

IAF Advisors
Energy Market Outlook
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August 14, 2015

Price Action: The September contract fell 12.5 cents (4.5%) to \$2.676 on an 11.8 cent range.

Price Outlook: The weekly price ranges remain incredibly small as a new low was established. The even tighter price range continues to suggest the possibility of establishing both a new high and low in coming weeks. However, price action remains muted with the market not moving in the same direction for more than 2 weeks since the end of May. As the summer comes to a close and temperatures moderate, the path of least resistance certainly seems lower. The net money managed short position surged to over 68,000 and is the largest since July 7. Total delta adjusted open interest rose to 3.414 million as of August 18. Aggregated CME futures open interest rose to 963,000 as of August 21.

Weekly Storage: US working gas storage for the week ending August 14 indicated a net injection of 53 bcf. Thus total working gas inventories rose to 3,030 bcf. Current inventories rise 475 bcf (18.6%) above last year while surpassing the 5 year average by 77 bcf (2.6%).

Storage Outlook: This week's storage change of 53 bcf extended the contraction in the yearly storage surplus to the 10th consecutive week with 12 of the last 14 weeks witnessing smaller year-on-year injections. This was also slightly above the 5 year average change. Inventories are expected to peak just below 4,000 bcf in early November.

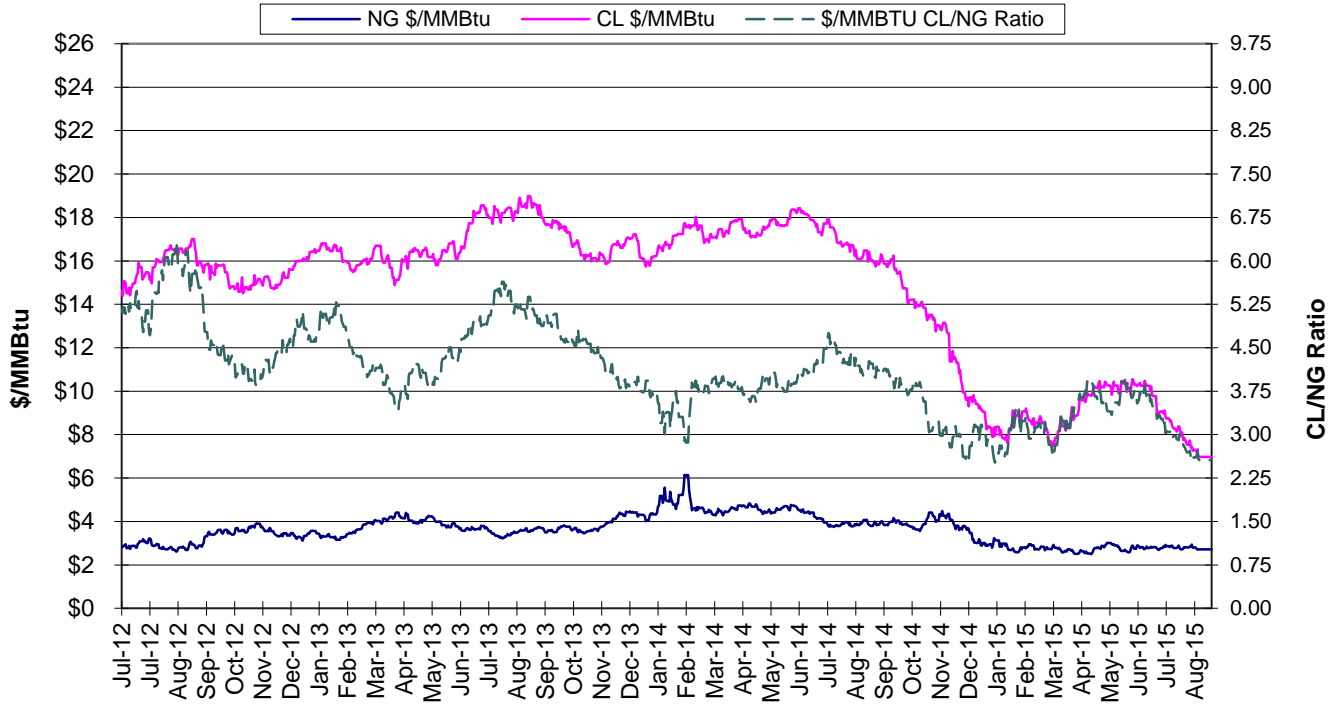
Supply Trends: Total supply fell 0.8 bcf/d to 74.0 bcf/d. US production and Canadian imports were lower. LNG imports were flat while Mexican exports fell. The US Baker Hughes rig count rose 1 as oil activity was higher with natural gas unchanged. The total US rig count now stands at 885. The Canadian rig count fell 3 and now stands at 208. Thus, the total North American rig count fell 2 to 1,093 and now trails last year by 1,208. This is a decrease in the yearly deficit compared to last week. The higher efficiency US horizontal rig count rose 1 to 677 and falls 644 below last year. The extremely depressed forward prices do not offer compelling economic opportunities for E&P companies and production growth is not expected to resume at current price levels. This presents a conundrum in 2017 and beyond with numerous projects, mainly LNG export facilities, projected to increase demand significantly.

Demand Trends: Total demand fell 1.0 bcf/d to 65.5 bcf/d. Most sectors were lower with industrial higher. Electricity demand fell 667 gigawatt-hrs to 88,044 which exceeds last year by 4,819 (5.8%) and the 5 year average by 510 (0.6%).

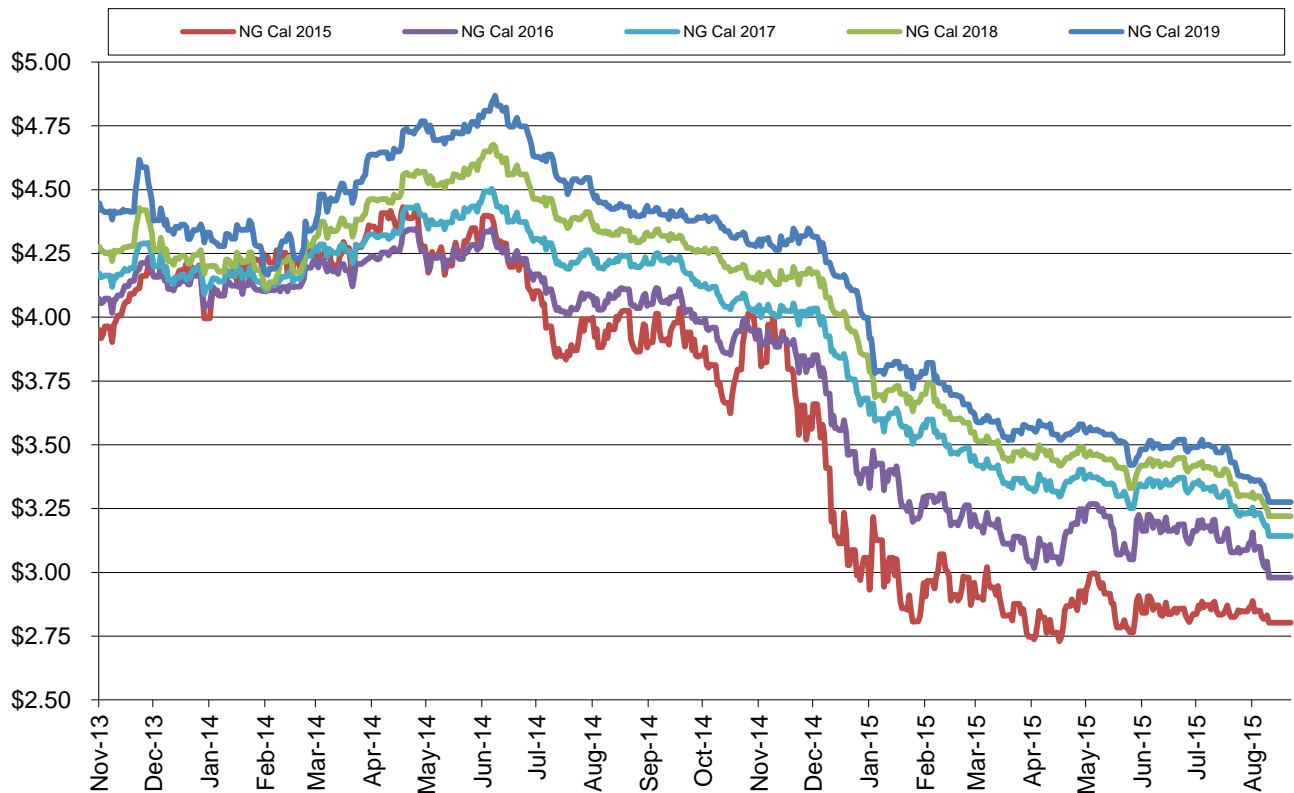
Other Factors Nuclear generation plummeted 3,171 MW in the reference week to 93,482 MW. This is 2,169 MW lower than last year and 1,743 MW lower than the 5 year average. Unplanned issues have largely been resolved with recent output back up over 97,000 MW.

- With a forecast through September 4, the 2015 total cooling index is continuing to increase as expected. The current index is at 3,681 compared to 3,107 for 2014, 4,334 for 2013, 6,922 for 2012 and 6,283 for 2011.

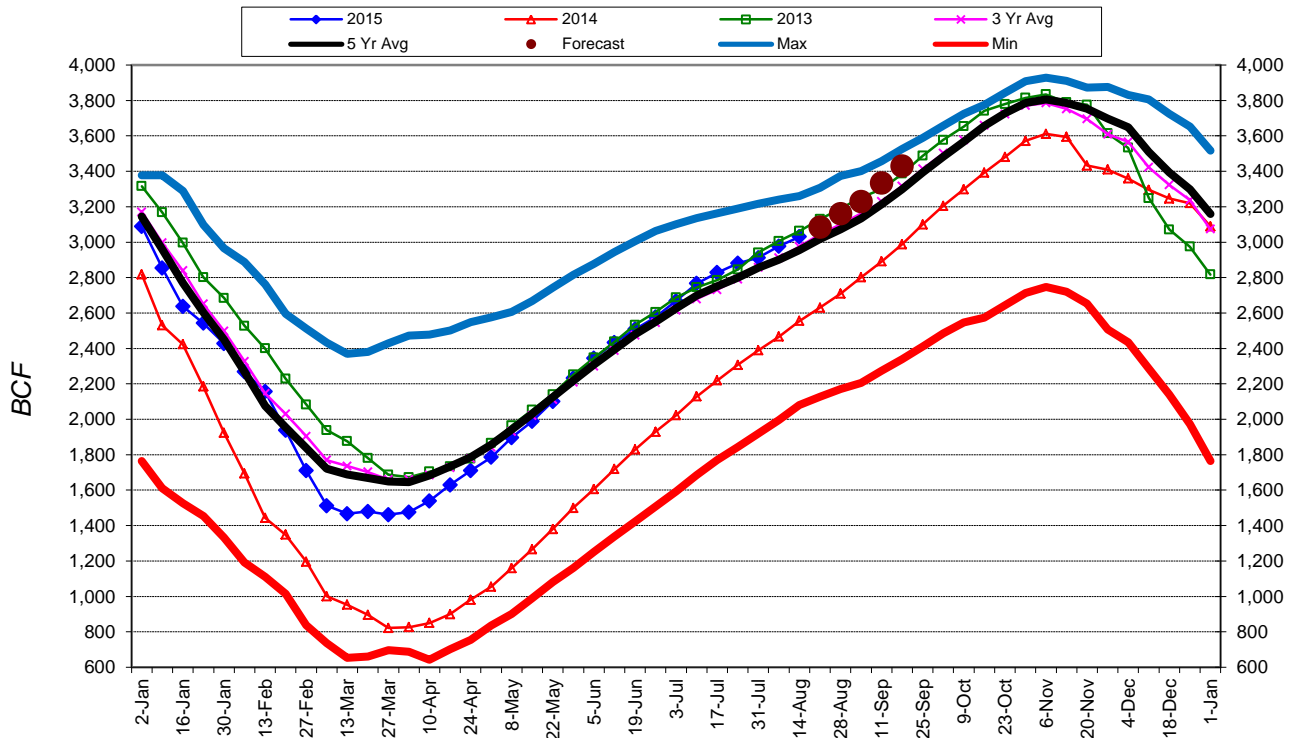
\$/MMBtu Ratio of NYMEX CL and NG



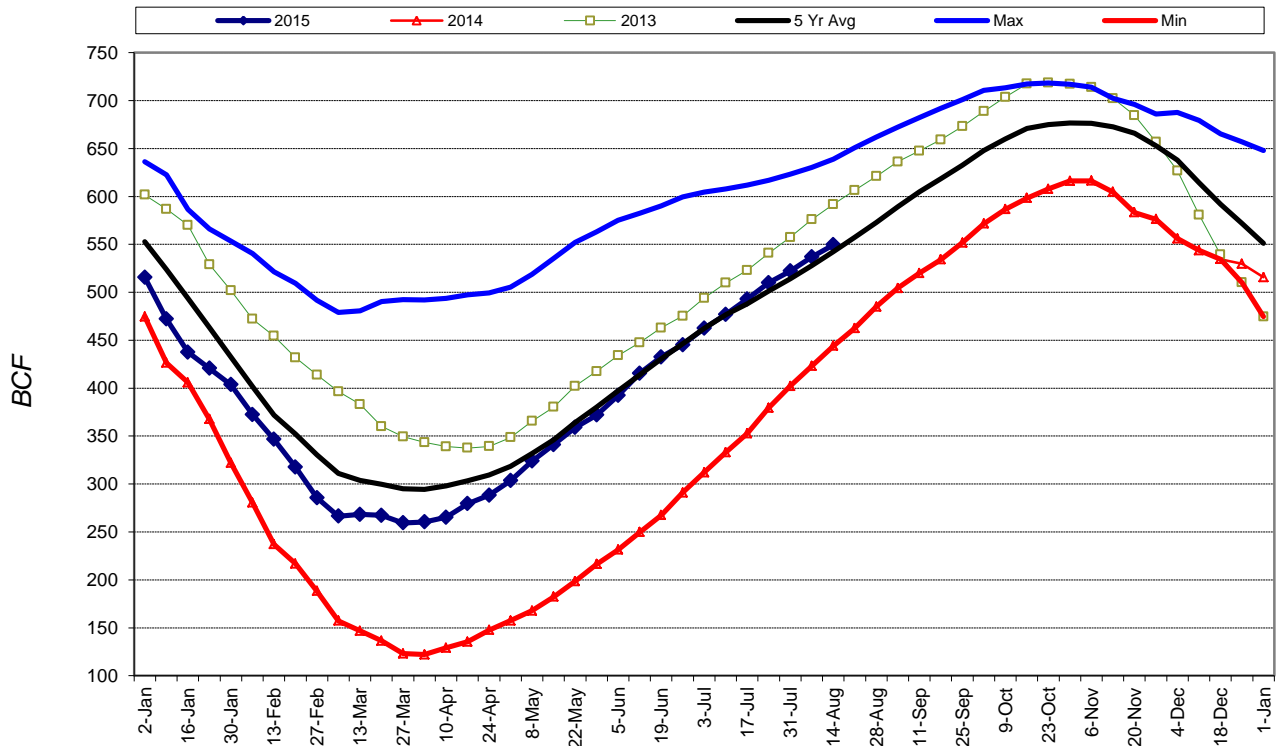
NYMEX Calendar Strips



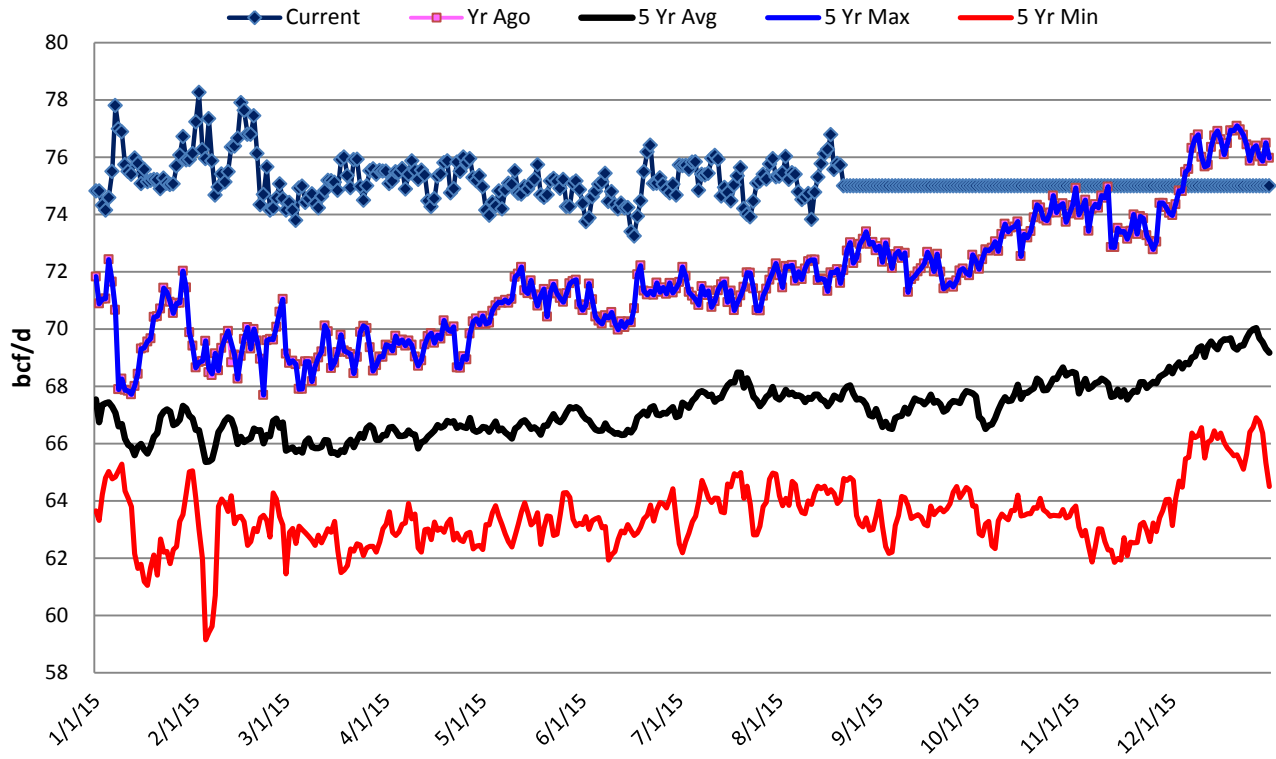
US Working Gas Storage - Source - EIA



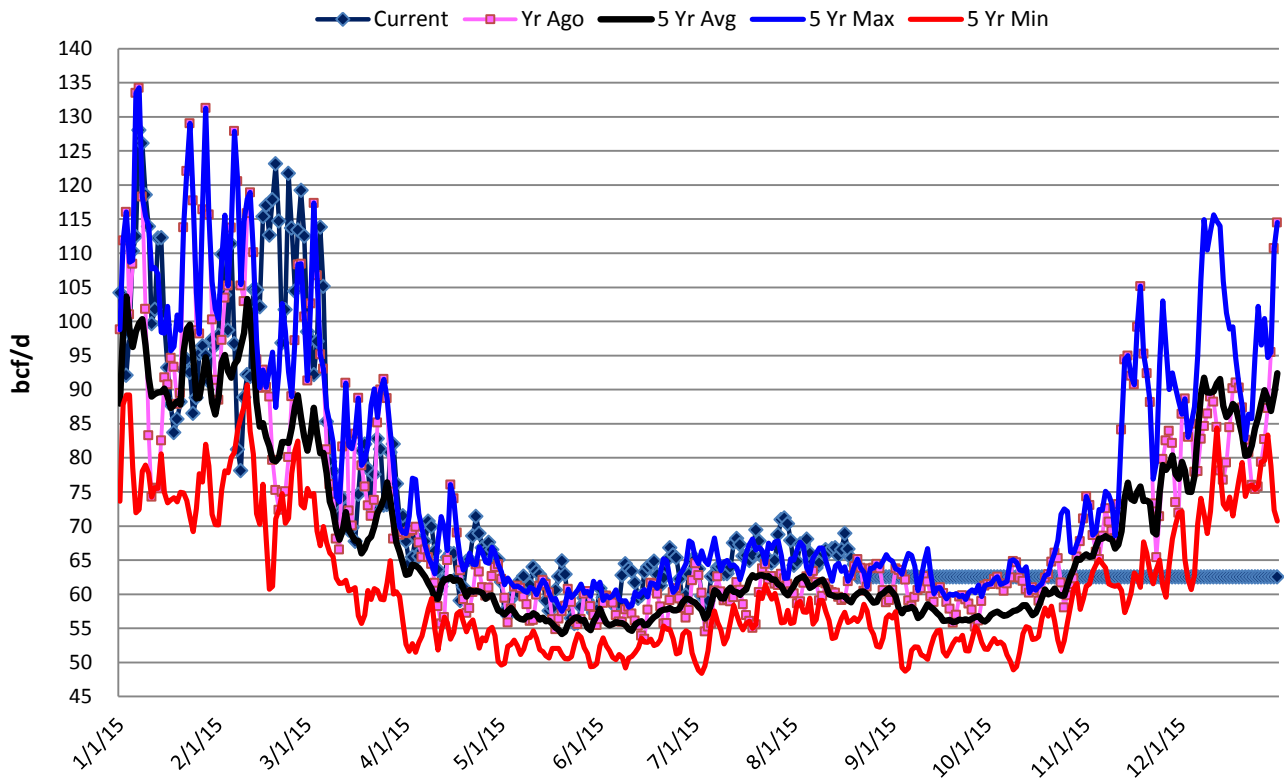
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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