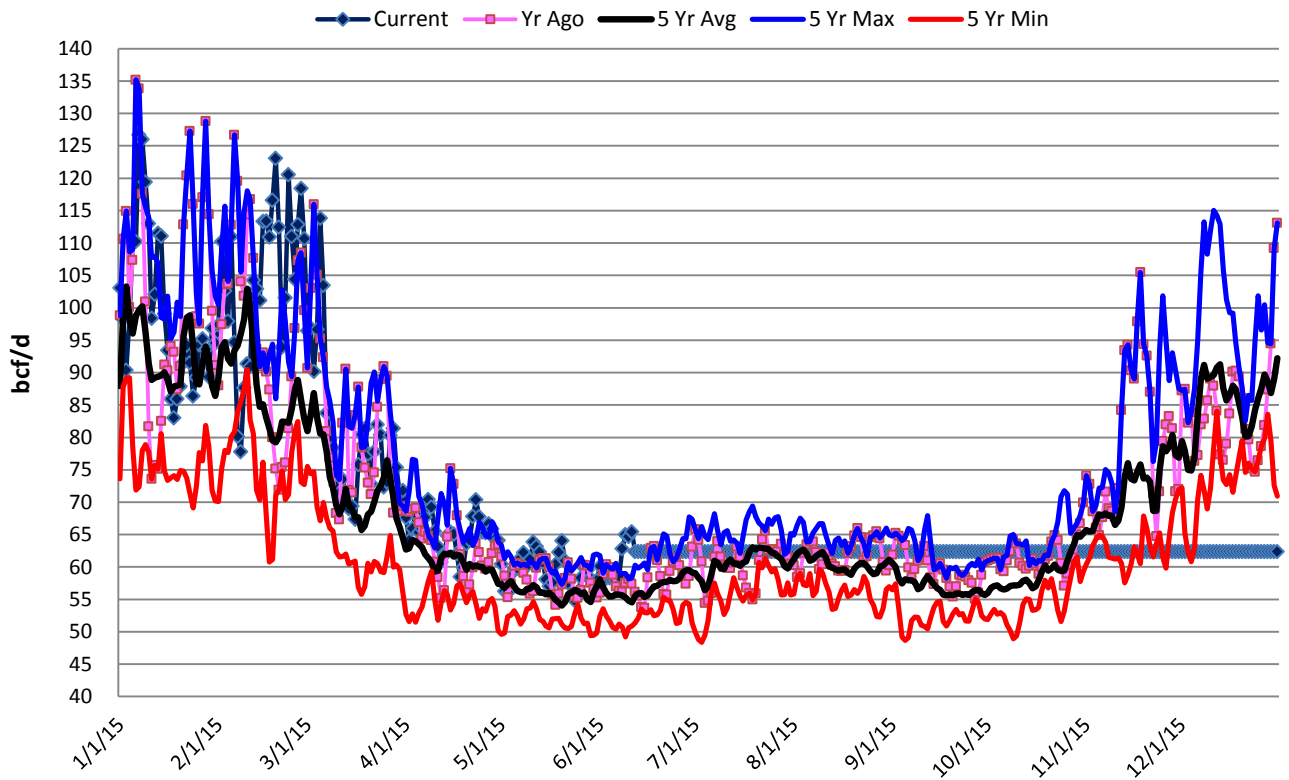
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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