

IAF Advisors
Energy Market Outlook
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Price Action: The September contract rose 8.2 cents (3.0%) to \$2.798 on a 15.6 cent range.

Price Outlook: Natural gas defied expectations and despite an already small weekly range, failed to post either a new high or low and instead posted a very rare inside week. The market remains range bound with this week's range of 15.6 roughly half the average weekly range since 2000. Six of the last 7 weeks have had ranges of less than 20 cents. The narrow price range continued to suggest the possibility of establishing both a new high and low in coming weeks even though price action remains muted. Natural gas has not moved in the same direction for more than 2 weeks since May. While the net money managed short position was little changed, the CME net short position increased substantially while the ICE and CME swaps net long position increased at nearly the same pace. This suggests either exchange offsets or more likely an increase in time spreads. Total delta adjusted open interest fell to 3.330 million as of August 4 due to liquidation by the commercial sector. Aggregated CME futures open interest rose to 972,000 as of August 7. The market has room to buy or sell depending on the influencing factor.

Weekly Storage: US working gas storage for the week ending July 31 indicated a net injection of 32 bcf. Thus total working gas inventories rose to 2,912 bcf. Current inventories rise 523 bcf (21.9%) above last year while surpassing the 5 year average by 57 bcf (2.0%).

Storage Outlook: This weeks' storage change of 32 bcf extended the contraction in the yearly storage surplus to the 8th consecutive week. Due to both a slightly tighter apparent supply/demand and bullish weather forecasts, inventories are now expected to peak just below 4,000 bcf in early November. The remains highly temperature dependent.

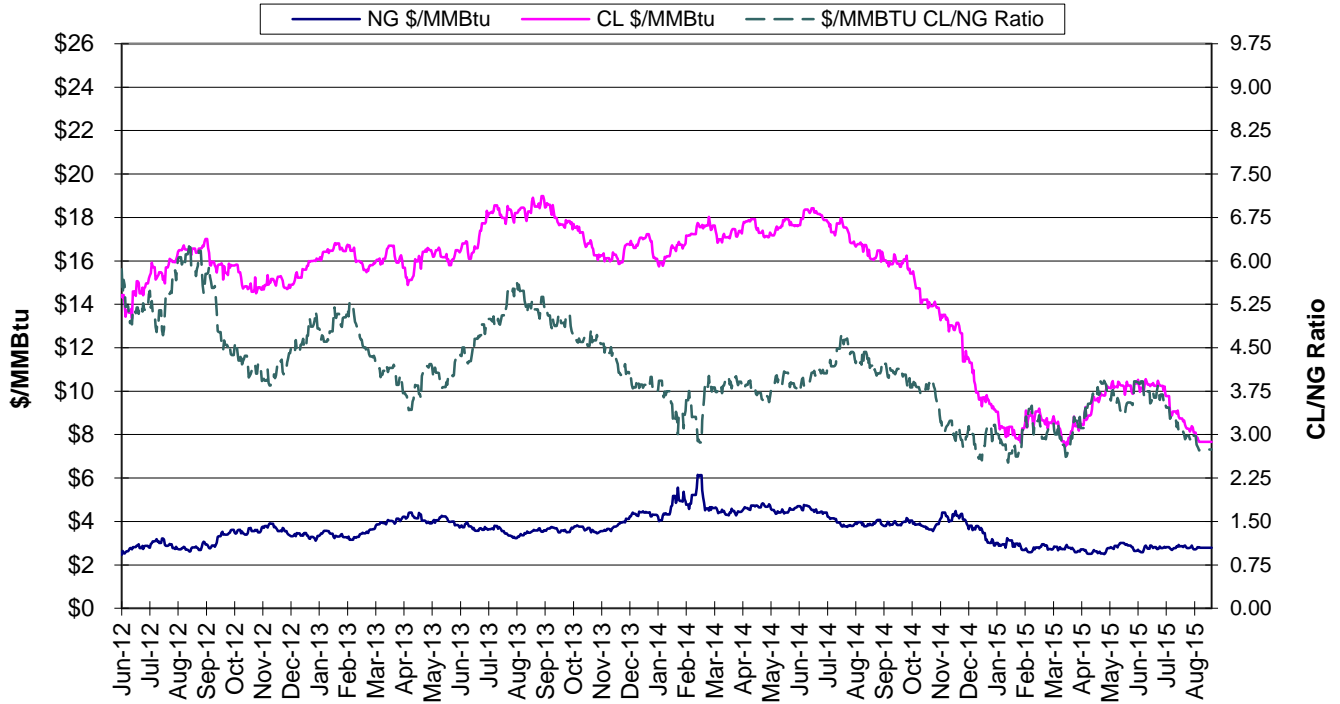
Supply Trends: Total supply rose 0.7 bcf/d to 75.3 bcf/d. US production and Canadian imports rose while Mexican exports fell. LNG imports were flat. The US Baker Hughes rig count rose 10 with both oil and natural gas activity higher. The total US rig count now stands at 884. The Canadian rig count fell 7 and now stands at 208. Thus, the total North American rig count rose 3 to 1,092 and now trails last year by 1,203. This is an increase in the yearly deficit compared to last week. The higher efficiency US horizontal rig count rose 8 to 672 and falls 645 below last year.

Demand Trends: Total demand rose 1.7 bcf/d to 68.0 bcf/d. Most sectors were higher with industrial flat. Electricity demand rose 2,498 gigawatt-hrs to 93,085 which exceeds last year by 8,886 (10.6%) and the 5 year average by 2,833 (3.1%).

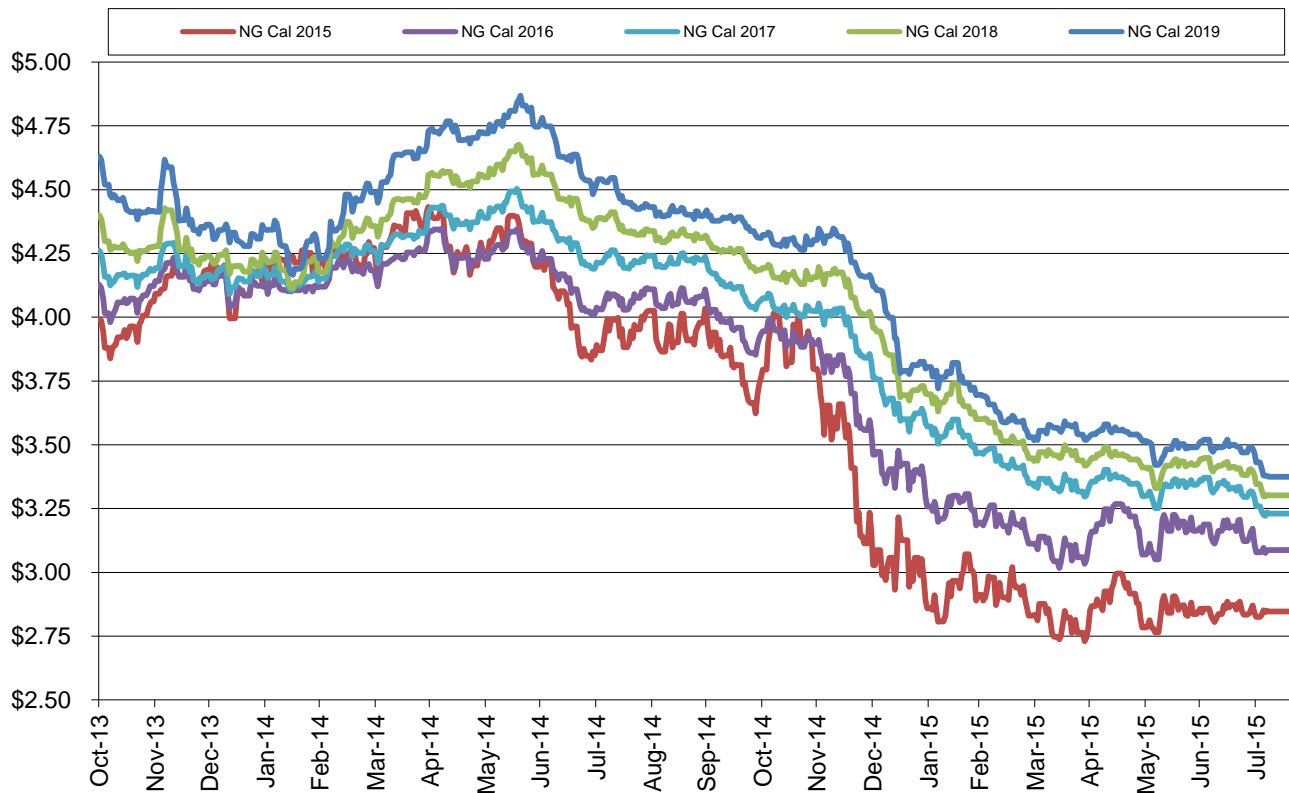
Other Factors Nuclear output was lower in the reference week and trails both last year and the 5 year average. Recent output peaked at over 97,000 MW before slipping back to near 94,000 MW.

- With a forecast through August 21, the 2015 total cooling index is continuing to increase as expected. The current index is at 3,344 compared to 2,582 for 2014, 3,744 for 2013, 6,381 for 2012 and 5,113 for 2011.

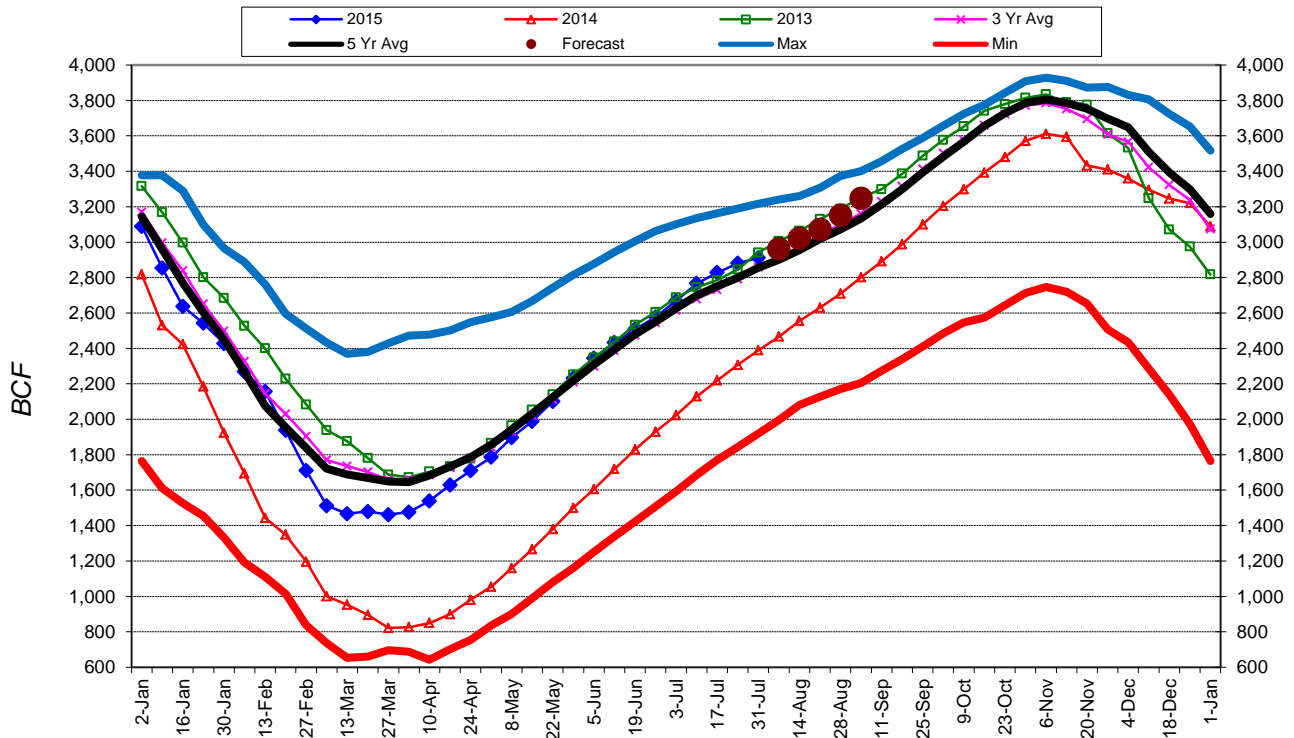
\$/MMBtu Ratio of NYMEX CL and NG



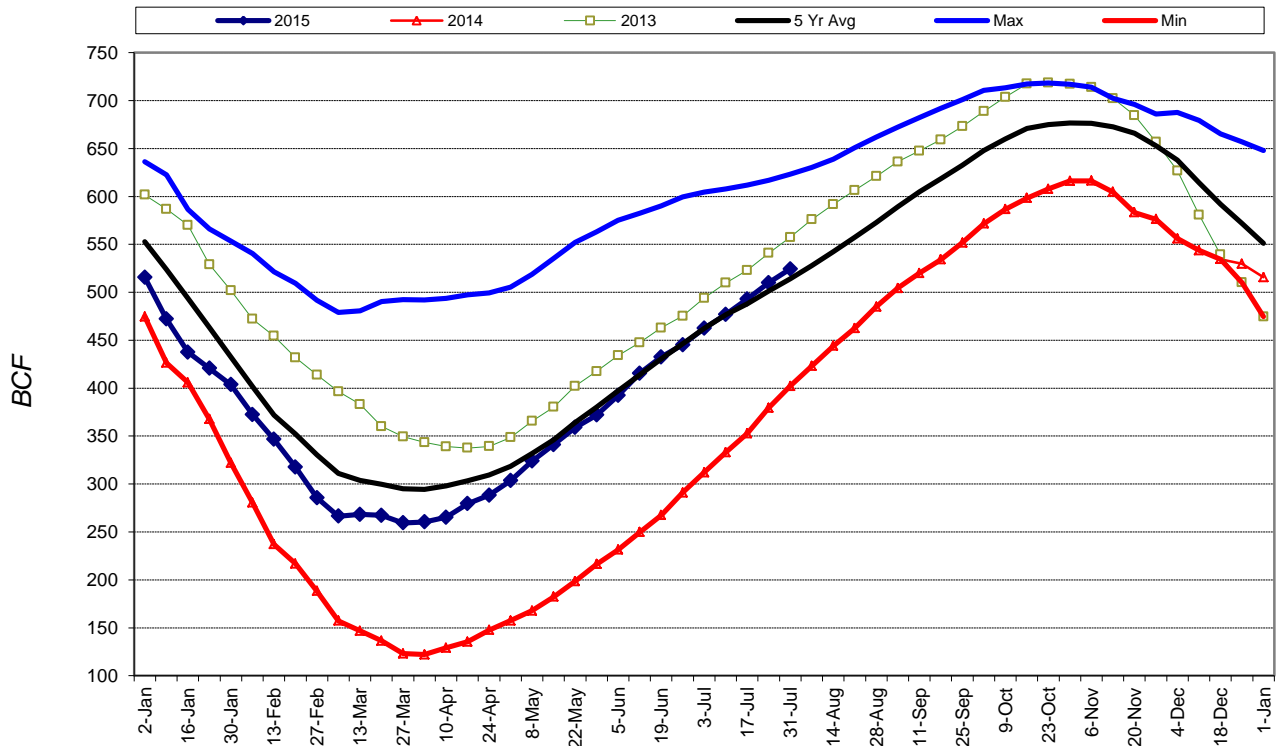
NYMEX Calendar Strips



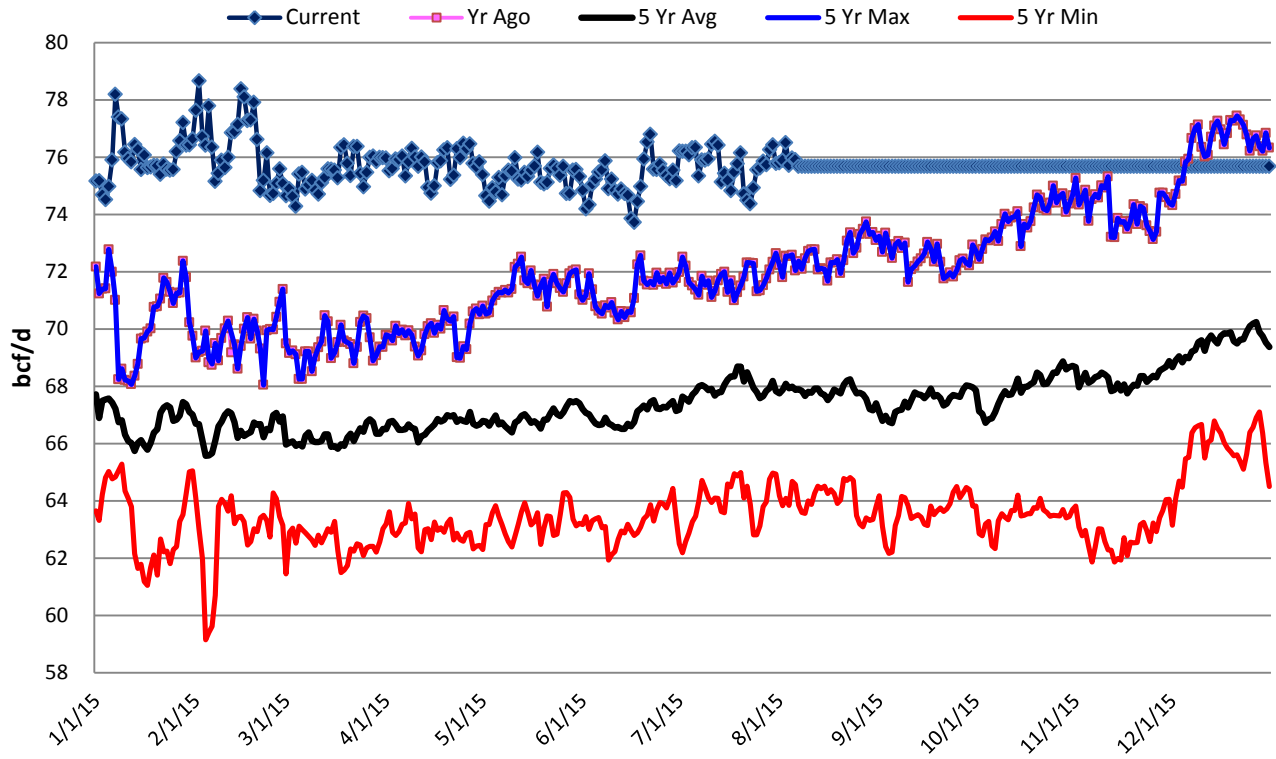
US Working Gas Storage - Source - EIA



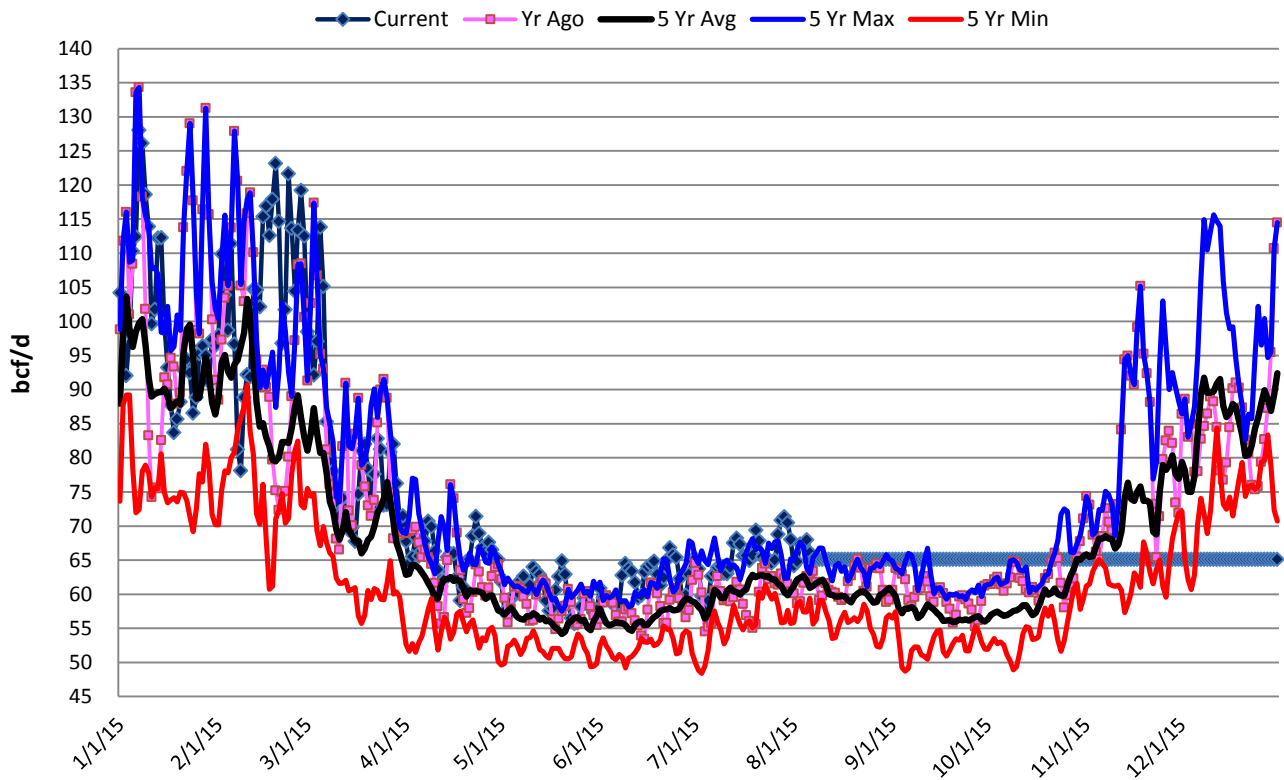
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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