

IAF Advisors  
Energy Market Outlook  
Kyle Cooper, (713) 722-7171, Kyle.Cooper@IAFAdvisors.com  
October 9, 2015

**Price Action:** The November contract rose 5.1 cents (2.1%) to \$2.502 on a 10.2 cent range.

**Price Outlook:** After last week's increased price range, this week's was again subdued and led to a rare inside week with neither a new high or low posted. Since 2000, only 74 inside weeks have occurred with 94 weeks posting both a new high and low. After the inside week and this week's small range a week with both a new high and low is increasingly likely. Still, with a 15 day outlook that calls for above normal temperatures, prices are likely to remain defensive. The managed money net short position indicated a further rise in the net short position to nearly 153,000 as total delta adjusted open interest rose to 3.197 million as of October 6. This is the largest managed money net short position since August 25, 2009. Aggregated CME futures open interest rose to 958,000 as of October 9.

**Weekly Storage:** US working gas storage for the week ending October 2 indicated a net injection of 95 bcf. Thus total working gas inventories rose to 3,633 bcf. Current inventories rise 428 bcf (13.4%) above last year while surpassing the 5 year average by 150 bcf (4.3%).

**Storage Outlook:** This week continued the general 2015 trend of the weekly storage injection trailing last year while exceeding the 5 year average. This injection exceeded the 5 year average change with 27 of the last 30 weeks reporting injections larger than the 5 year average. We expect inventories to rise slightly above 4,000 bcf. Well above normal temperatures could result in a net November injection.

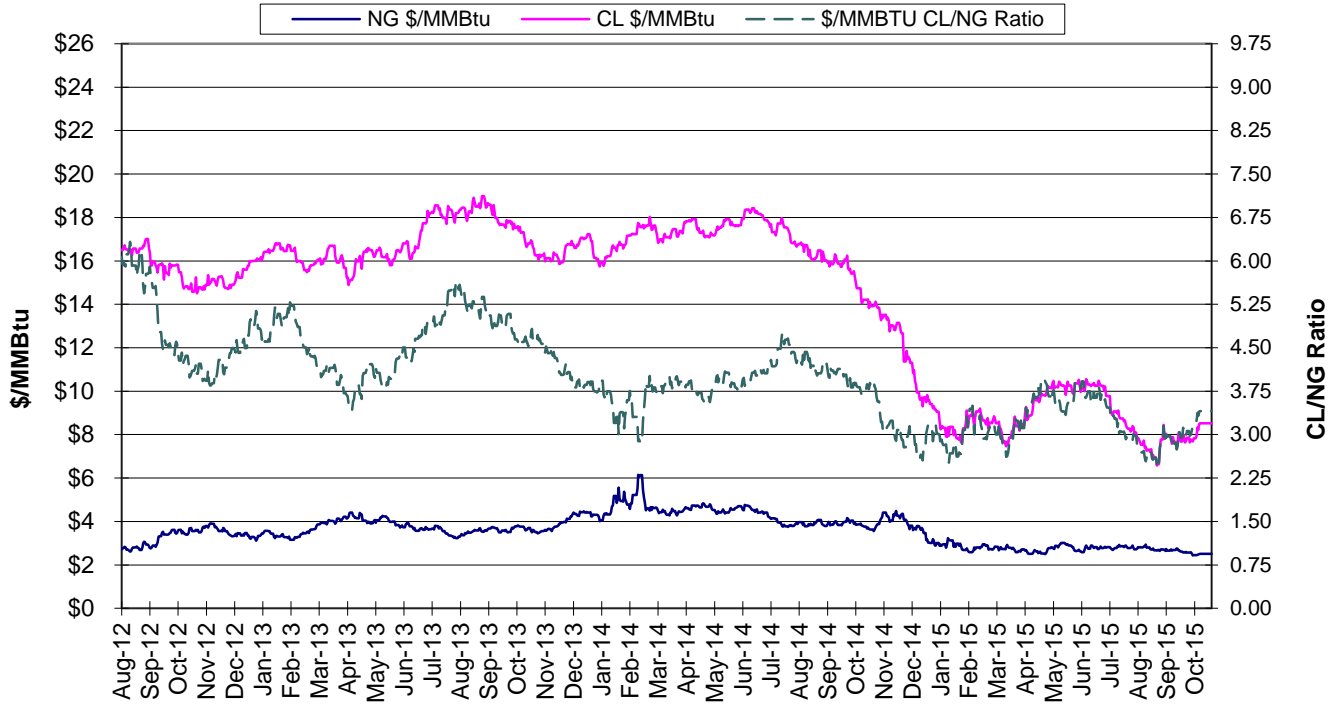
**Supply Trends:** Total supply rose 0.2 bcf/d to 74.2 bcf/d. US production rose. Canadian and LNG imports fell. Mexican exports were unchanged. The US Baker Hughes rig count fell 14 as both oil and natural gas activity slipped. The total US rig count now stands at 795. The Canadian rig count rose 1 and now stands at 180. Thus, the total North American rig count fell 13 to 975 and now trails last year by 1,375. This again eclipses last week's record deficit and is the largest yearly deficit on record back to 1987 based on weekly comparisons. In February 1983, the yearly deficit based on monthly data stood at 2,074. The higher efficiency US horizontal rig count fell 11 to 598 and falls 755 below last year. This is the lowest horizontal rig count since January 8, 2010.

**Demand Trends:** Total demand fell 0.3 bcf/d to 61.0 bcf/d. Lower power demand offset higher R&C and industrial consumption. Electricity demand fell 2,212 gigawatt-hrs to 73,901 which exceeds last year by 528 (0.7%) while trailing the 5 year average by 206 (0.3%).

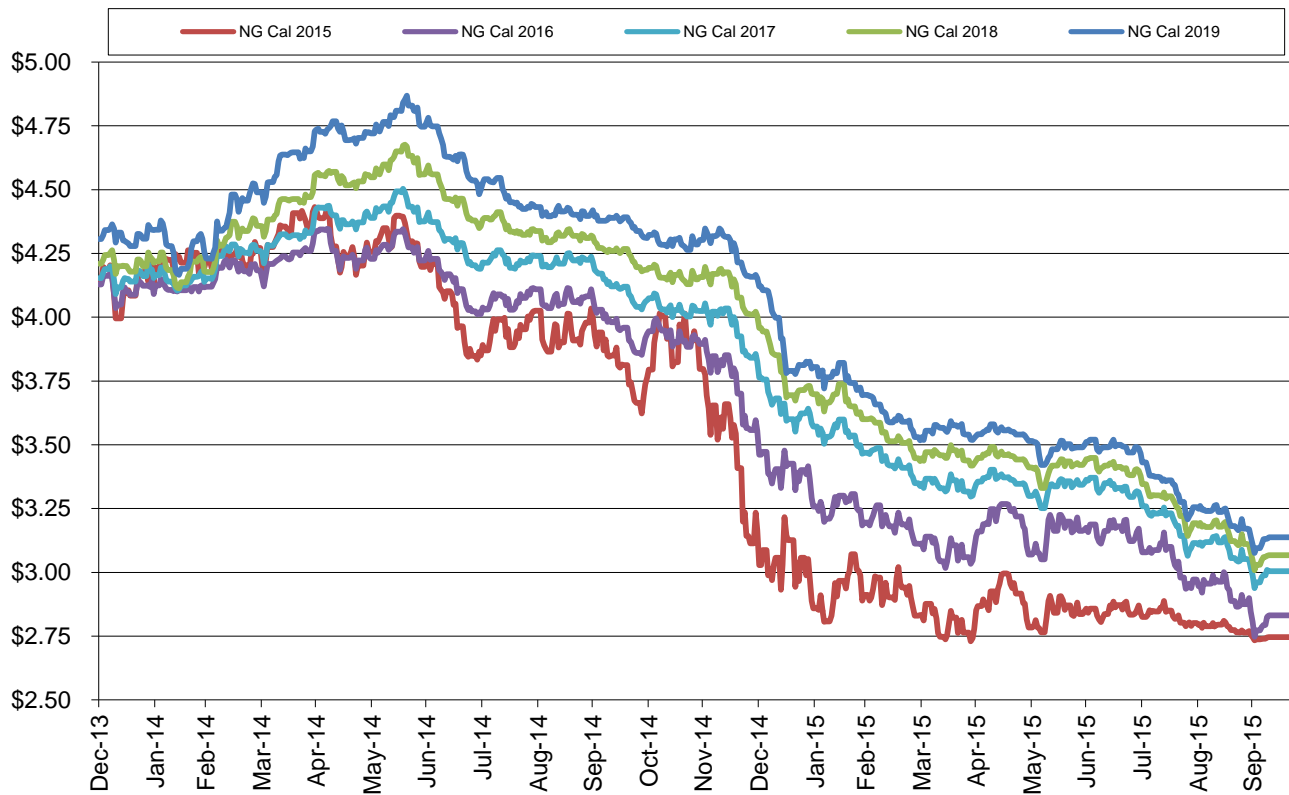
**Other Factors** Nuclear generation fell 1,755 MW in the reference week to 85,356 MW. This is 4,132 MW lower than last year and 4,058 MW lower than the 5 year average. Recent output slipped to near 80,000 MW. There are more nuclear units scheduled to begin maintenance this week.

- With a forecast through October 23, the 2015 total cooling index has now basically flat lined with above normal temperatures resulting in little extreme heat. The current index is at 4,334 compared to 3,451 for 2014, 4,811 for 2013, 7,212 for 2012 and 6,709 for 2011.

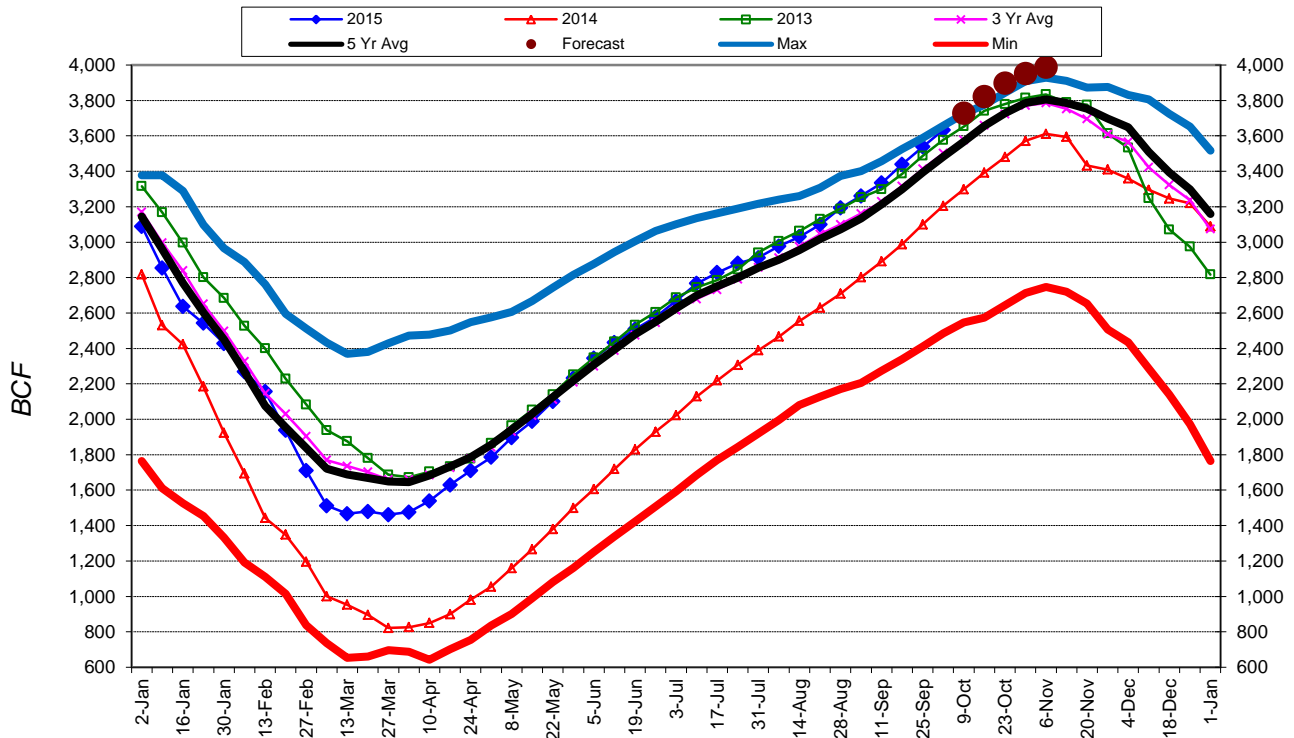
## \$/MMBtu Ratio of NYMEX CL and NG



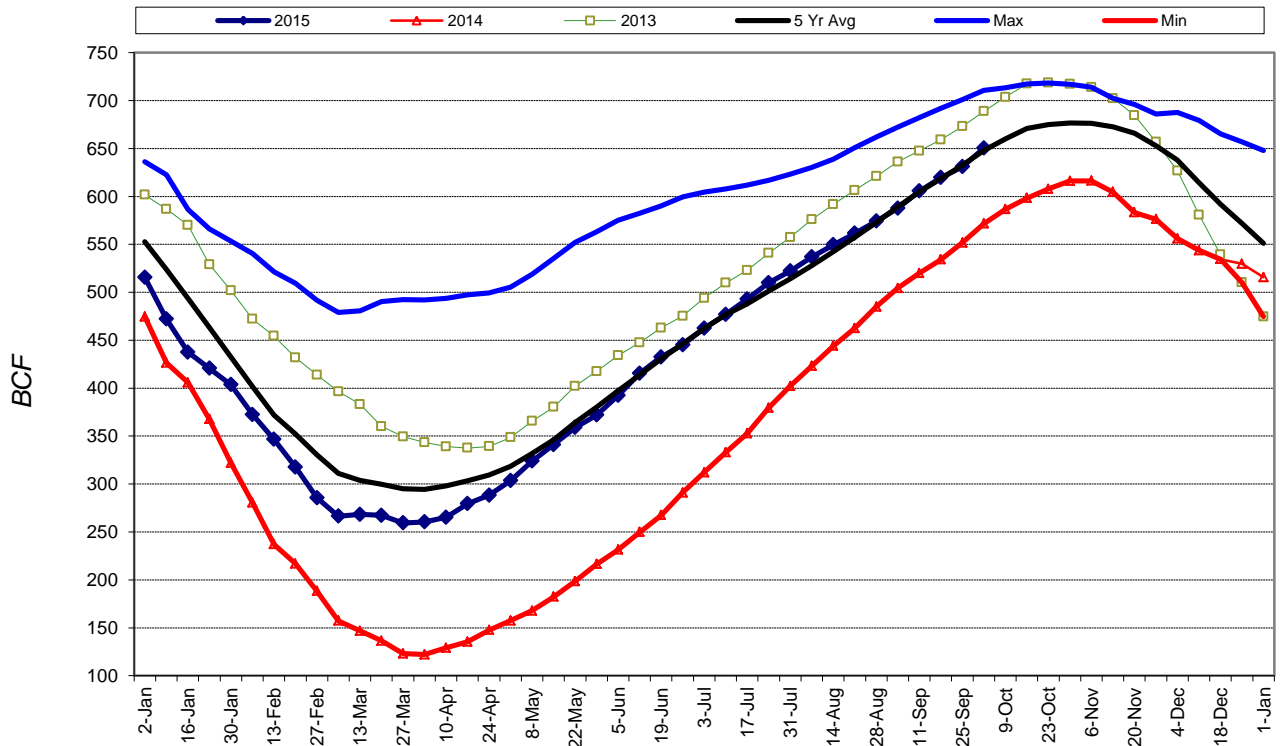
## NYMEX Calendar Strips



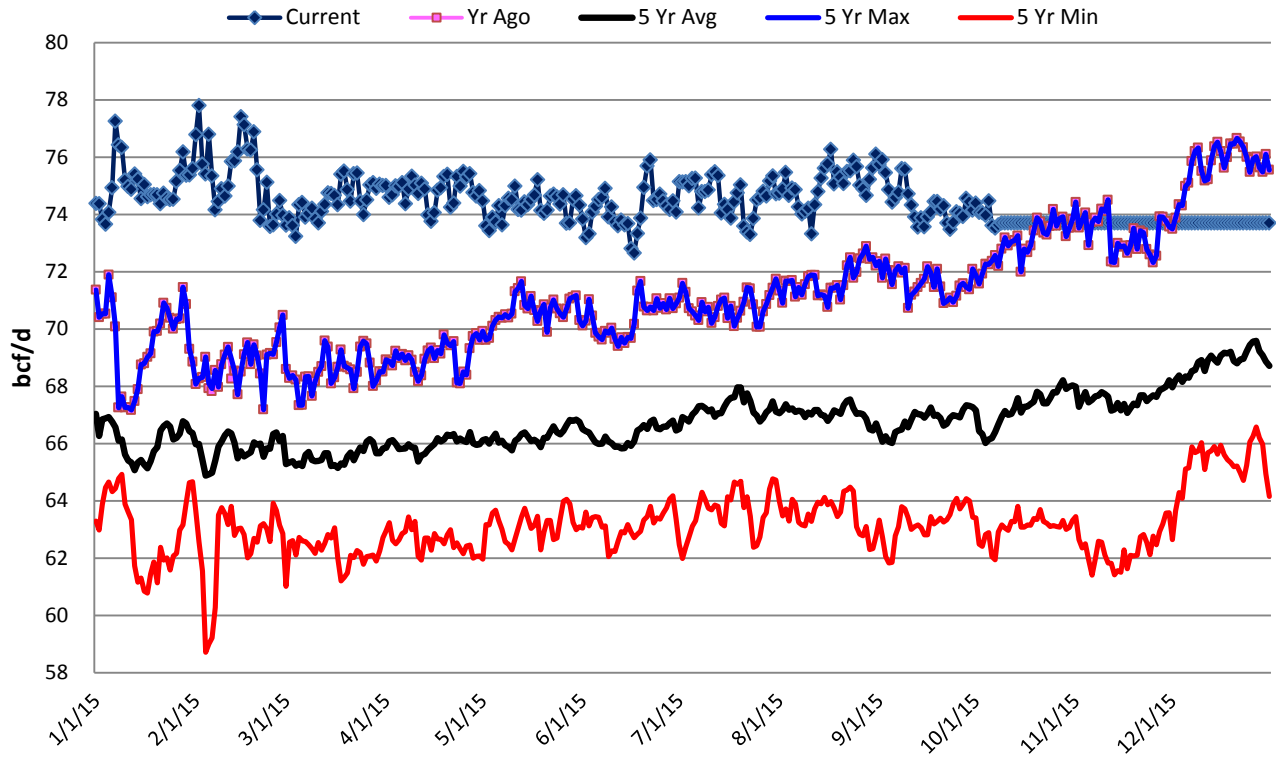
## US Working Gas Storage - Source - EIA



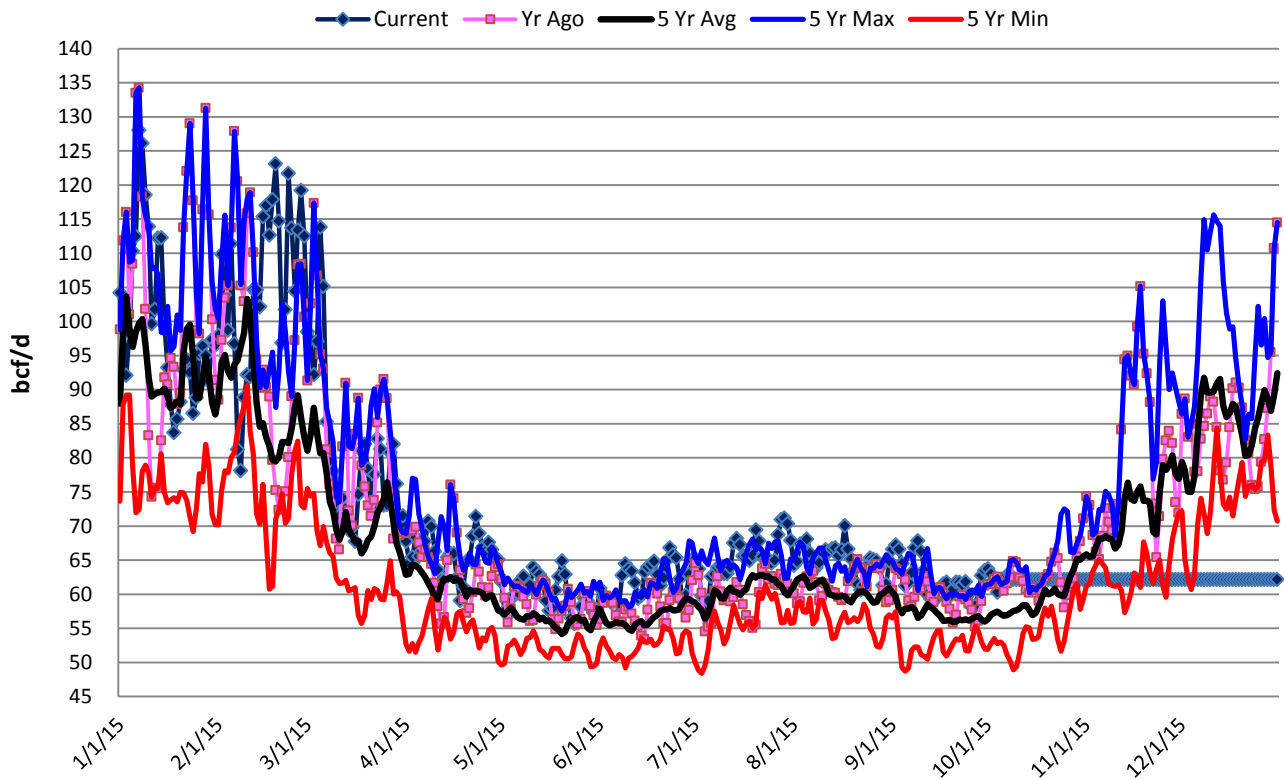
## Canadian Working Gas Storage - Enerdata



## 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.