

IAF Advisors
Energy Market Outlook
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Price Action: The September contract rose 0.3 cents (0.1%) to \$2.801 on a 15.3 cent range.

Price Outlook: Despite a contracting range, natural gas established a new high before ending nearly unchanged. Even though the narrow price range continues to suggest the possibility of establishing both a new high and low in coming weeks, price action remains muted. Natural gas has not moved in the same direction for more than 2 weeks since May. The net money managed short position indicated a slight contraction to the smallest net short position since May 19. Total delta adjusted open interest rose to 3.352 million as of August 11. Aggregated CME futures open interest fell to 958,000 as of August 14, which is the lowest level of open interest since March 24.

Weekly Storage: US working gas storage for the week ending August 7 indicated a net injection of 65 bcf. Thus total working gas inventories rose to 2,977 bcf. Current inventories rise 510 bcf (20.7%) above last year while surpassing the 5 year average by 77 bcf (2.0%).

Storage Outlook: This week's storage change of 65 bcf extended the contraction in the yearly storage surplus to the 9th consecutive week while also adding to the surplus to the 5 year average. This week suggests last week under-reported storage injections and this week "corrected" that miss as the two week average seems much reasonable.

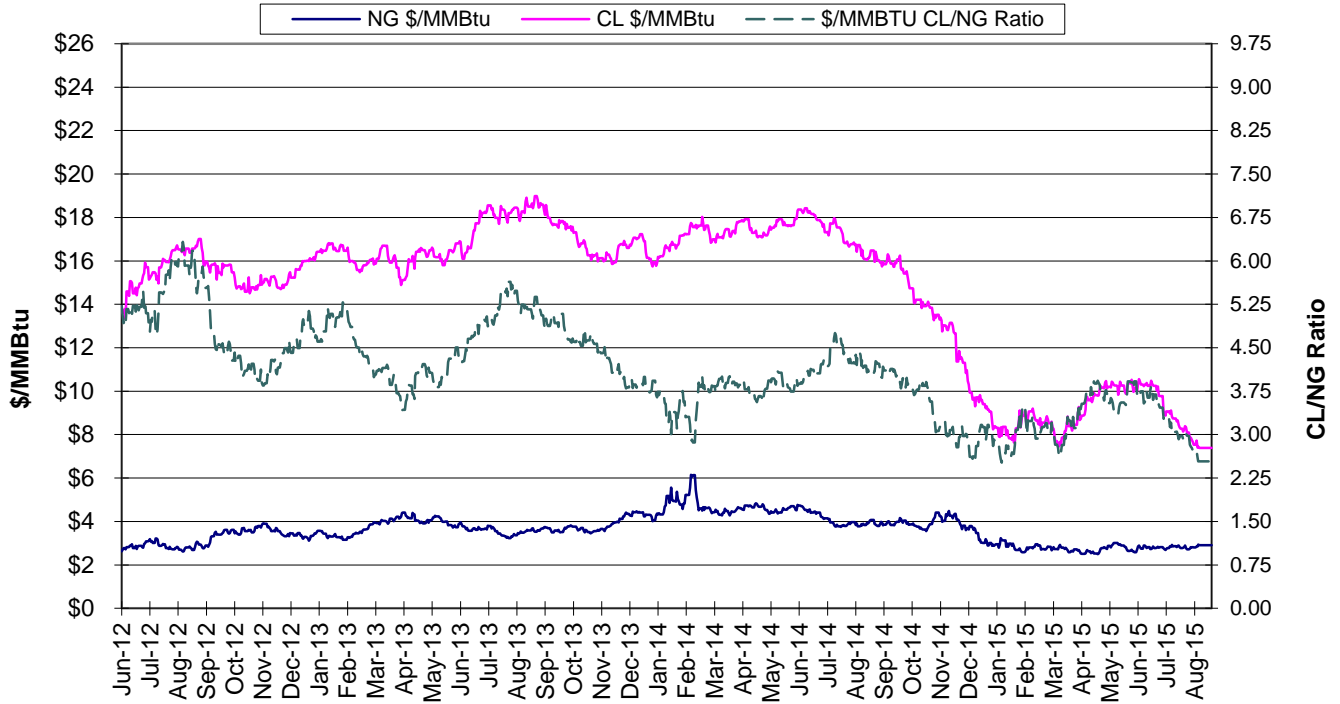
Supply Trends: Total supply rose 0.1 bcf/d to 75.4 bcf/d. US production and LNG imports were flat. Canadian imports and Mexican exports fell. The US Baker Hughes rig count was unchanged with oil activity higher and natural gas activity lower. The total US rig count now stands at 884. The Canadian rig count rose 3 and now stands at 211. Thus, the total North American rig count rose 3 to 1,095 and now trails last year by 1,219. This is an increase in the yearly deficit compared to last week. This is the largest yearly deficit since September 11, 2009 when the yearly deficit stood at 1,259. The higher efficiency US horizontal rig count rose 4 to 676 and falls 653 below last year. The EIA monthly drilling productivity report indicated another drop in shale production. However, after two very large downward revisions to prior months in previous reports, this report actually increased last months initial estimate.

Demand Trends: Total demand fell 1.5 bcf/d to 66.5 bcf/d. Most sectors were lower with industrial higher. Electricity demand fell 4,374 gigawatt-hrs to 88,711 which exceeds last year by 3,221 (3.8%) while trailing the 5 year average by 1,863 (2.1%).

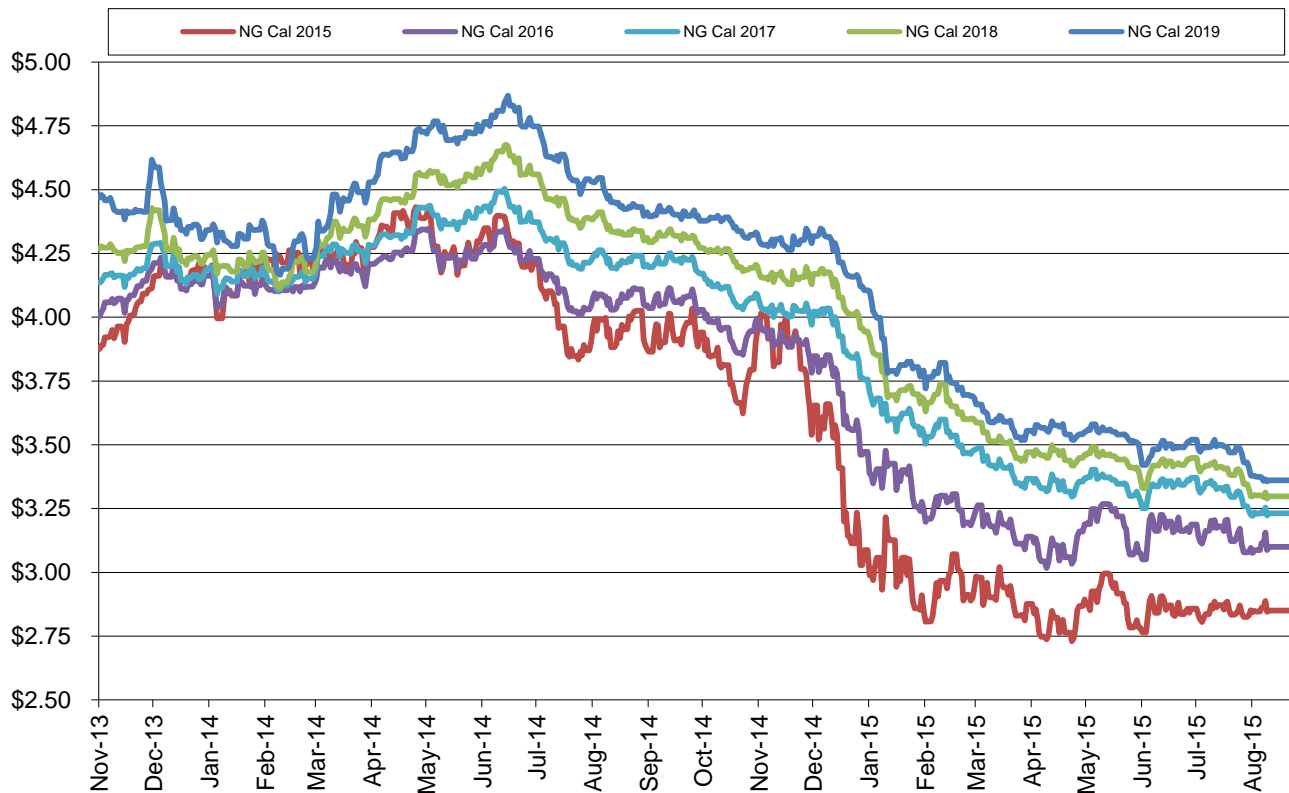
Other Factors Nuclear generation soared 3,061 MW in the reference week to 96,653 MW. This is 1,805 MW higher than last year and 1,296 MW higher than the 5 year average. After peaking at over 97,000 MW with all units operating, unplanned issues dropped output back to just over 94,000 MW.

- With a forecast through August 28, the 2015 total cooling index is continuing to increase as expected. The current index is at 3,548 compared to 2,840 for 2014, 3,997 for 2013, 6,598 for 2012 and 5,733 for 2011.

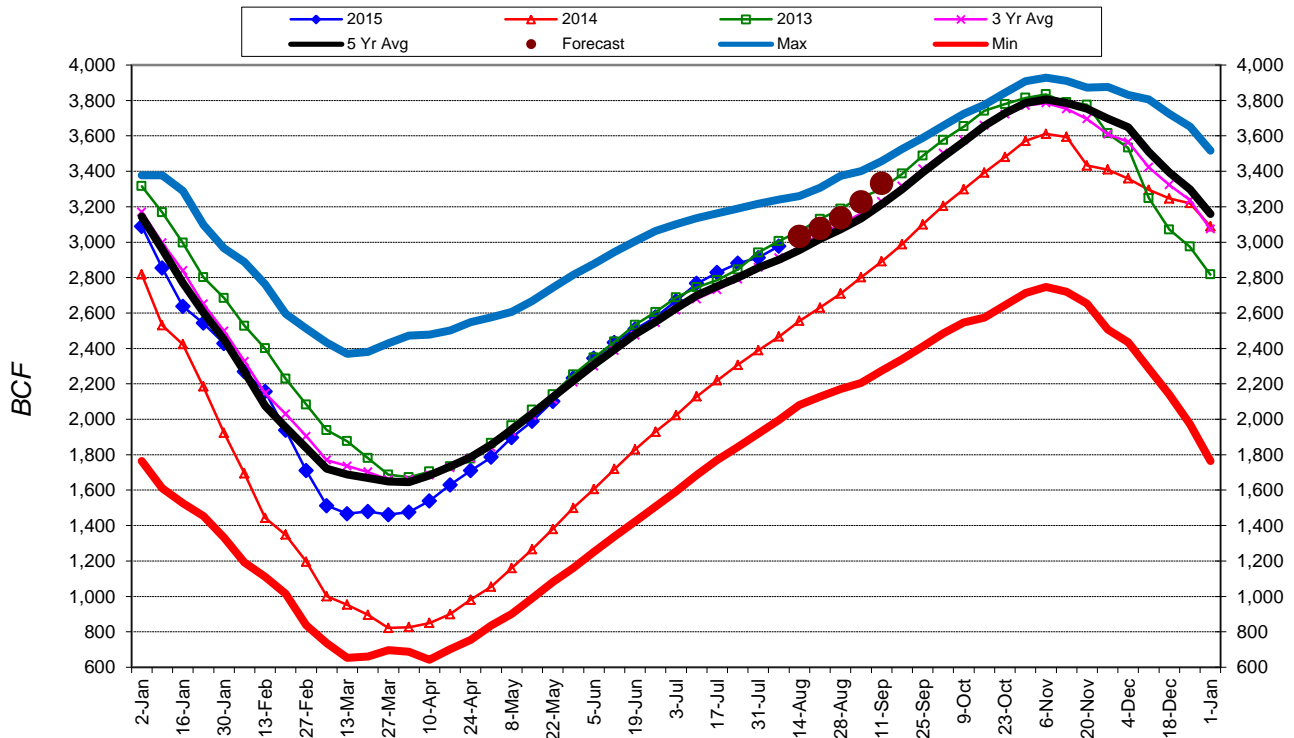
\$/MMBtu Ratio of NYMEX CL and NG



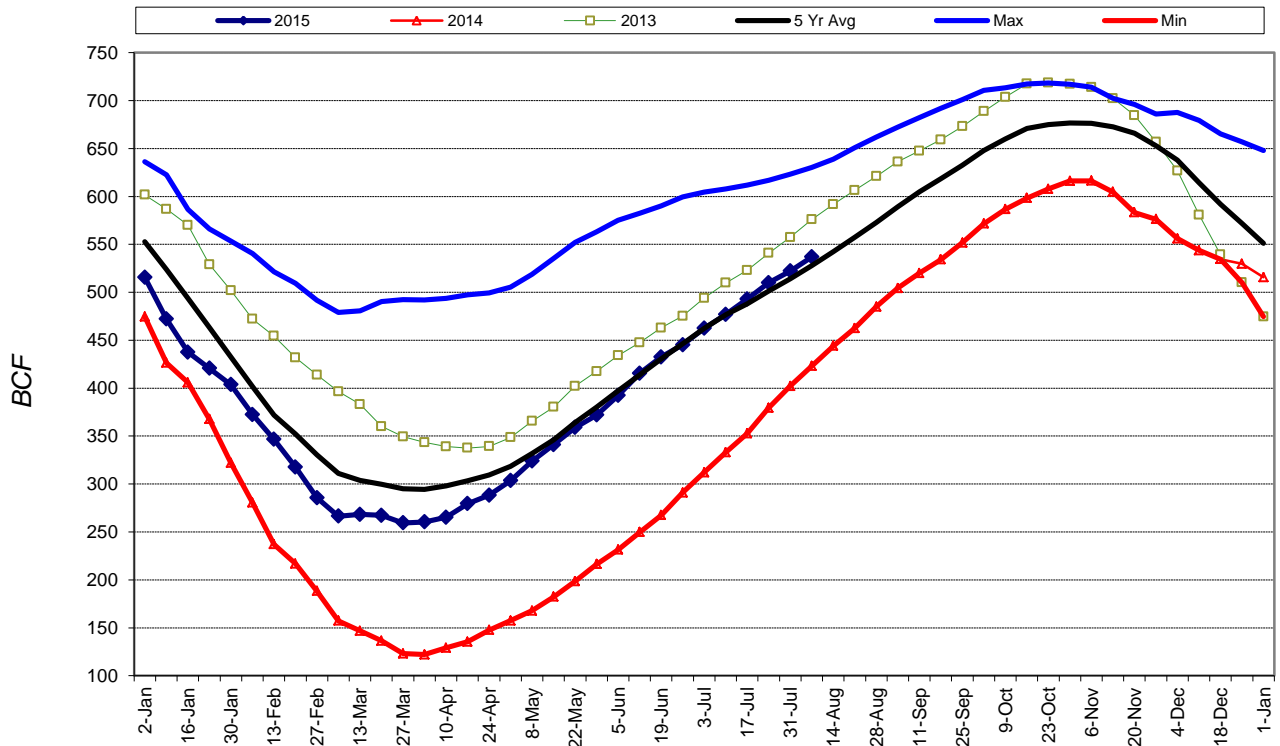
NYMEX Calendar Strips



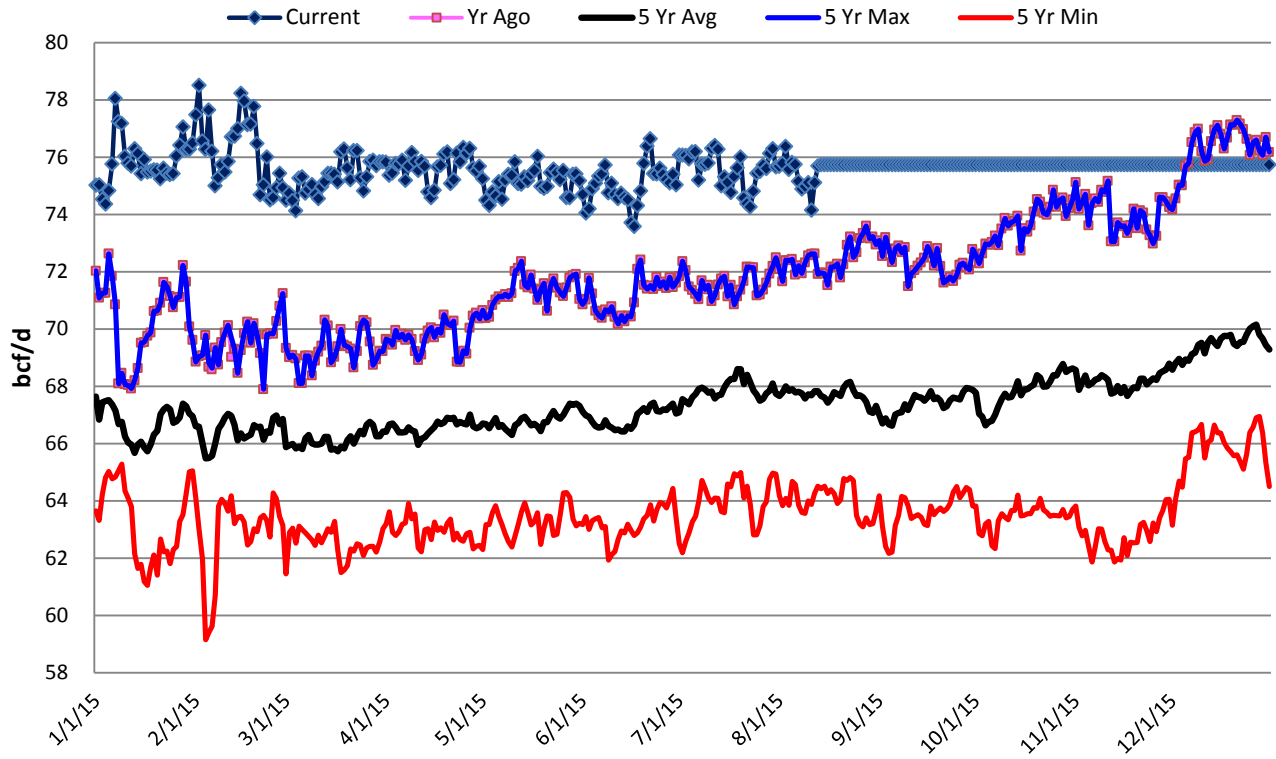
US Working Gas Storage - Source - EIA



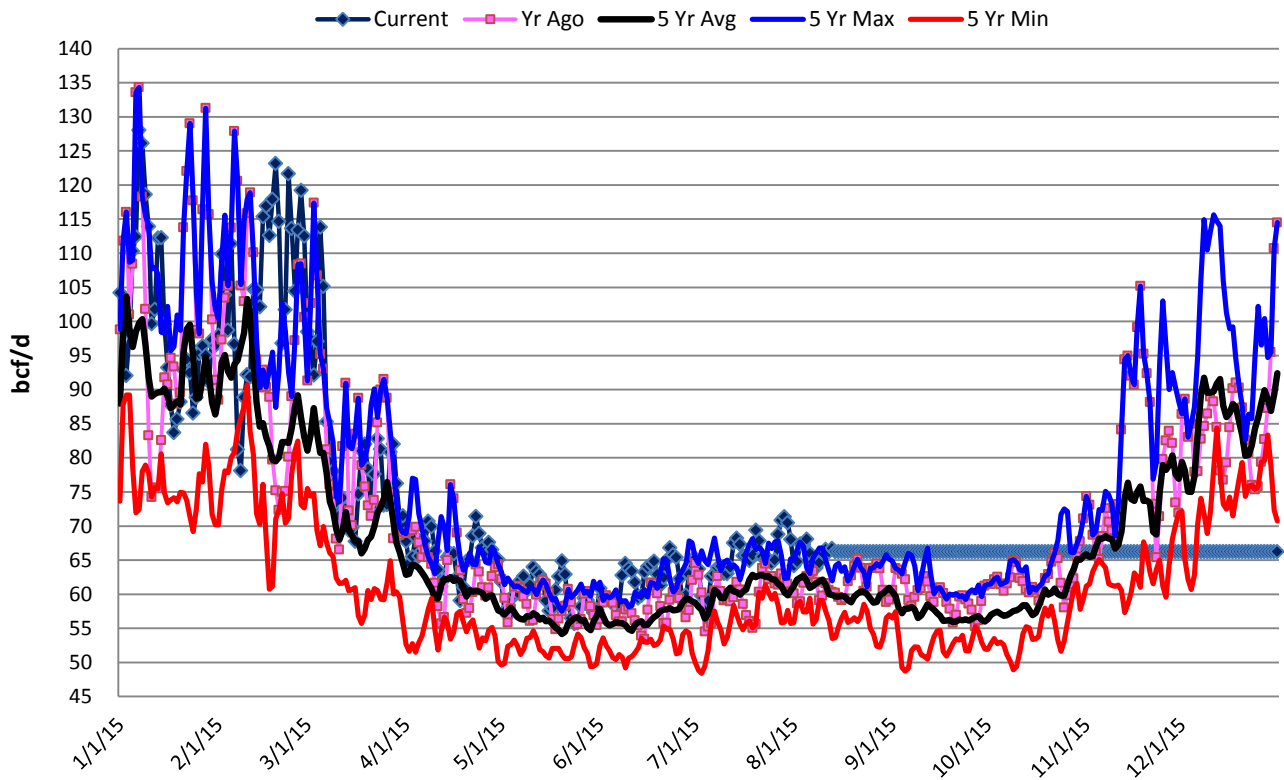
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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