

IAF Advisors
Energy Market Outlook
Kyle Cooper, (713) 722-7171, Kyle.Cooper@IAFAdvisors.com
August 28, 2015

Price Action: The October contract fell 1.8 cents (0.7%) to \$2.715 on an 8.4 cent range.

Price Outlook: The weekly price ranges remain incredibly small as another 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. Above normal temperatures will soon be considered bearish as overnight heating loads will be delayed in the Northern climes. As the summer comes to a close and temperatures moderate, the path of least resistance certainly seems lower which would make for 3 weeks in a row. The net money managed short position surged to over 78,000 and is the largest since July 7. Total delta adjusted open interest rose to 3.415 million as of August 25. Aggregated CME futures open interest fell to 917,000 as of August 28 and is the lowest since November 4, 2014.

Weekly Storage: US working gas storage for the week ending August 21 indicated a net injection of 69 bcf. Thus total working gas inventories rose to 3,099 bcf. Current inventories rise 469 bcf (17.8%) above last year while surpassing the 5 year average by 81 bcf (2.7%).

Storage Outlook: This week's storage change of +69 fell below last year which has been the case every week since June 5 when that week's +111 exceeded 2014. It was again larger than the 5 year average which has been the general case this injection season. Storage levels remain on track to reach nearly 4,000 bcf.

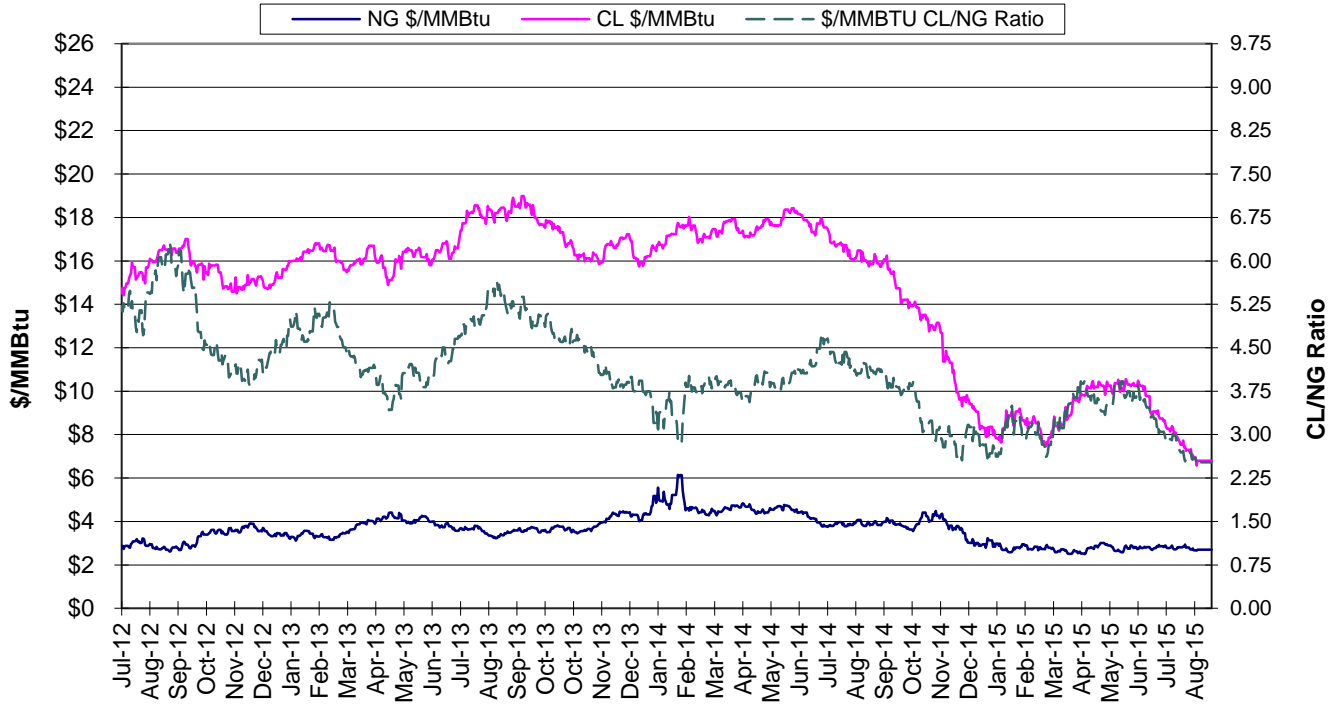
Supply Trends: Total supply rose 1.3 bcf/d to 75.3 bcf/d. US production, Canadian and LNG imports and Mexican exports were all higher. The US Baker Hughes rig count fell 8 as oil activity was higher with natural gas lower. The total US rig count now stands at 877. The Canadian rig count fell 12 and now stands at 196. Thus, the total North American rig count fell 20 to 1,073 and now trails last year by 1,250. This is an increase in the yearly deficit compared to last week. This is largest yearly deficit since September 11, 2009. The higher efficiency US horizontal rig count fell 5 to 672 and falls 658 below last year.

Demand Trends: Total demand rose 0.6 bcf/d to 66.2 bcf/d. R&C was higher. Power demand was lower. Other sectors were flat. Electricity demand fell 442 gigawatt-hrs to 87,622 which exceeds last year by 938 (1.1%) and the 5 year average by 786 (0.9%).

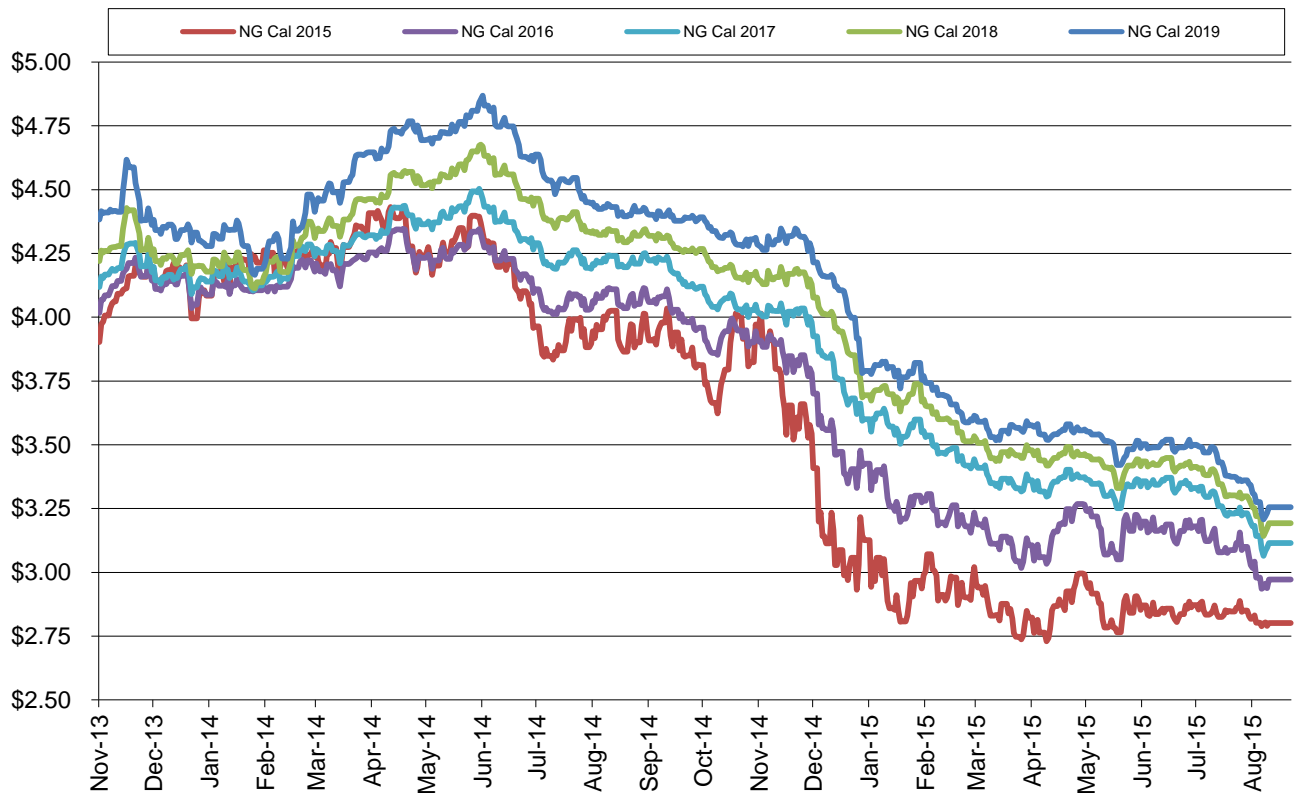
Other Factors Nuclear generation surged 2,563 MW in the reference week to 96,045 MW. This is 1,295 MW higher than last year and 1,141 MW higher than the 5 year average. Unplanned issues remain minimal with recent output still over 96,000 MW.

- With a forecast through September 11, the 2015 total cooling index is continuing to increase as expected. The current index is at 3,830 compared to 3,245 for 2014, 4,687 for 2013, 7,040 for 2012 and 6,434 for 2011.

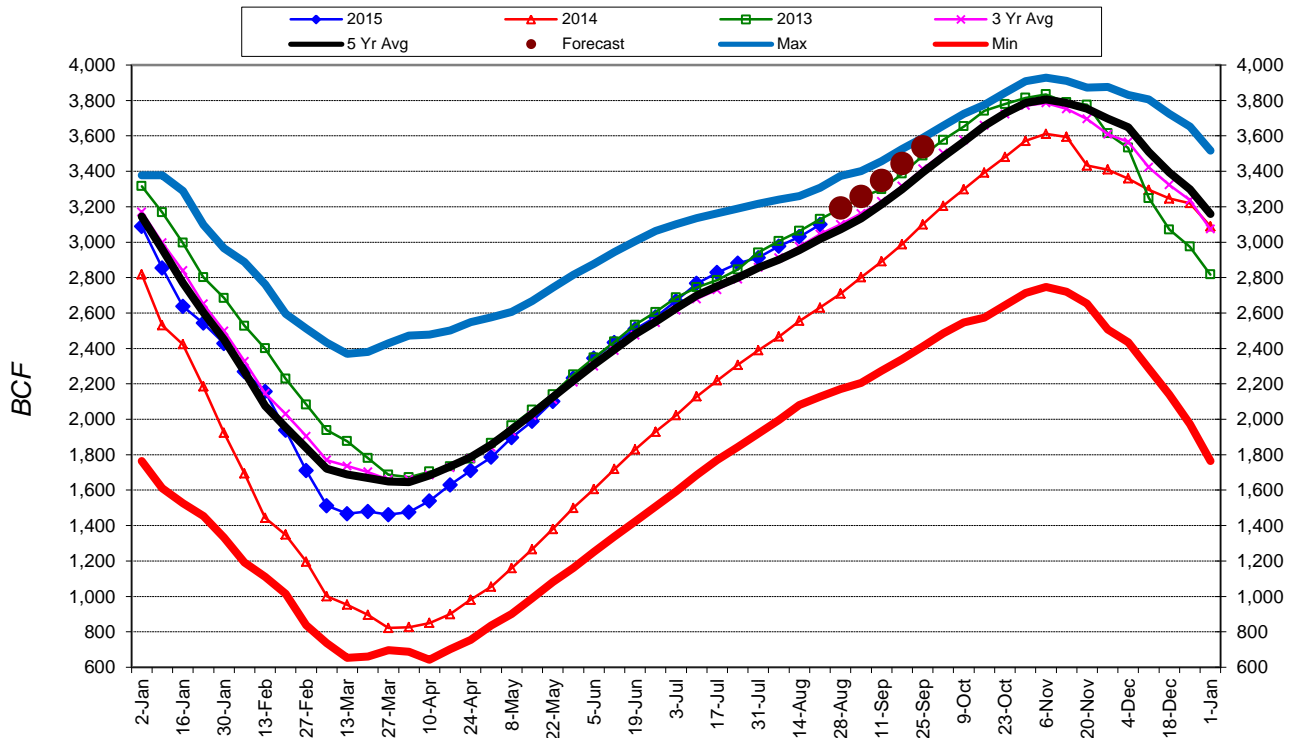
\$/MMBtu Ratio of NYMEX CL and NG



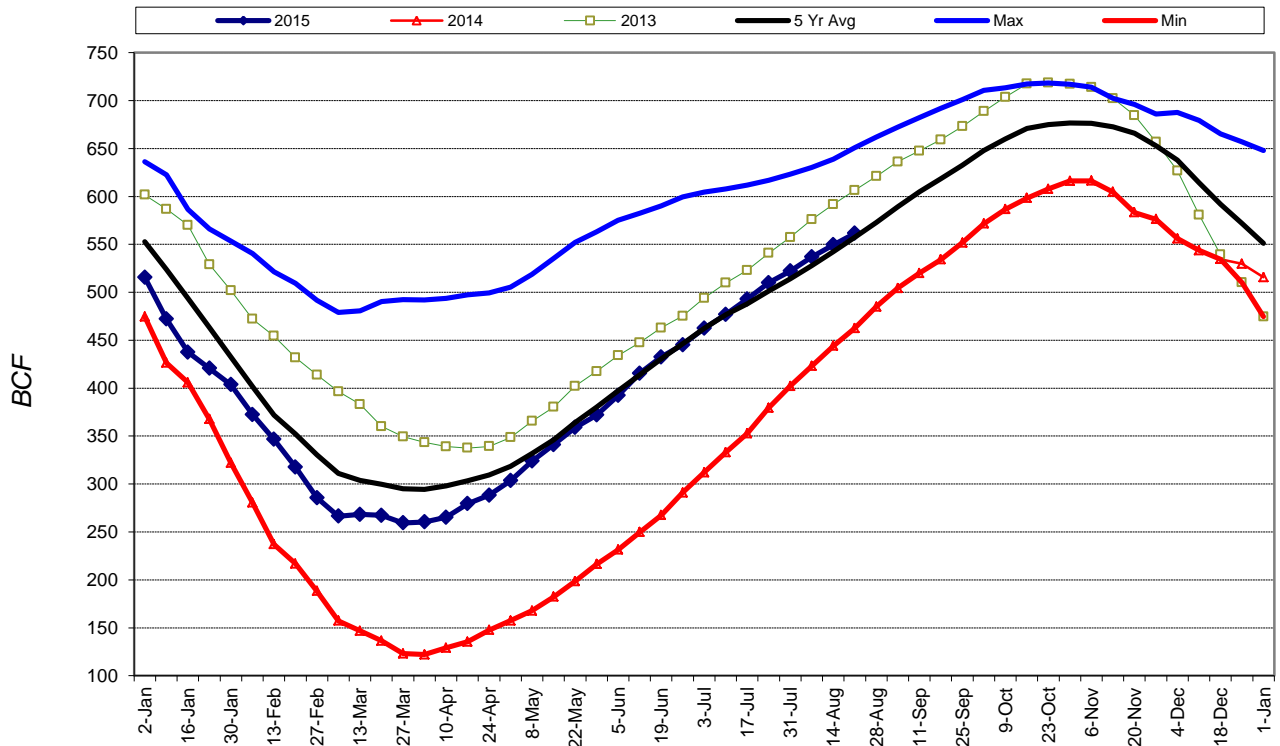
NYMEX Calendar Strips



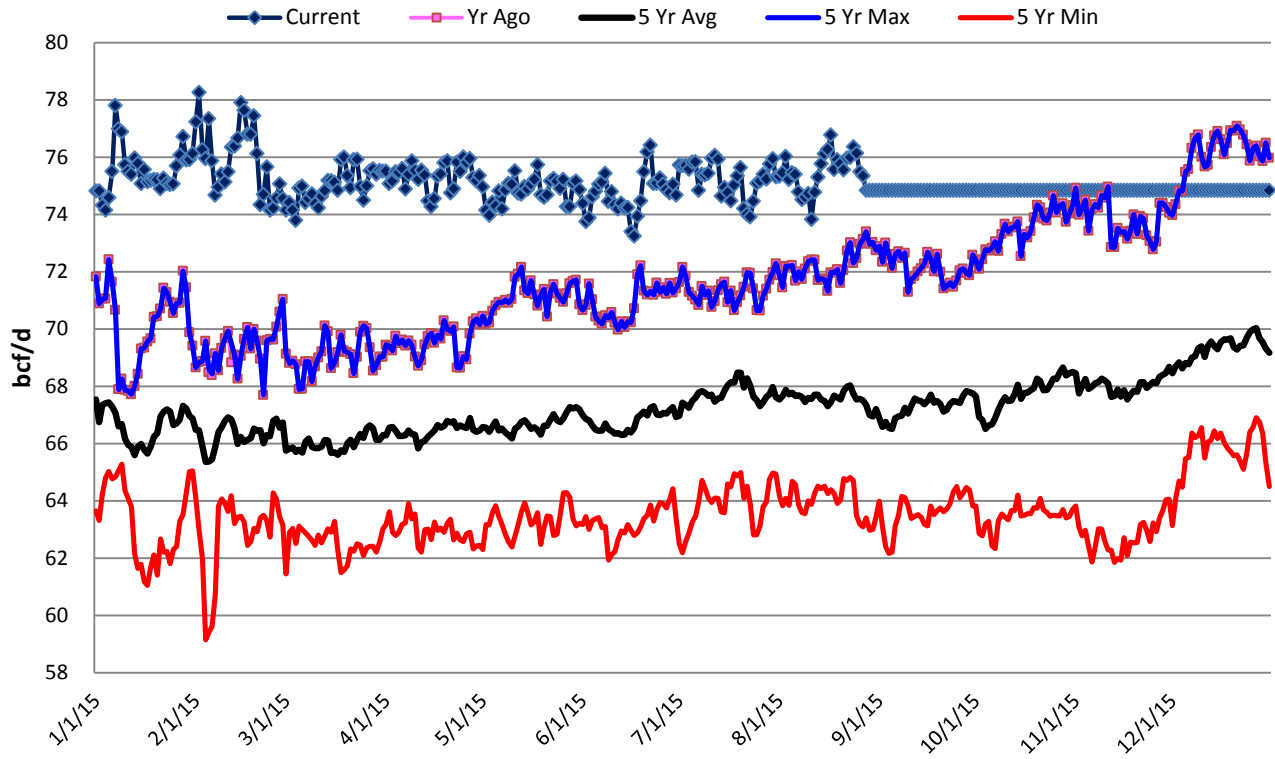
US Working Gas Storage - Source - EIA



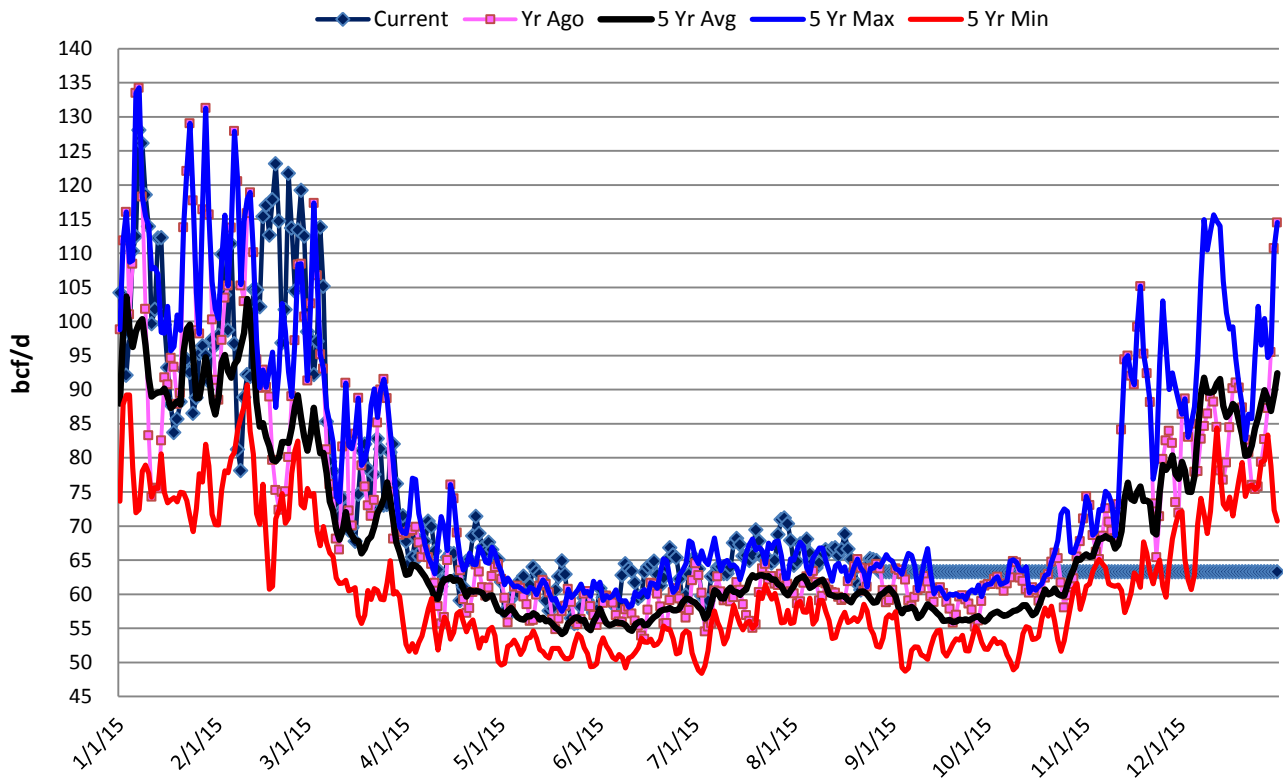
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any commodity, futures contract, or option contract. Although any statements of fact in this report have been obtained from and are based upon sources that IAF Advisors believes to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. IAF Advisors, its officers and/or employees, may at any time have a long and/or short position in any commodity, futures contract, or option contract mentioned in this report. All opinions and estimates included in this report constitute IAF Advisors judgment as of the date of this report and are subject to change without notice.

© 2015 IAF Advisors.