

IAF Advisors  
Energy Market Outlook  
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June 26, 2015

**Price Action:** The July contract fell 4.3 cents (1.5%) to \$2.773 on a 14.3 cent range.

**Price Outlook:** Natural gas ended established a new low on the week despite a dramatic reduction in the yearly storage surplus. The incredibly tight range suggests an increasing possibility of establishing both a new high and low in an upcoming week. That said, we could also envision a very choppy market between \$2.50 and \$3.00 in coming weeks without some new driver. The combined managed money net short position rose with most of the net increase due to liquidation of length. The net short position is almost 83,000 contracts. Total delta adjusted open interest rose to 3.664 million as of June 23. Aggregated CME futures open interest fell to 1.038 million as of June 26. The market remains vulnerable to short covering rallies.

**Weekly Storage:** US working gas storage for the week ending June 19 indicated an injection of 75 bcf. Thus total working gas inventories rose to 2,508 bcf. Current inventories rise 679 bcf (37.1%) above last year while surpassing the 5 year average by 27 bcf (1.1%).

**Storage Outlook:** This weeks' storage injection was only 1 bcf below our expectation. Due in part to the large injections last year, the next few week's injections should all fall below last year while coming much closer to the 5 year average. While the 5 week sum of our storage estimations moved a bit further away from the actual EIA injections, the last 3 weeks have experienced a maximum miss of only 4 bcf. We are satisfied with that. Inventories are still expected to exceed 4,000 bcf in November.

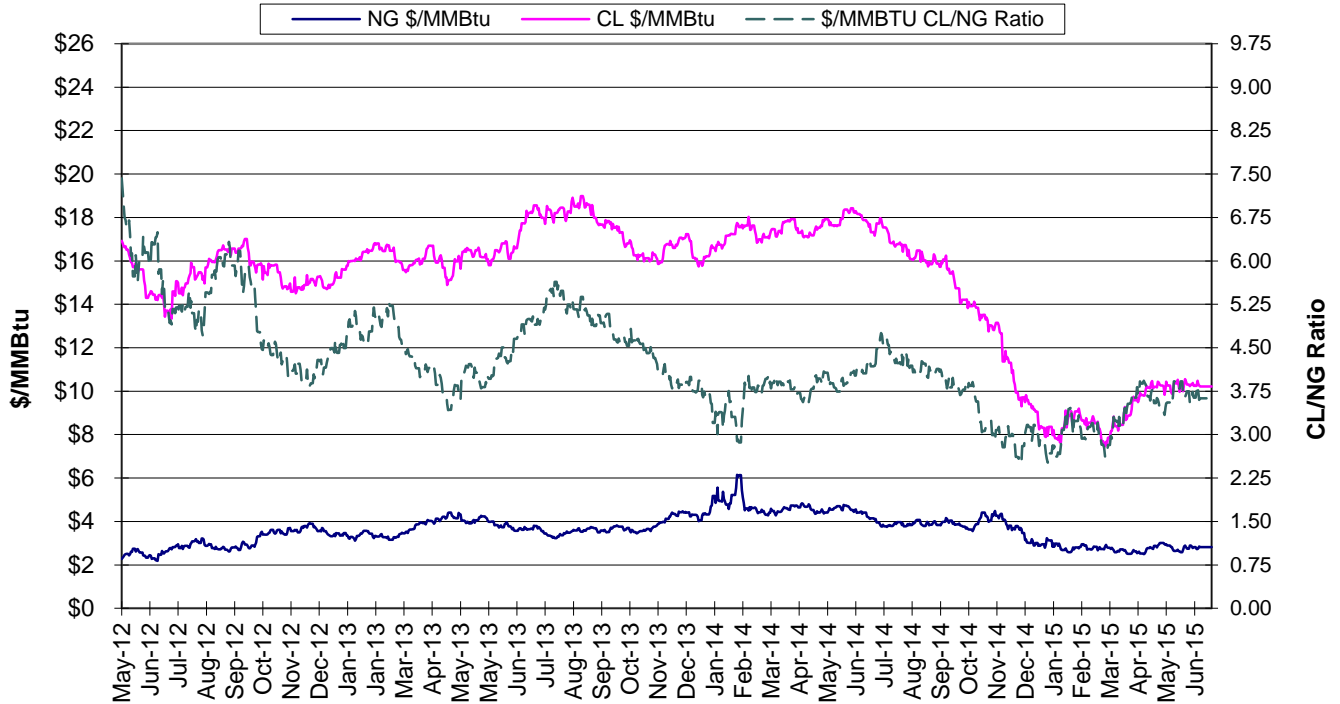
**Supply Trends:** Total supply fell (0.8) bcf/d to 73.85 bcf/d. US production and Canadian imports fell. Mexican exports rose and LNG imports were unchanged. The US Baker Hughes rig count rose 2 with oil activity lower while natural gas rose. The total US rig count now stands at 859. It now remains to be seen whether the low in the rig count has been established. The Canadian rig count fell 1 and now stands at 135. Thus, the total North American rig count rose 1 to 994 and now trails last year by 1,115. This is an actual reduction in the yearly deficit. The higher efficiency US horizontal rig count fell 8 to 654 and falls 609 below last year. This is the lowest US horizontal rig count since January 29, 2010.

**Demand Trends:** Total demand rose 1.6 bcf/d to 62.9 bcf/d. Power demand rose with R&C and industrial lower. Electricity demand rose 1,102 gigawatt-hrs to 84,970 which surpasses last year by 1,180 (1.4%) and the 5 year average by 1,150 (1.4%). The week of June 26 did witness temperatures near normal summer time peaks of late July and early August. Power demand picked up appreciably with estimates that demand eclipsed any level recorded in 2014.

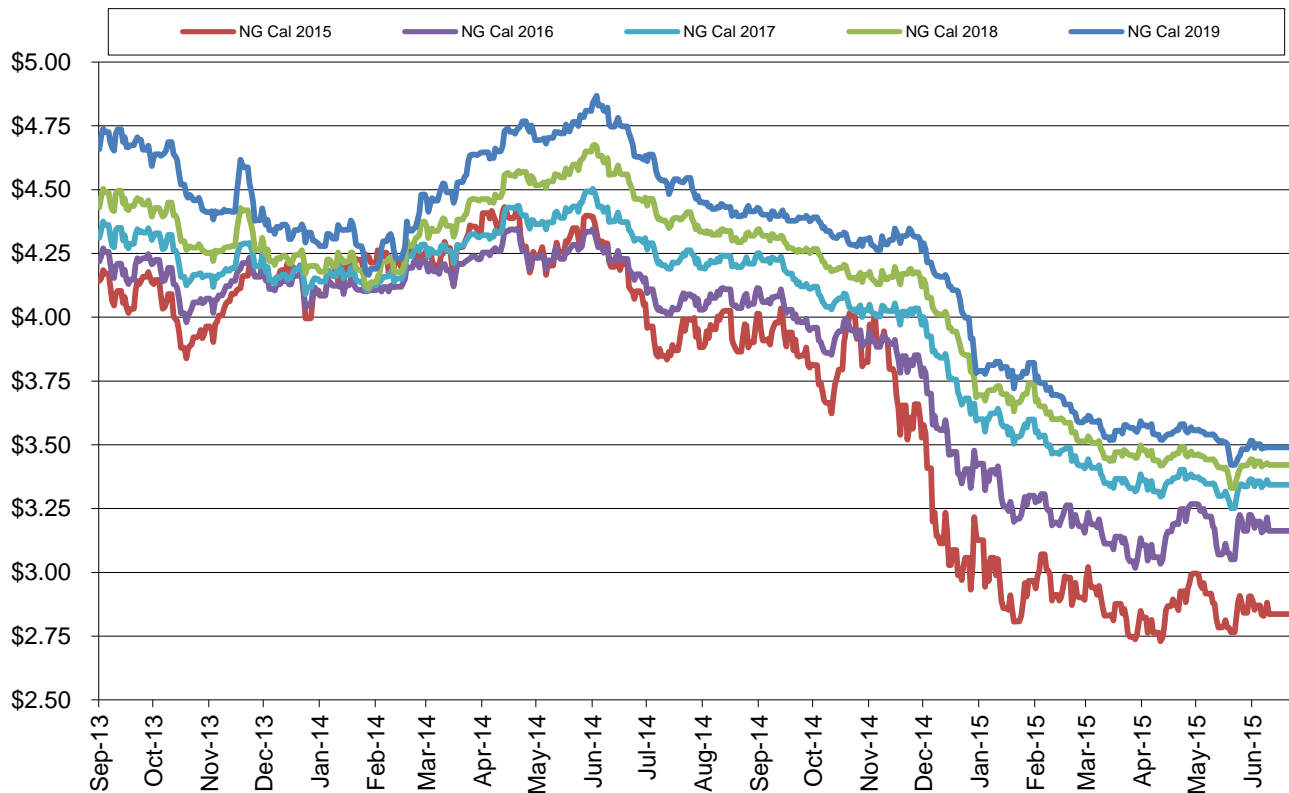
**Other Factors** Nuclear output was again higher in the reference week as seasonal maintenance ended and unplanned issues were resolved. Recent output was above 94,000 MW with only one unit offline.

- With a forecast through July 10, the 2015 total cooling index is rising as temperatures rise. The current index is at 1,483 compared to 1,206 for 2014, 1,777 for 2013, 3,160 for 2012 and 1,916 for 2011.

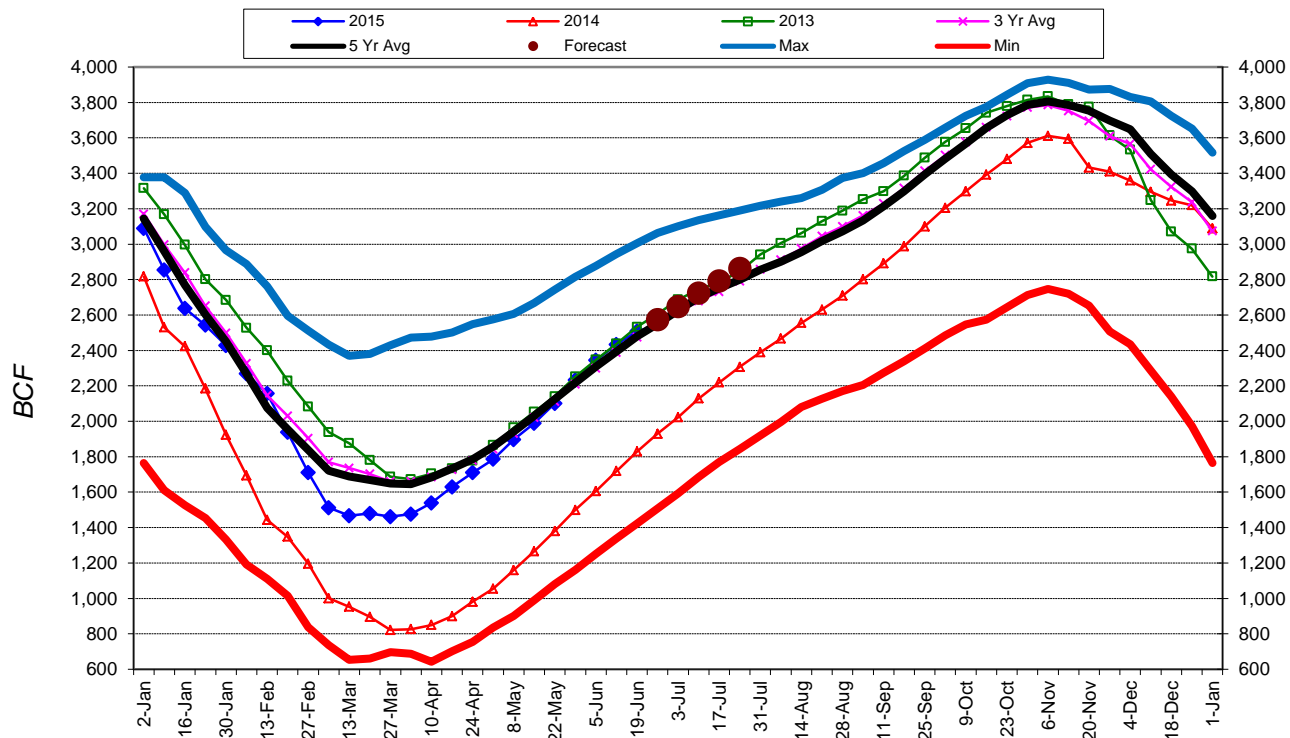
## \$/MMBtu Ratio of NYMEX CL and NG



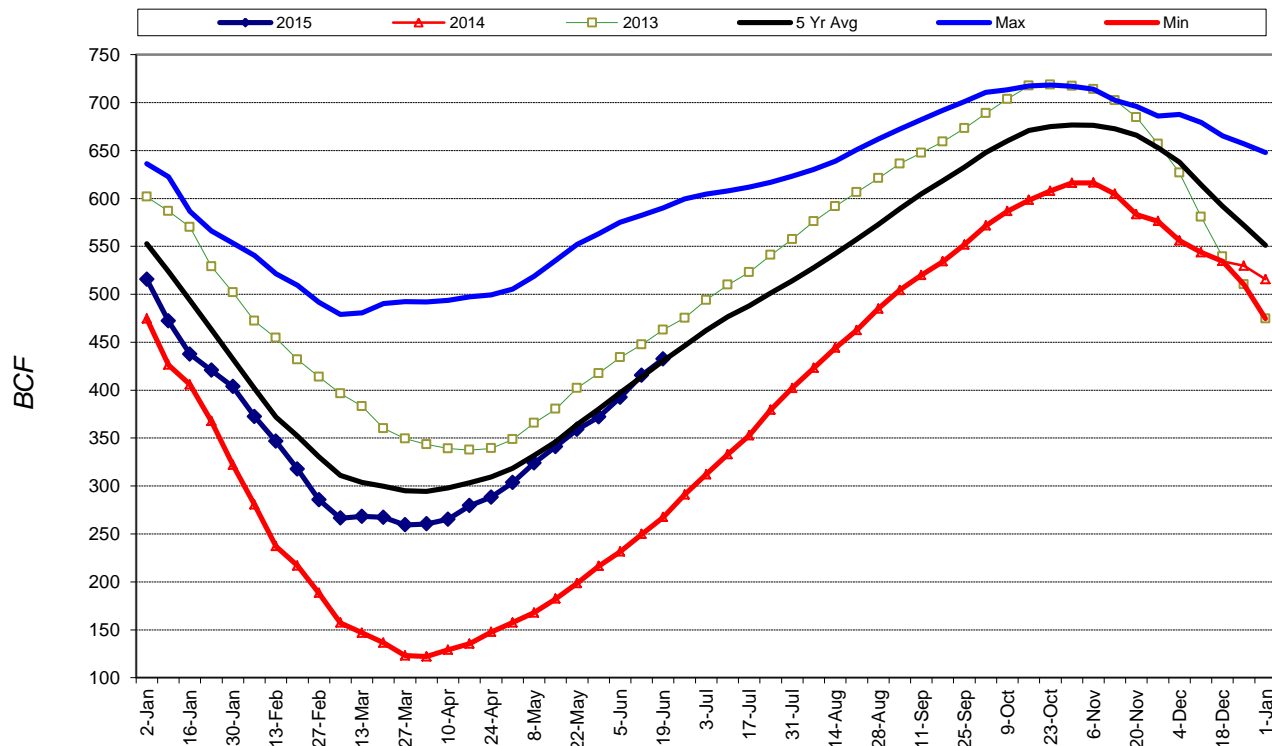
## NYMEX Calendar Strips



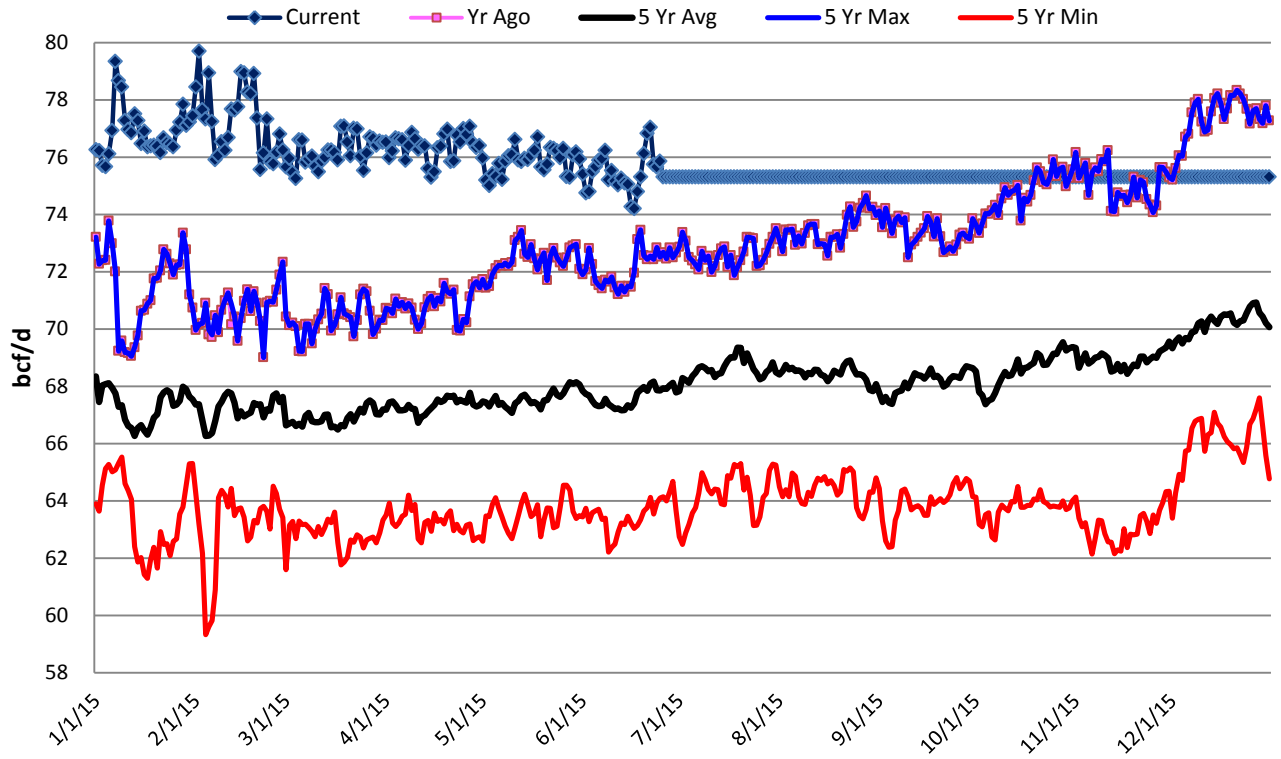
## US Working Gas Storage - Source - EIA



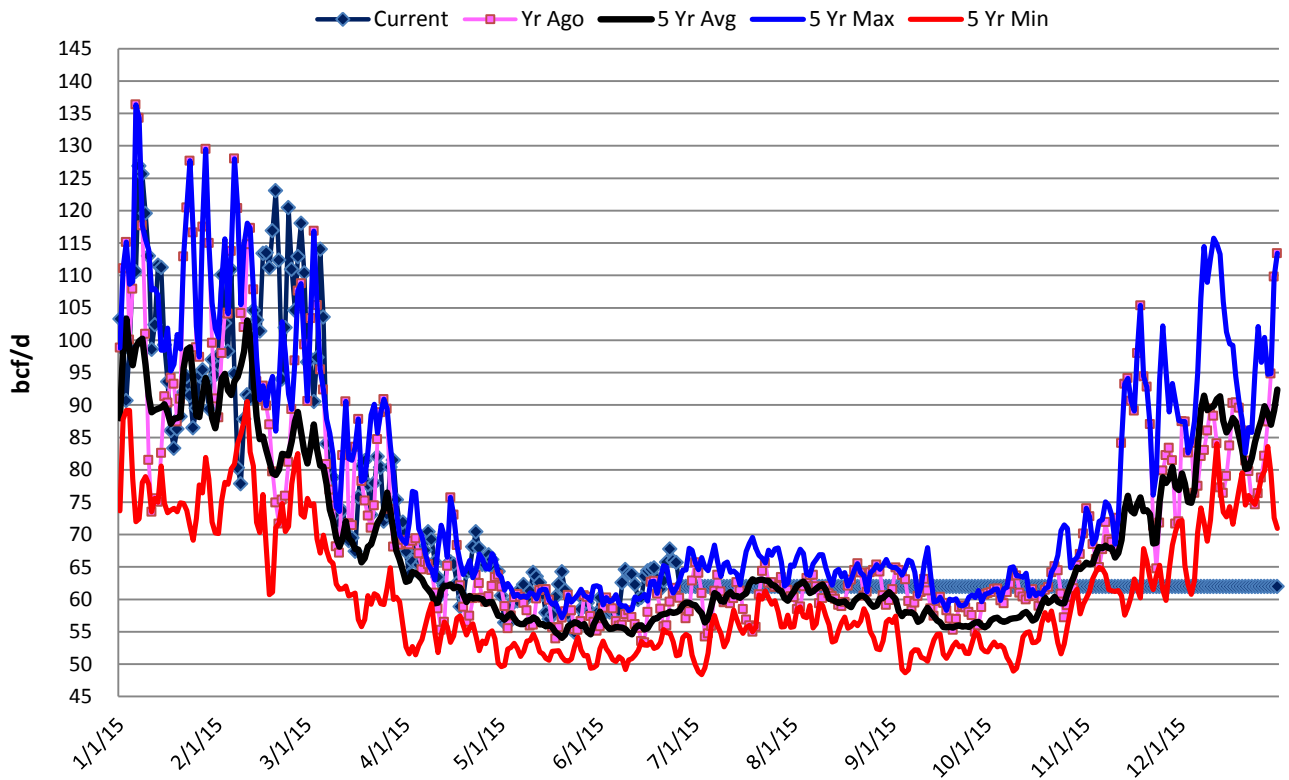
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



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

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