

IAF Advisors
Energy Market Outlook
Kyle Cooper, (713) 722-7171, Kyle.Cooper@IAFAdvisors.com
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Price Action: The October contract rose 3.8 cents (1.4%) to \$2.693 on a 9.2 cent range.

Price Outlook: The weekly price ranges remain incredibly small. This weeks' 9.2 cent range is the smallest on record back to 2000. Despite last weeks' small range, the small range this week left natural gas with an incredibly rare inside week. Although, the tight ranges suggest both a new high and low in coming weeks, that has been the case and price action remains muted. There appear few fundamental factors to break the range in coming weeks. The managed money net short position pulled back to just over 66,000 as total delta adjusted open interest rose to 3.207 million as of September 8. Aggregated CME futures open interest fell to 916,000 as of September 11. This is the lowest open interest since November 14, 2014.

Weekly Storage: US working gas storage for the week ending September 4 indicated a net injection of 68 bcf. Thus total working gas inventories rose to 3,261 bcf. Current inventories rise 460 bcf (16.4%) above last year while surpassing the 5 year average by 127 bcf (4.0%).

Storage Outlook: Our EIA weekly storage miss was a more uncomfortable 6 bcf even as the 5 week summation error remained at just 6 bcf. For a 5 week period, that is within our tolerance and inventories are now expected to reach 3,993 bcf in November. Although the weekly storage volatility remains concerning, the 5 week outlook is more stable.

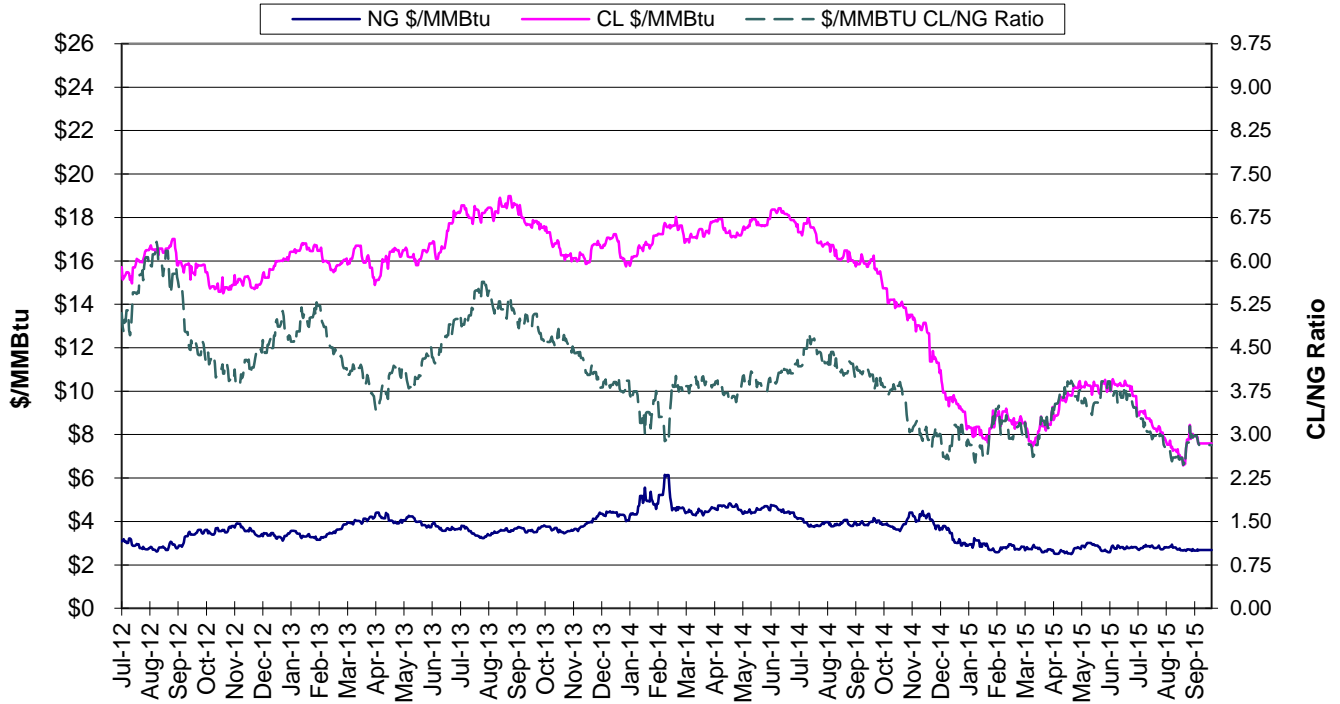
Supply Trends: Total supply rose 0.2 bcf/d to 75.3 bcf/d. US production and Canadian imports were higher. LNG imports and Mexican exports were unchanged. The US Baker Hughes rig count fell 16 as both oil and natural gas activity dropped. The total US rig count now stands at 848. The Canadian rig count fell 2 and now stands at 185. Thus, the total North American rig count fell 18 to 1,033 and now trails last year by 1,303. This is an increase in the yearly deficit compared to last week. This is largest yearly deficit since August 21, 2009. The higher efficiency US horizontal rig count fell 11 to 648 and falls 694 below last year.

Demand Trends: Total demand rose 1.1 bcf/d to 64.6 bcf/d. Power was higher. Other sectors were all lower. Electricity demand rose 3,349 gigawatt-hrs to 86,817 which exceeds last year by 924 (1.1%) and the 5 year average by 1,051 (1.2%). The weather was been very bullish with 171 bcf of temperature related demand added since early May compared to our 30 year normal baseline. However, above normal temperatures will soon turn bearish, especially in the Northern climes.

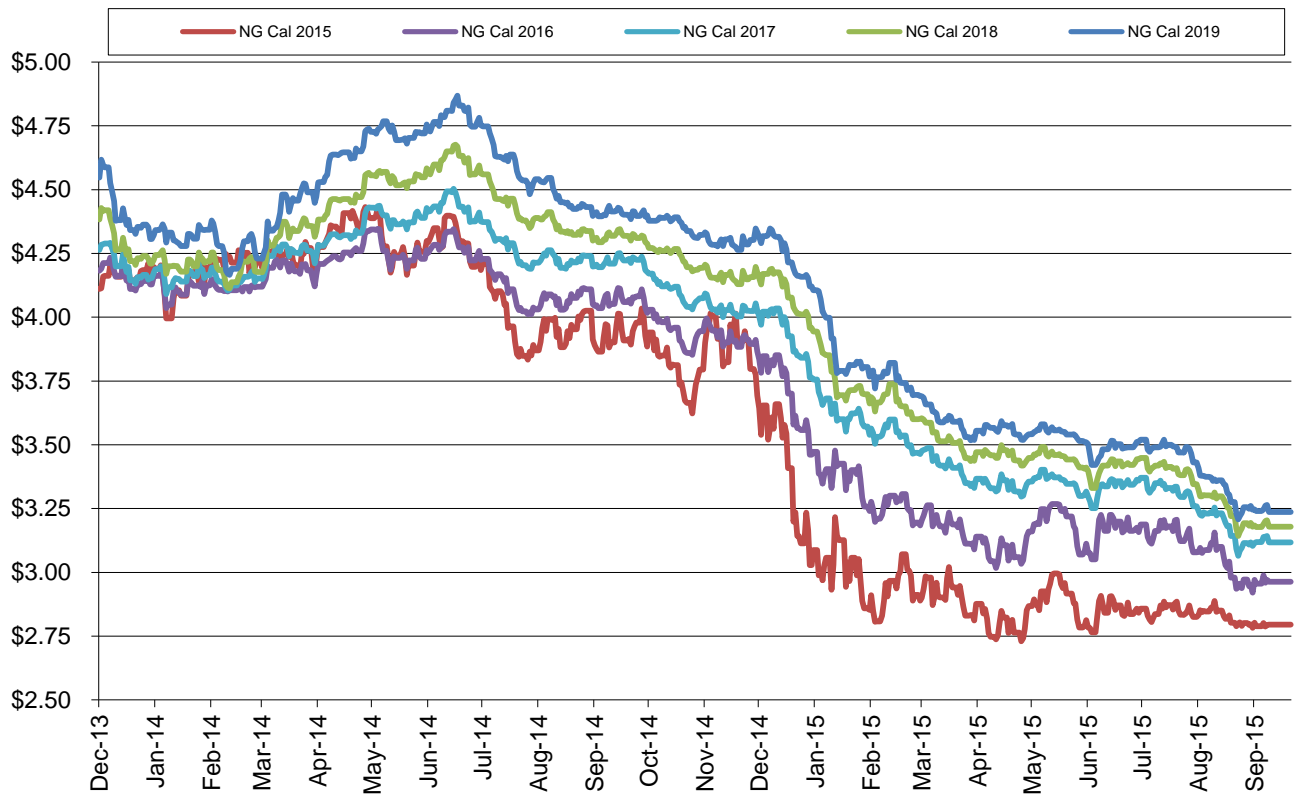
Other Factors Nuclear generation fell 142 MW in the reference week to 96,333 MW. This is 782 MW higher than last year and 1,131 MW higher than the 5 year average. Recent output is still near 96,000 MW.

- With a forecast through September 18, the 2015 total cooling index is still increasing, but at a much slower pace. The current index is at 4,201 compared to 3,368 for 2014, 4,802 for 2013, 7,140 for 2012 and 6,643 for 2011.

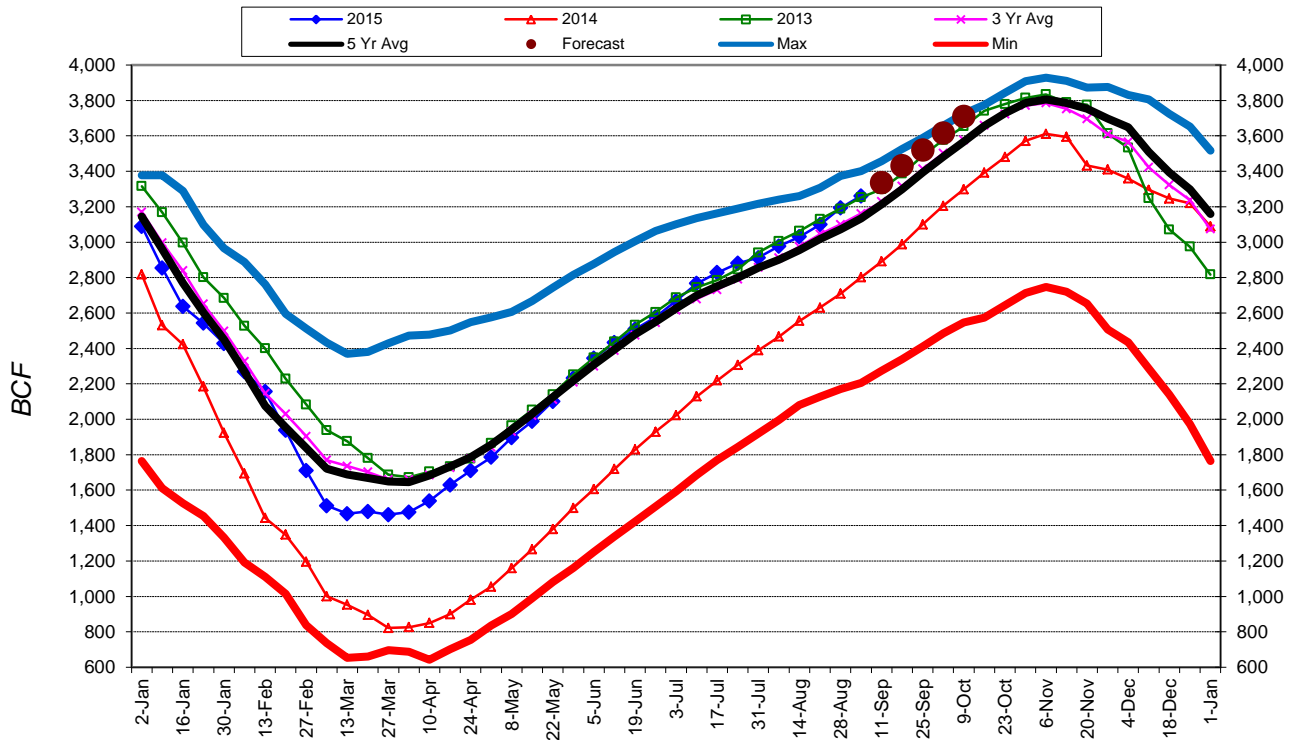
\$/MMBtu Ratio of NYMEX CL and NG



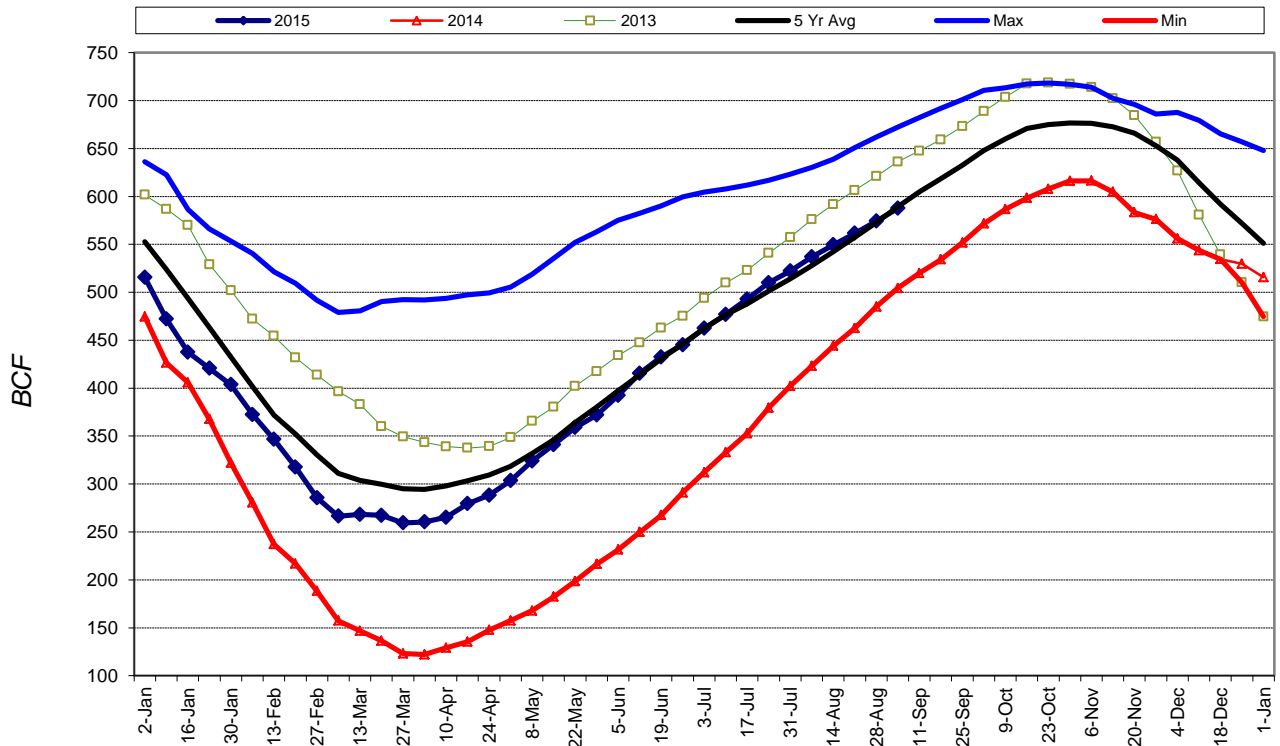
NYMEX Calendar Strips



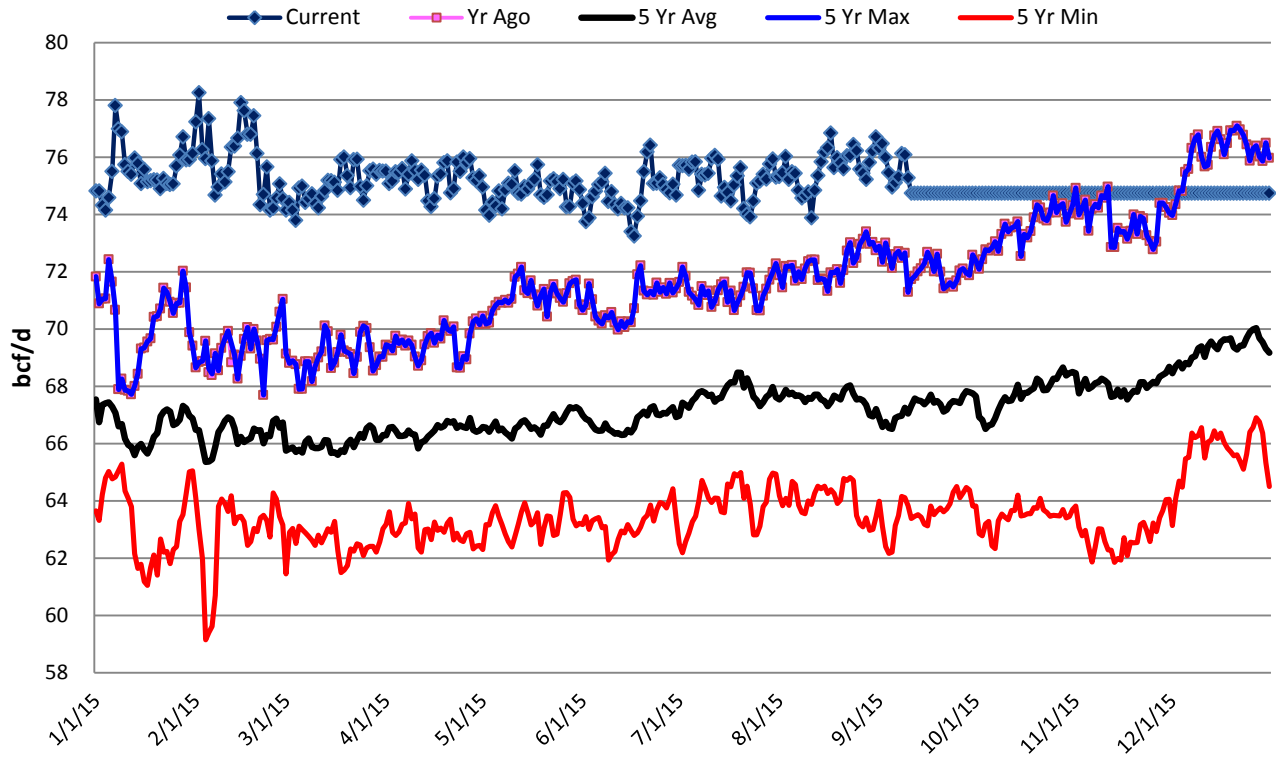
US Working Gas Storage - Source - EIA



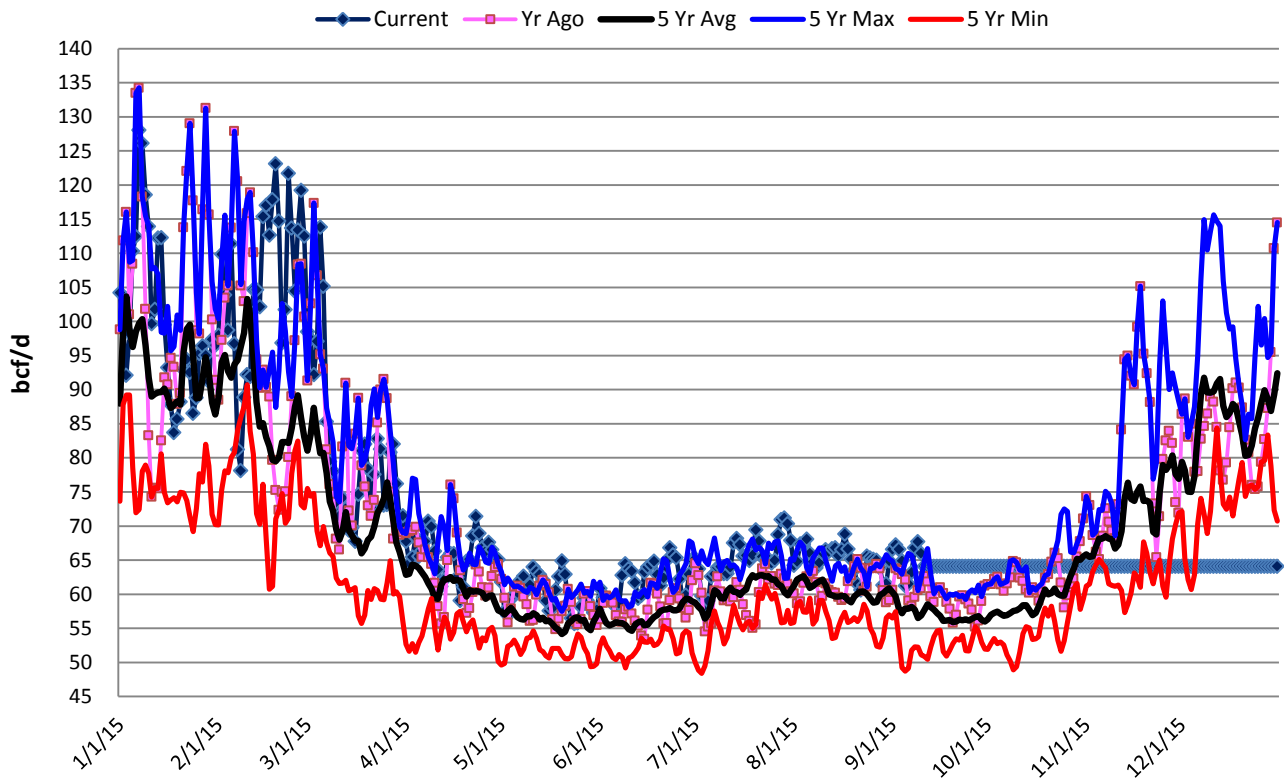
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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