

IAF Advisors  
Energy Market Outlook  
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**Price Action:** The October contract fell 8.8 cents (3.3%) to \$2.605 on a 19.2 cent range.

**Price Outlook:** The weekly price range expanded to the largest since a 21.3 cent range for the week ending July 10. After the very rare inside last week, this week posted both a new high and a new low. Prices ended near the low of the week and with large injections projected in upcoming weeks, a new low seems the most likely path for next week. There still do not seem to be enough fundamental factors to break the range in coming weeks. The managed money net short position shrank again and is now just below 49,000 as total delta adjusted open interest fell to 3.206 million as of September 15. Aggregated CME futures open interest rose to 926,000 as of September 18. The position obviously allows either continued buying or a return to a selling bias.

**Weekly Storage:** US working gas storage for the week ending September 11 indicated a net injection of 73 bcf. Thus total working gas inventories rose to 3,334 bcf. Current inventories rise 443 bcf (15.3) above last year while surpassing the 5 year average by 121 bcf (3.8%).

**Storage Outlook:** Our EIA weekly storage miss was zero as we hit the number exactly with the 5 week summation error now at just 2 bcf. For a 5 week period, that is within our tolerance and inventories are now expected to fall just short of 4,000 bcf in November. We expect inventories to fall to roughly 1,750 bcf in April 2016.

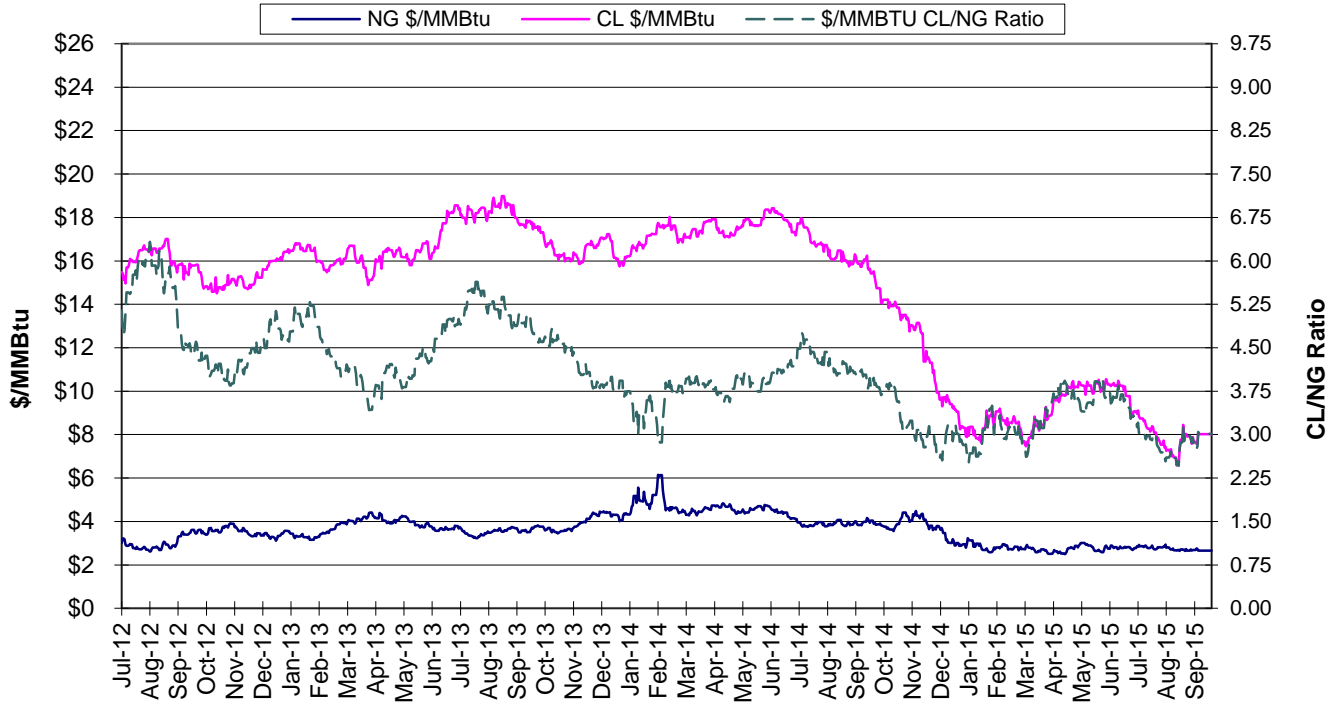
**Supply Trends:** Total supply fell 0.4 bcf/d to 74.7 bcf/d. US production and LNG imports were unchanged. Canadian imports were lower and Mexican exports rose. The US Baker Hughes rig count fell 6 as oil activity slipped while natural gas rose. The total US rig count now stands at 842. The Canadian rig count fell 3 and now stands at 182. Thus, the total North American rig count fell 9 to 1,024 and now trails last year by 1,284. This is a decrease in the yearly deficit compared to last week. The higher efficiency US horizontal rig count fell 8 to 640 and falls 701 below last year. The EIA's Monthly Drilling Productivity report continues to suggest falling natural gas production from 7 shale regions. However, last month's estimate was again revised higher and 4 of 7 regions are indicating slowing decline rates with still increasing rig efficiency.

**Demand Trends:** Total demand fell 0.1 bcf/d to 64.5 bcf/d. Power was higher. Other sectors were all lower. Electricity demand fell 1,873 gigawatt-hrs to 84,944 which exceeds last year by 5,182 (6.5%) and the 5 year average by 6,529 (8.3%).

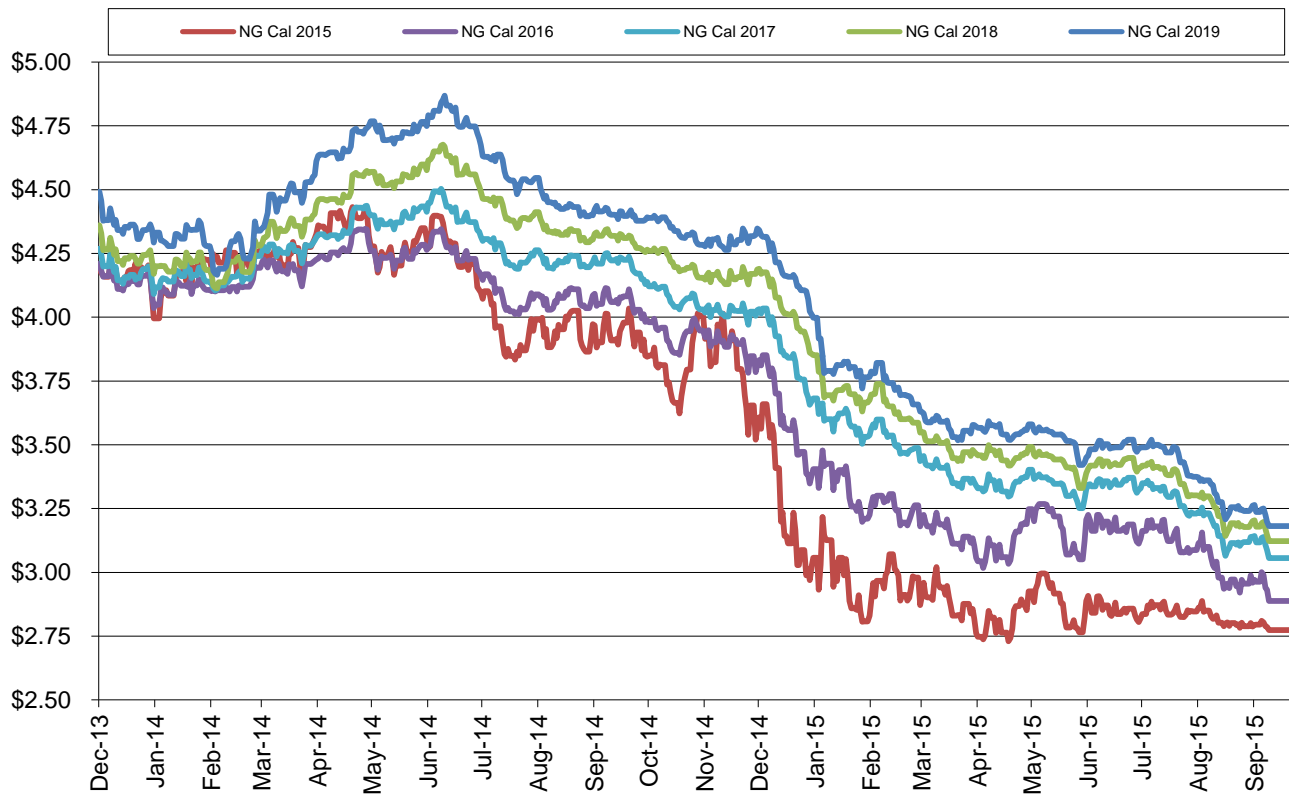
**Other Factors** Nuclear generation fell 596 MW in the reference week to 95,736 MW. This is 2,420 MW higher than last year and 1,651 MW higher than the 5 year average. Recent output slipped to near 89,000 MW.

- With a forecast through October 2, the 2015 total cooling index is now only slowly increasing. The current index is at 4,210 compared to 3,381 for 2014, 4,804 for 2013, 7,195 for 2012 and 6,705 for 2011.

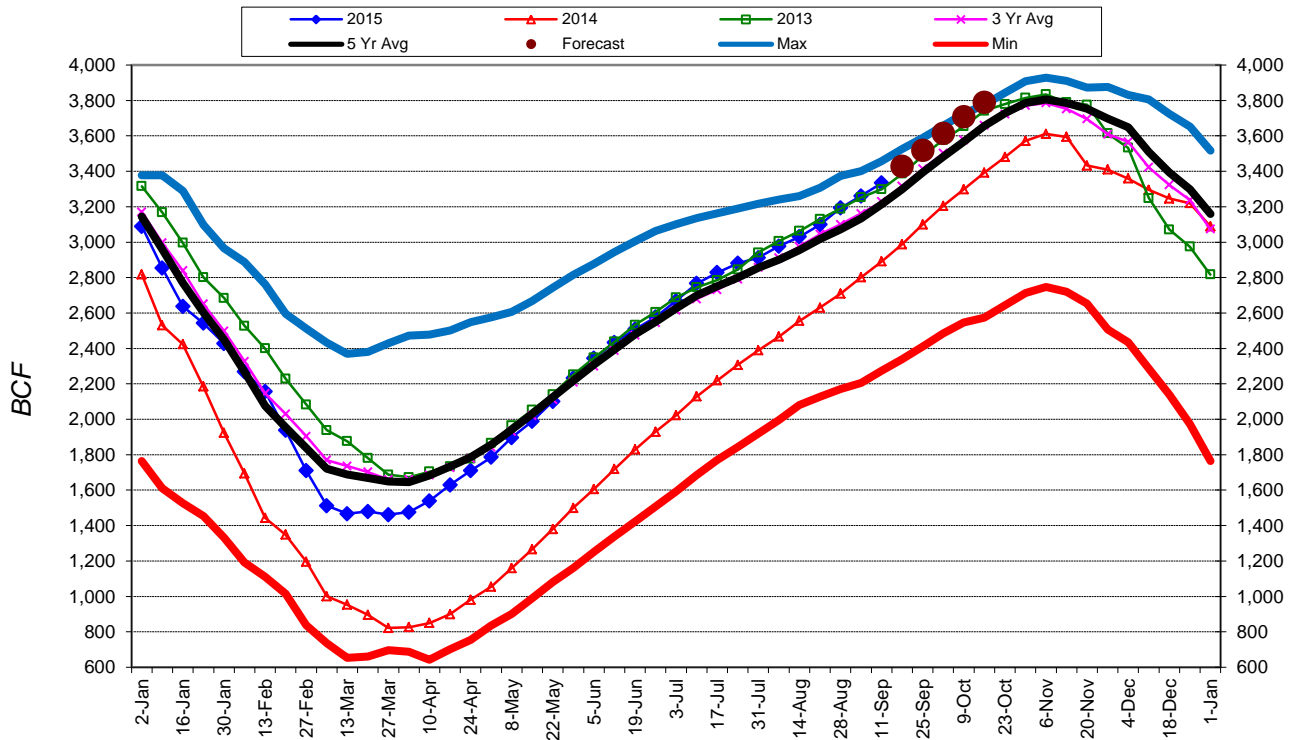
## \$/MMBtu Ratio of NYMEX CL and NG



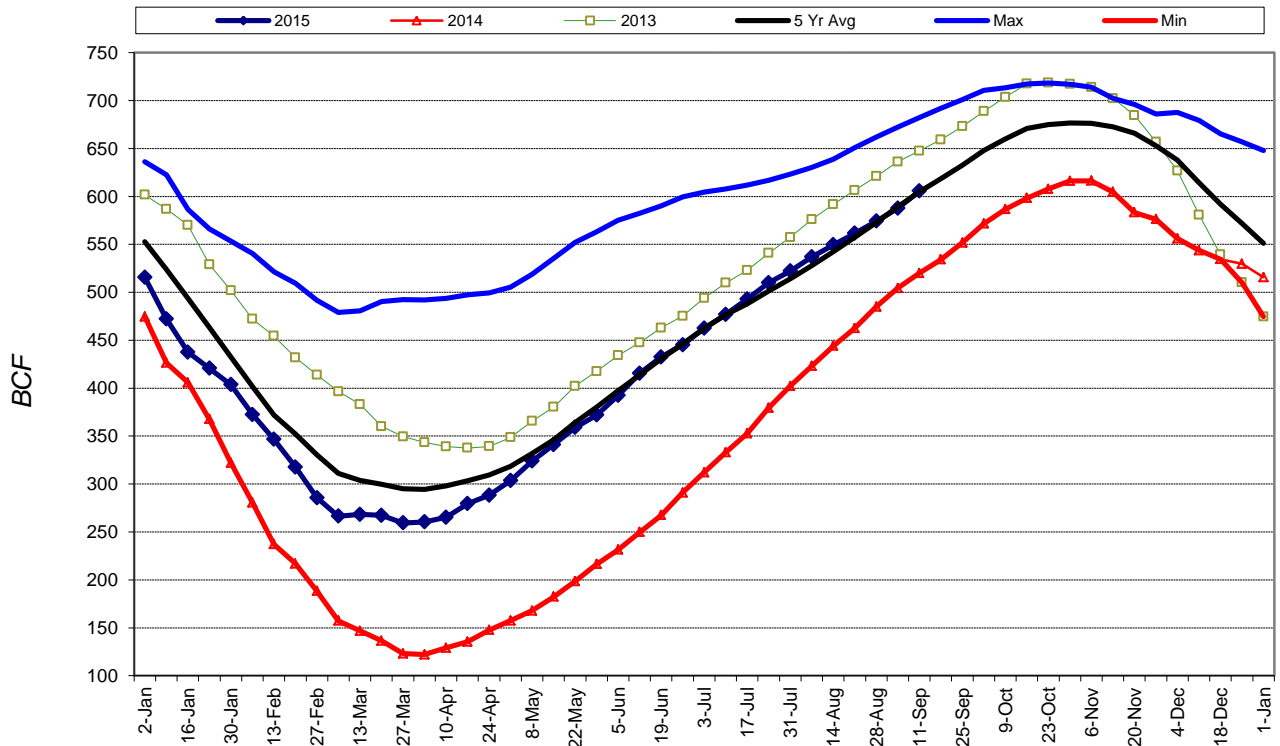
## NYMEX Calendar Strips



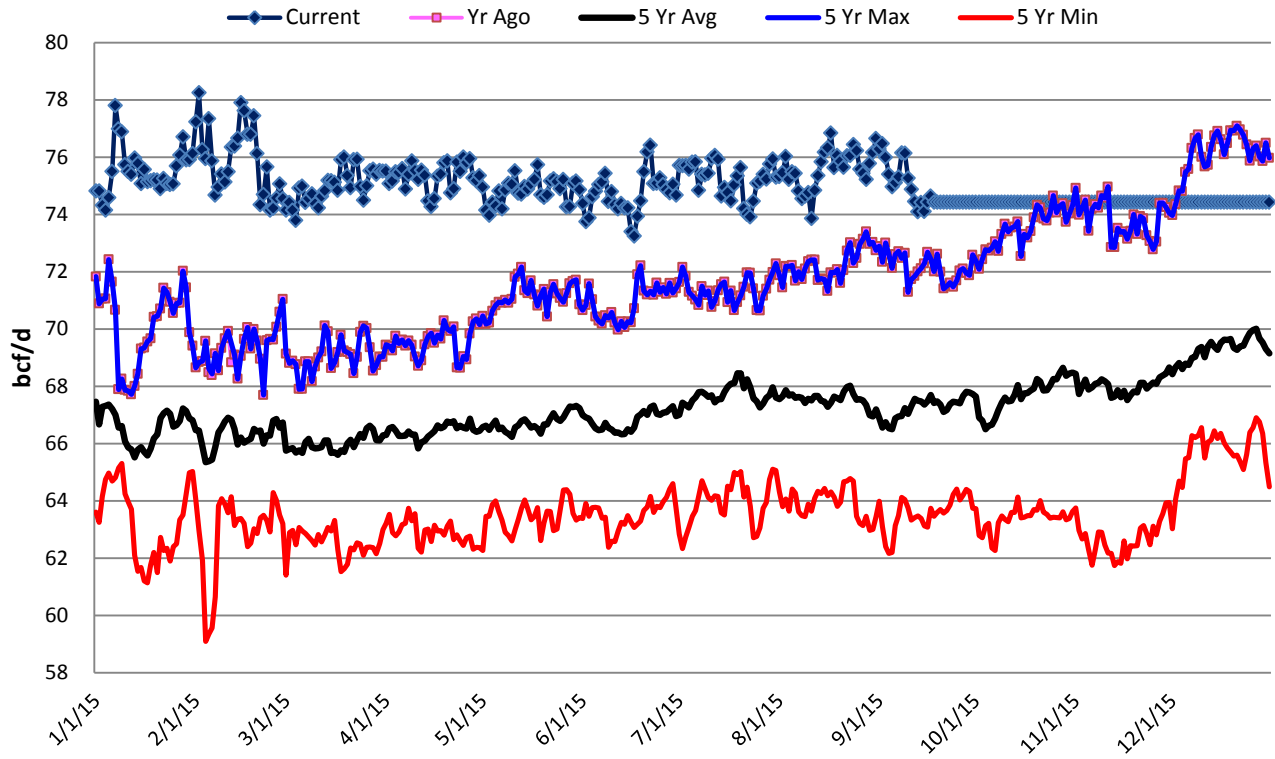
## US Working Gas Storage - Source - EIA



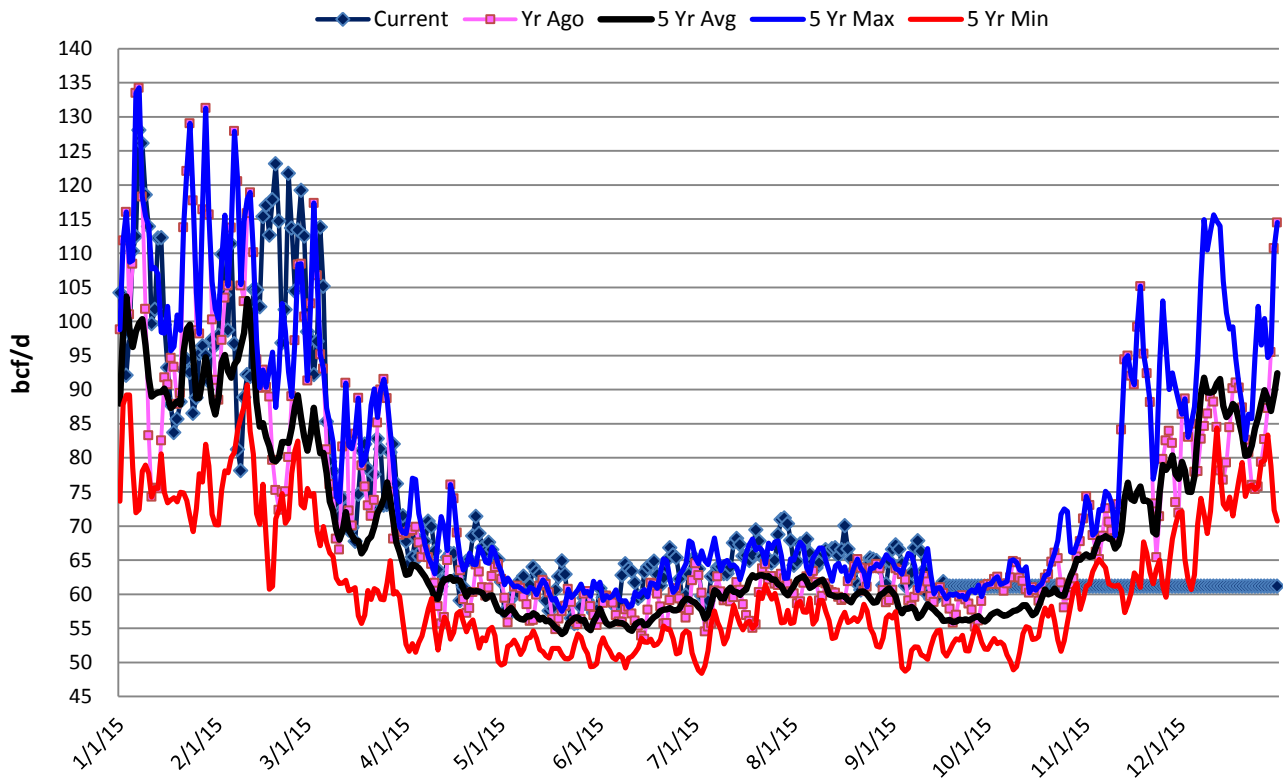
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



#### **ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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