

IAF Advisors  
Energy Market Outlook  
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**Price Action:** The August contract fell 9.4 cents (3.3%) to \$2.776 on a 17.8 cent range.

**Price Outlook:** Natural gas established a new high on Thursday and a new low on Friday that highlights the historical volatility. Despite the upcoming heat, the market seems reluctant to trade higher and with a 15 day forecast that will soon begin to stretch past the middle of August, the path of least resistance appears lower. The combined managed money net short position continued to collapse as longs added to their position and shorts again liquidated. The net short position fell over 31,000 contracts to almost 35,000 contracts. Total delta adjusted open interest rose to 3.453 million as of July 21. Aggregated CME futures open interest fell to 971,000 as of July 24. The market is certainly less vulnerable to short covering rallies after this week's continued liquidation and the price spike at the end of week may have represented some last shorts capitulating.

**Weekly Storage:** US working gas storage for the week ending July 17 indicated an implied flow of 68 bcf with a reclassification of working to base gas of 7 bcf that resulted in a reported net injection of 61 bcf. Thus total working gas inventories rose to 2,828 bcf. Current inventories rise 609 bcf (27.4%) above last year while surpassing the 5 year average by 77 bcf (2.8%).

**Storage Outlook:** This weeks' implied flow was 22 bcf smaller than last year while exceeding the 5 year average by 14 bcf. However, the heat forecast for the next few weeks is projected to lower injections significantly and the storage surplus could fall to roughly 500 bcf by late August.

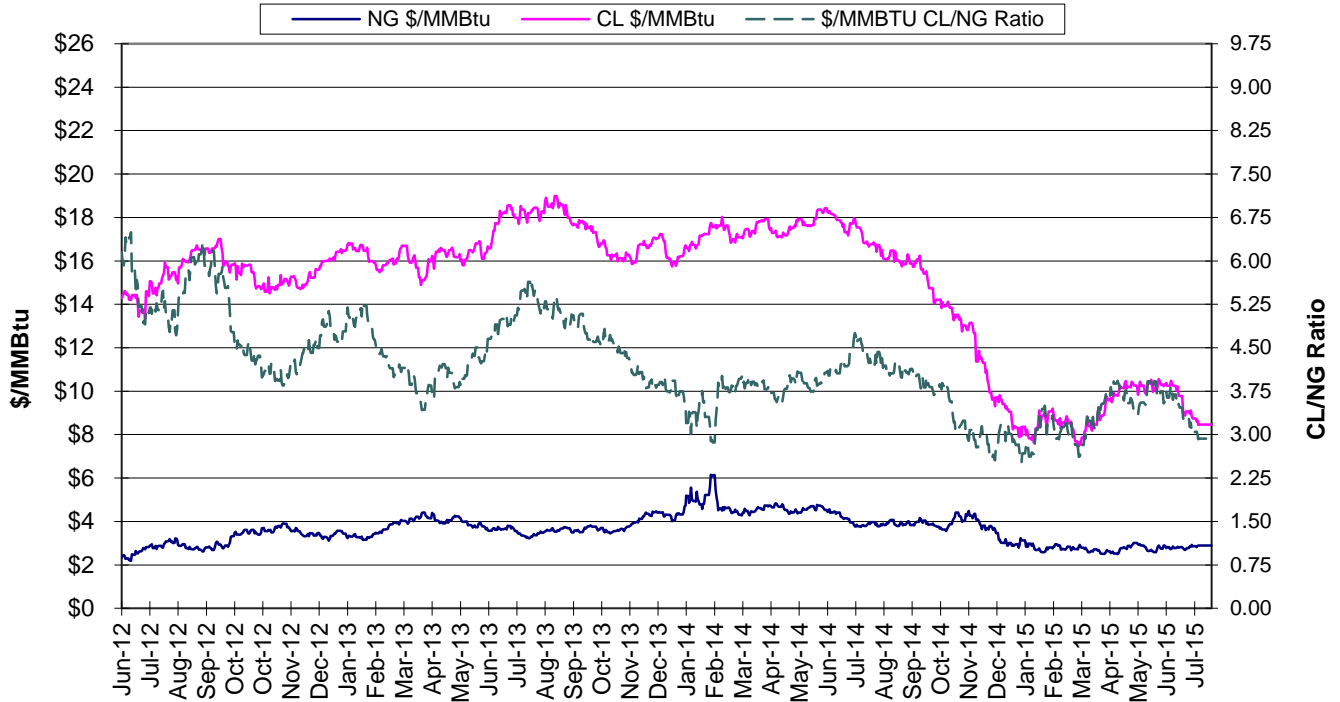
**Supply Trends:** Total supply fell 0.2 bcf/d to 75.2 bcf/d. US production and Canadian imports fell with Mexican exports and LNG imports flat. The US Baker Hughes rig count rose 19 with oil activity higher while natural gas fell. The total US rig count now stands at 876. The Canadian rig count rose 8 and now stands at 200. Thus, the total North American rig count rose 27 to 1,076 and now trails last year by 1,202. This is a decrease in the yearly deficit compared to last week. The higher efficiency US horizontal rig count rose 12 to 662 and falls 631 below last year. The first E&P company reports are being released and one item of note was a recent Utica well with an initial production rate of nearly 73 mmcf/d with a per lateral foot rate nearly double the previous record. This continues to highlight the increasing well efficiency.

**Demand Trends:** Total demand rose 4.0 bcf/d to 65.5 bcf/d. R&C was flat with all other sectors higher. Electricity demand rose 2,957 gigawatt-hrs to 88,003 which exceeds last year by 5,389 (6.5%) while trailing the 5 year average by 2,512 (2.8%).

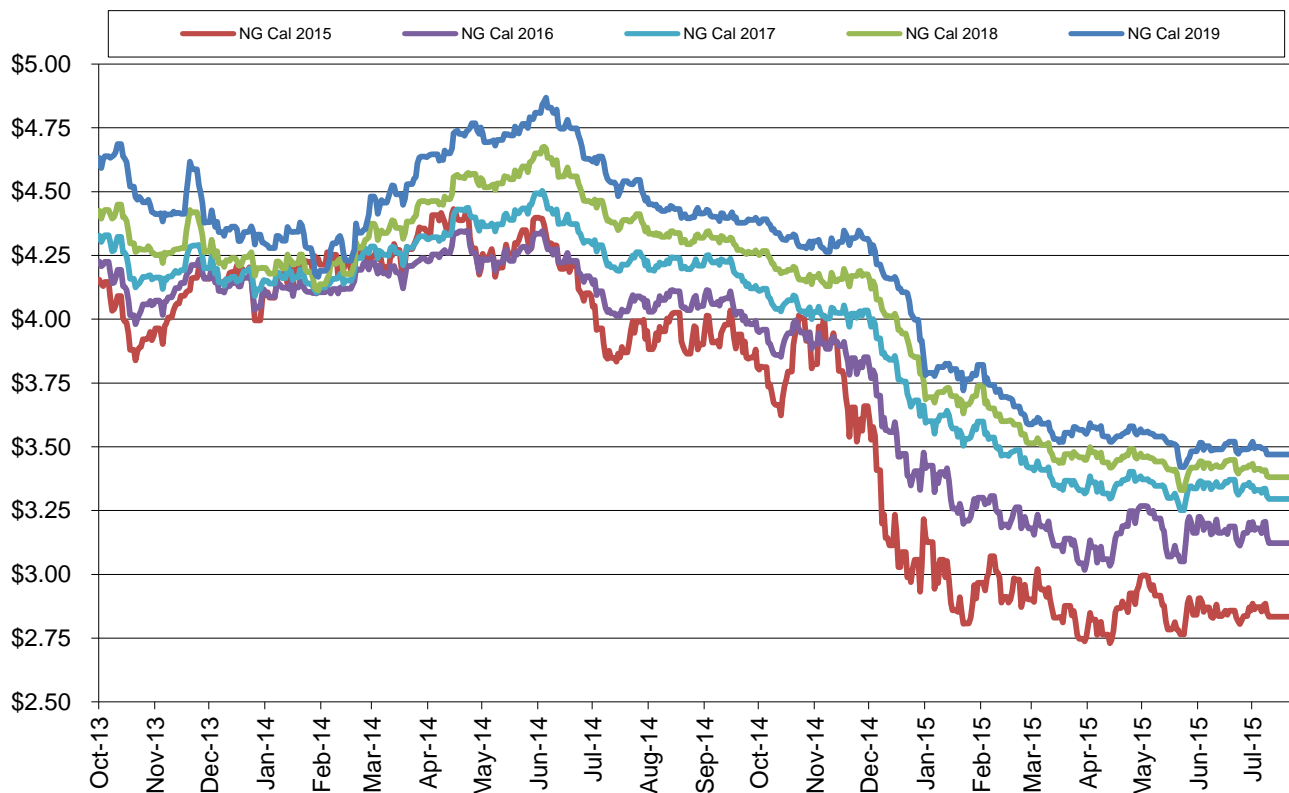
**Other Factors** Nuclear output was lower as unplanned issues left recent output near 94,000 MW.

- With a forecast through August 7, the 2015 total cooling index is rising as temperatures increase. The current index is at 2,549 compared to 2,218 for 2014, 3,160 for 2013, 5,602 for 2012 and 4,311 for 2011.

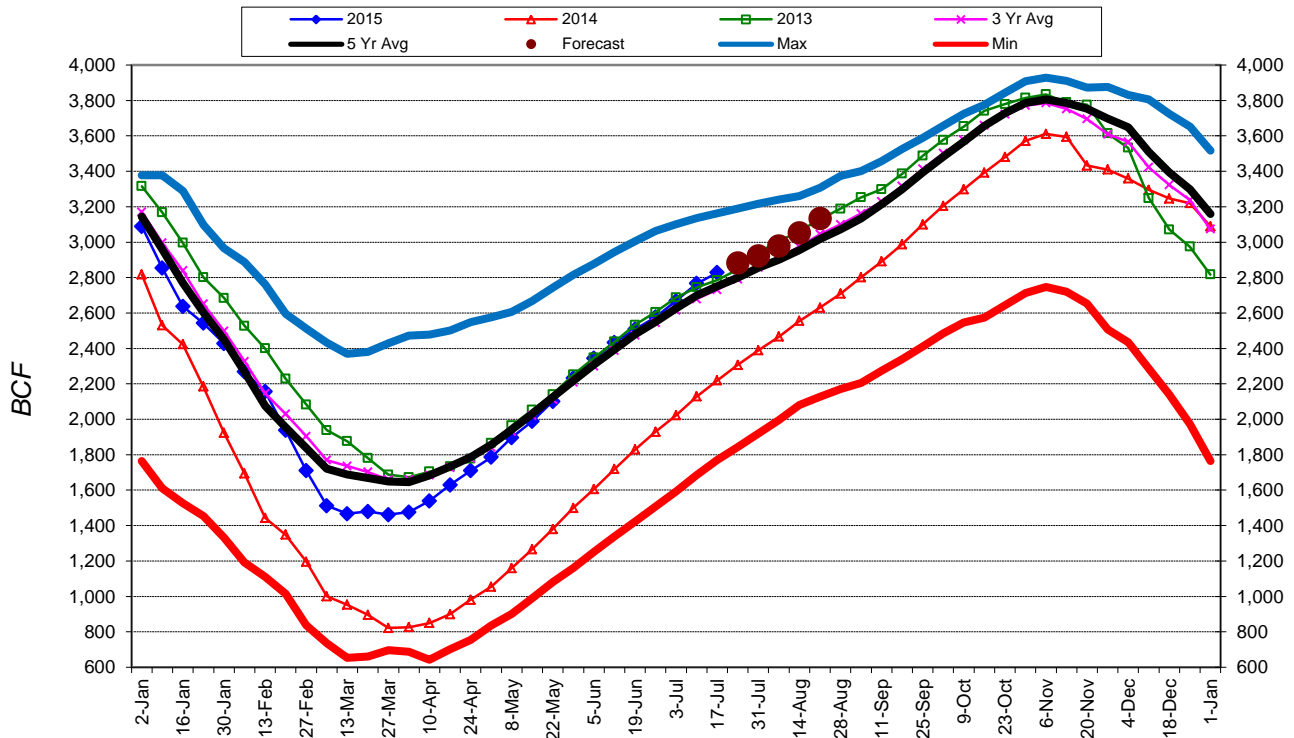
## \$/MMBtu Ratio of NYMEX CL and NG



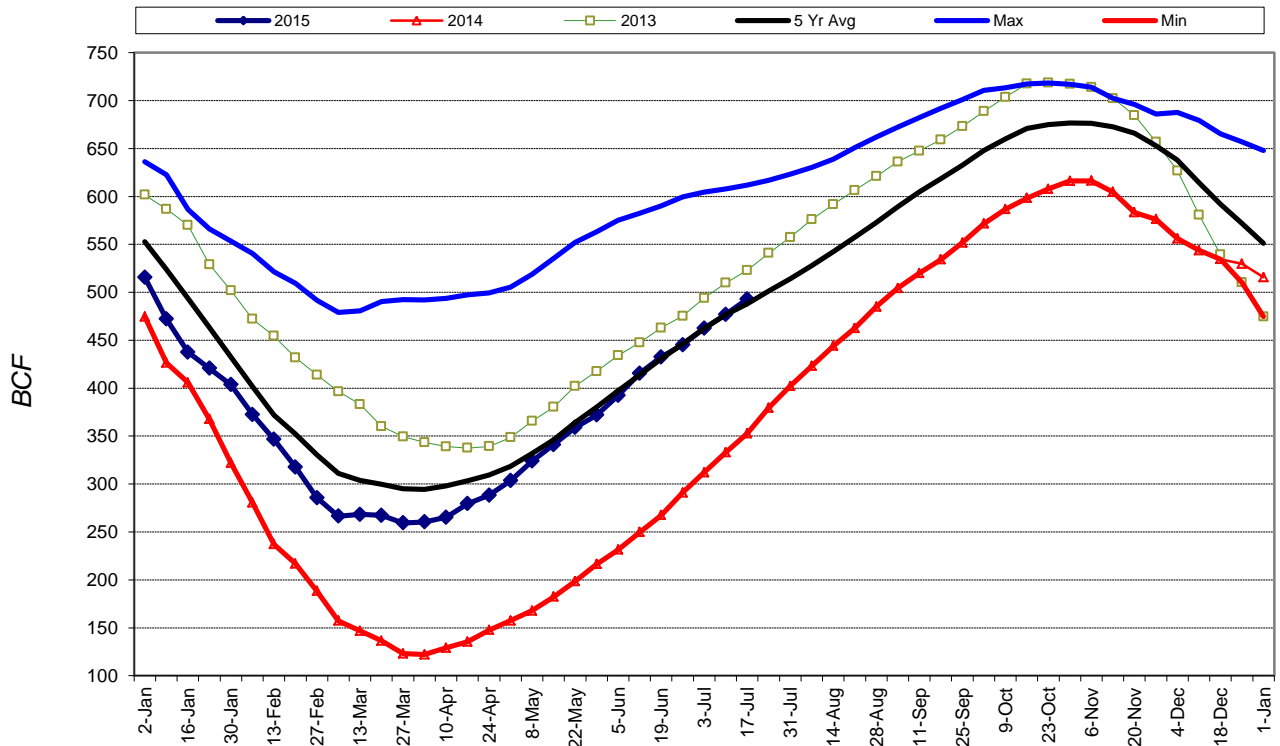
## NYMEX Calendar Strips



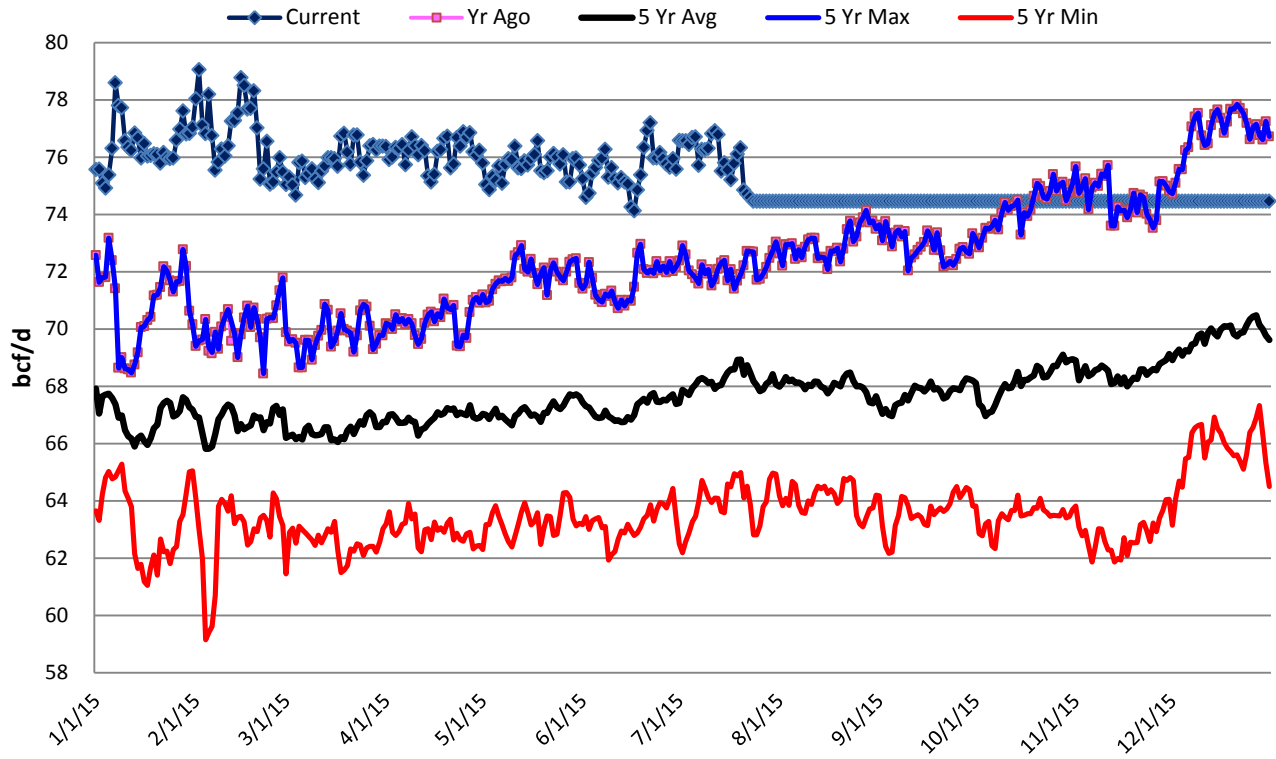
## US Working Gas Storage - Source - EIA



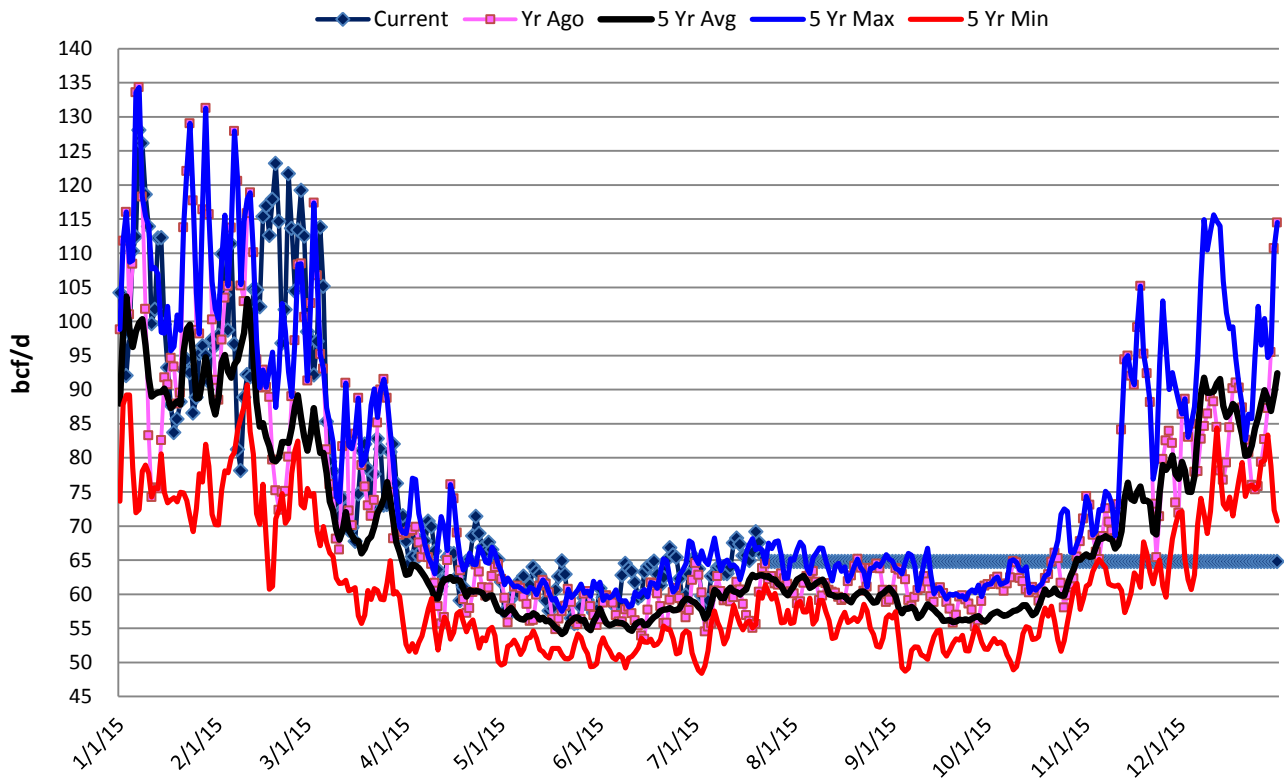
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



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

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