

IAF Advisors  
Energy Market Outlook  
Kyle Cooper, (713) 722-7171, Kyle.Cooper@IAFAdvisors.com  
October 16, 2015

**Price Action:** The November contract fell 7.2 cents (2.9%) to \$2.430 on a 16.8 cent range.

**Price Outlook:** After last week's rare inside week with neither a new high nor low posted, this week posted both. With a 15 day outlook that still calls for above normal temperatures and the implications of this week's large injection, prices are likely to remain defensive. The managed money net short position indicated a reduction in the net short position to nearly 146,000 as total delta adjusted open interest rose to 3.233 million as of October 13. Aggregated CME futures open interest rose to 995,000 as of October 16.

**Weekly Storage:** US working gas storage for the week ending October 9 indicated a net injection of 100 bcf. Thus total working gas inventories rose to 3,733 bcf. Current inventories rise 434 bcf (13.2%) above last year while surpassing the 5 year average by 165 bcf (4.6%).

**Storage Outlook:** Our EIA weekly storage miss was an unacceptable 11 bcf with the 5 week summation error now at (13) bcf. For a 5 week period, that is at the upper limits of our tolerance and inventories are still expected to exceed 4,000 bcf in November. We expect inventories to fall to just below 1,800 bcf in April 2016. The April level is obviously hugely weather dependent with a 1 tcf range easily conceivable.

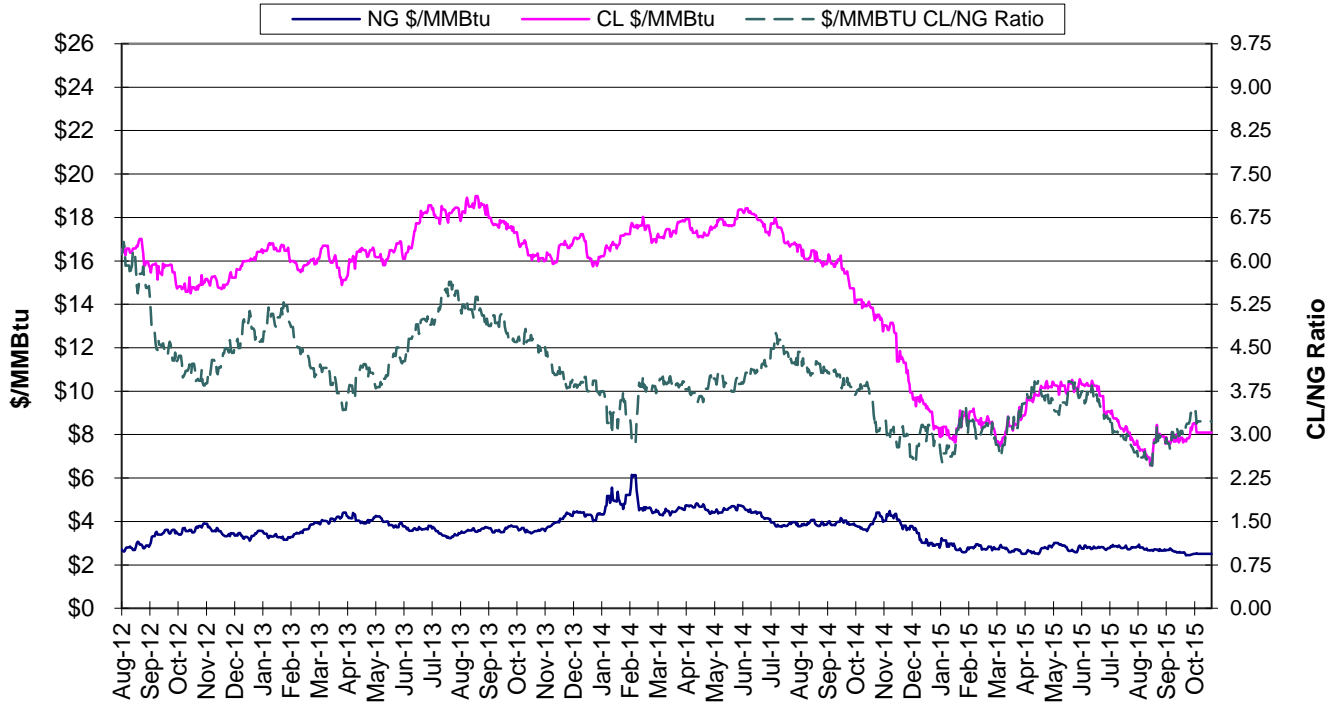
**Supply Trends:** Total supply fell 0.2 bcf/d to 74.2 bcf/d. US production fell. Canadian imports rose, Mexican exports fell and LNG imports were unchanged. The US Baker Hughes rig count fell 8 as oil slipped while natural gas rose. The total US rig count now stands at 787. The Canadian rig count rose 1 and now stands at 181. Thus, the total North American rig count fell 7 to 968 and now trails last year by 1,367. This is a slight contraction in the yearly deficit. The higher efficiency US horizontal rig count fell 7 to 591 and falls 762 below last year. This is the lowest horizontal rig count since May 3, 2002. The EIA's Drilling Productivity Report revised October production to estimate a monthly increase over September that ended a four month slide.

**Demand Trends:** Total demand rose 1.2 bcf/d to 61.6 bcf/d. Lower power demand was more than offset by higher R&C and industrial consumption. Electricity demand fell 2,593 gigawatt-hrs to 71,102 which trails last year by (1,113) (1.5%) while exceeding the 5 year average by 644 (0.9%).

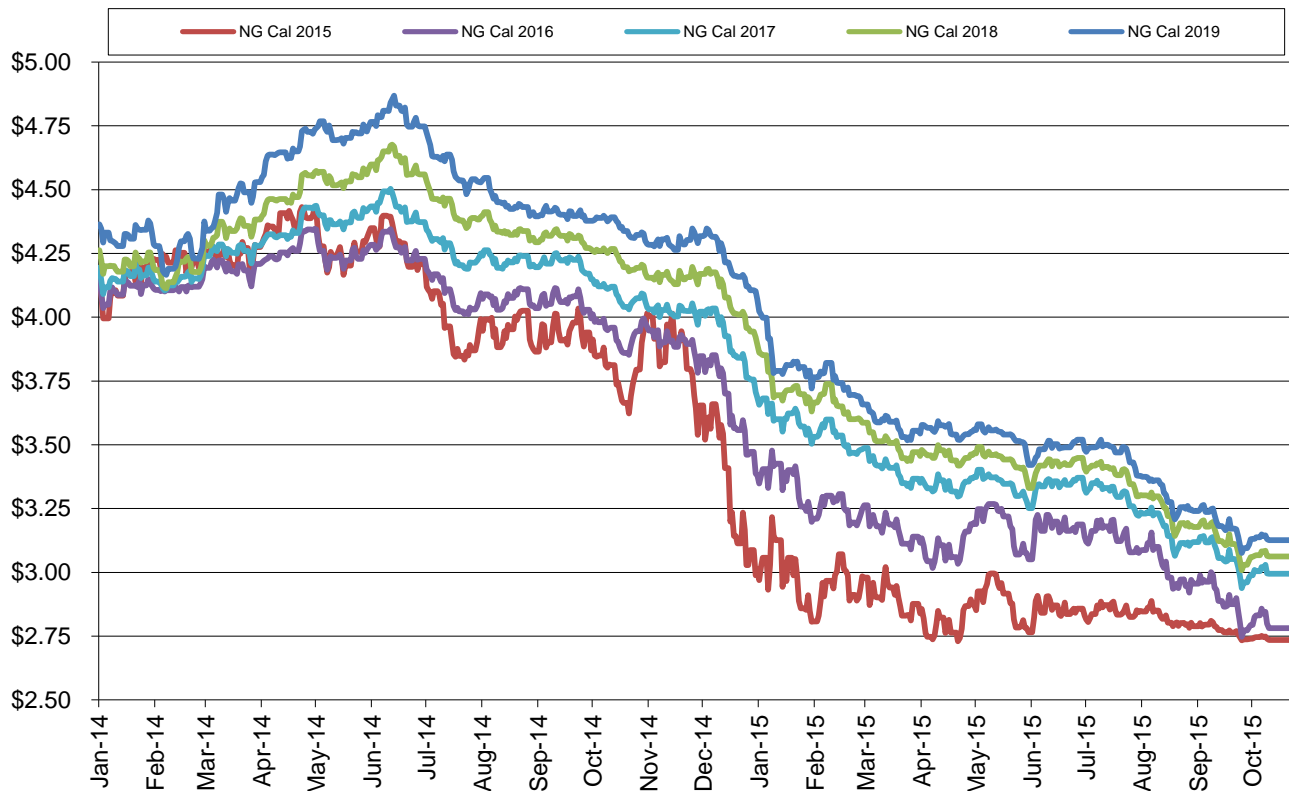
**Other Factors** Nuclear generation fell 4,075 MW in the reference week to 81,282 MW. This is 3,469 MW lower than last year and 3,918 MW lower than the 5 year average. Recent output slipped below 80,000 MW. There are more nuclear units scheduled to begin maintenance this week.

- With a forecast through October 30, the 2015 total cooling index rose as the well above normal temperatures lifted the index. No other year saw an increase. The current index is at 4,402 compared to 3,451 for 2014, 4,811 for 2013, 7,212 for 2012 and 6,709 for 2011.

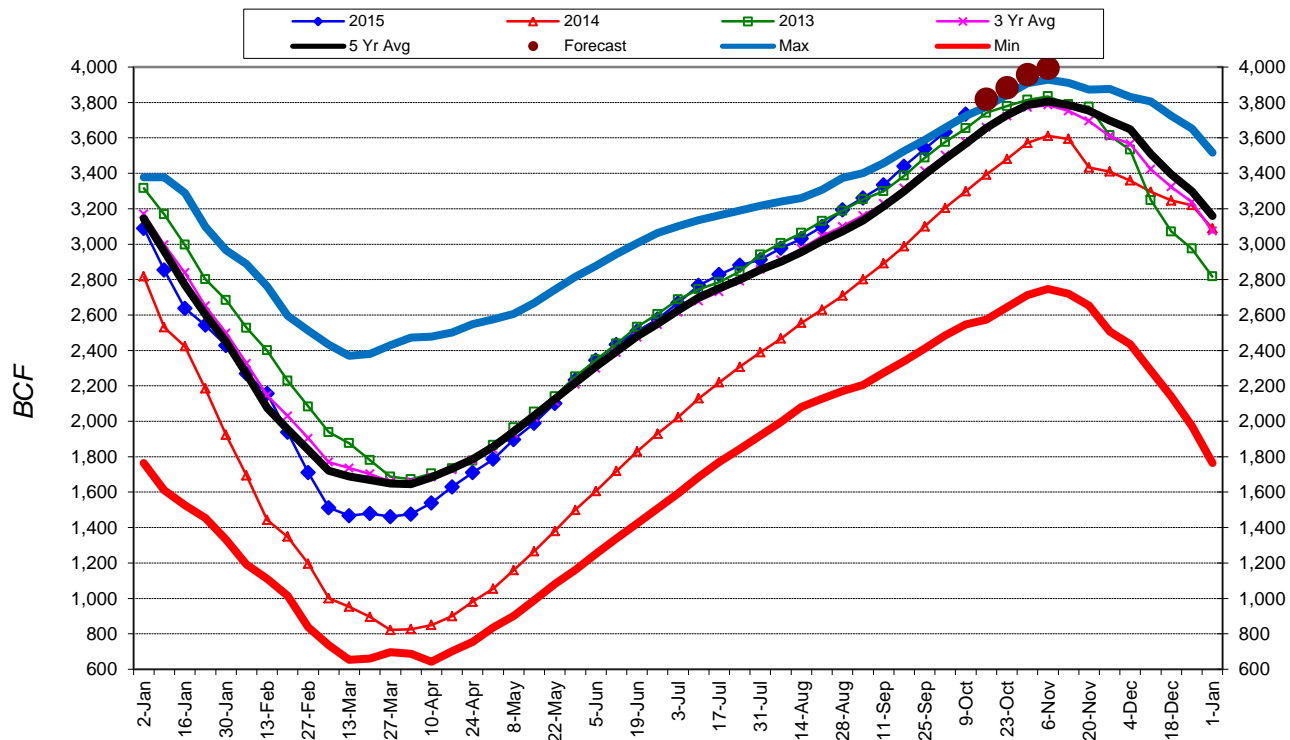
## \$/MMBtu Ratio of NYMEX CL and NG



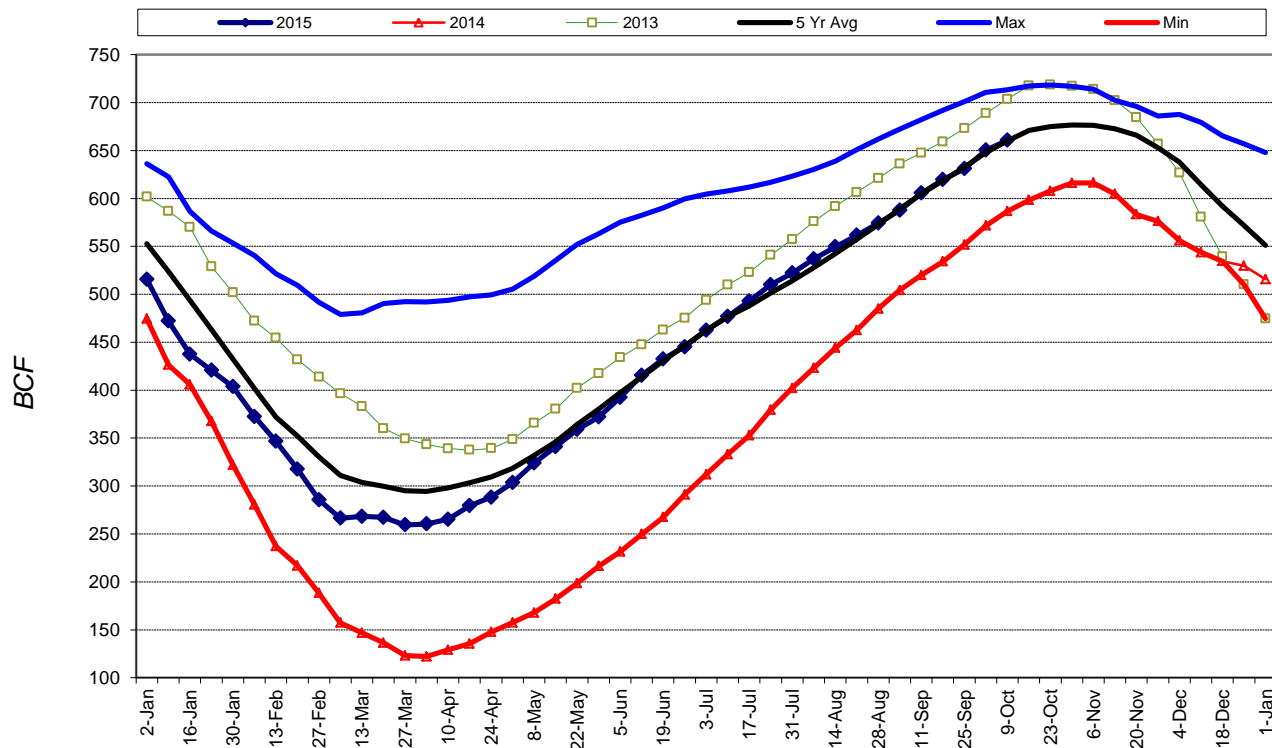
## NYMEX Calendar Strips



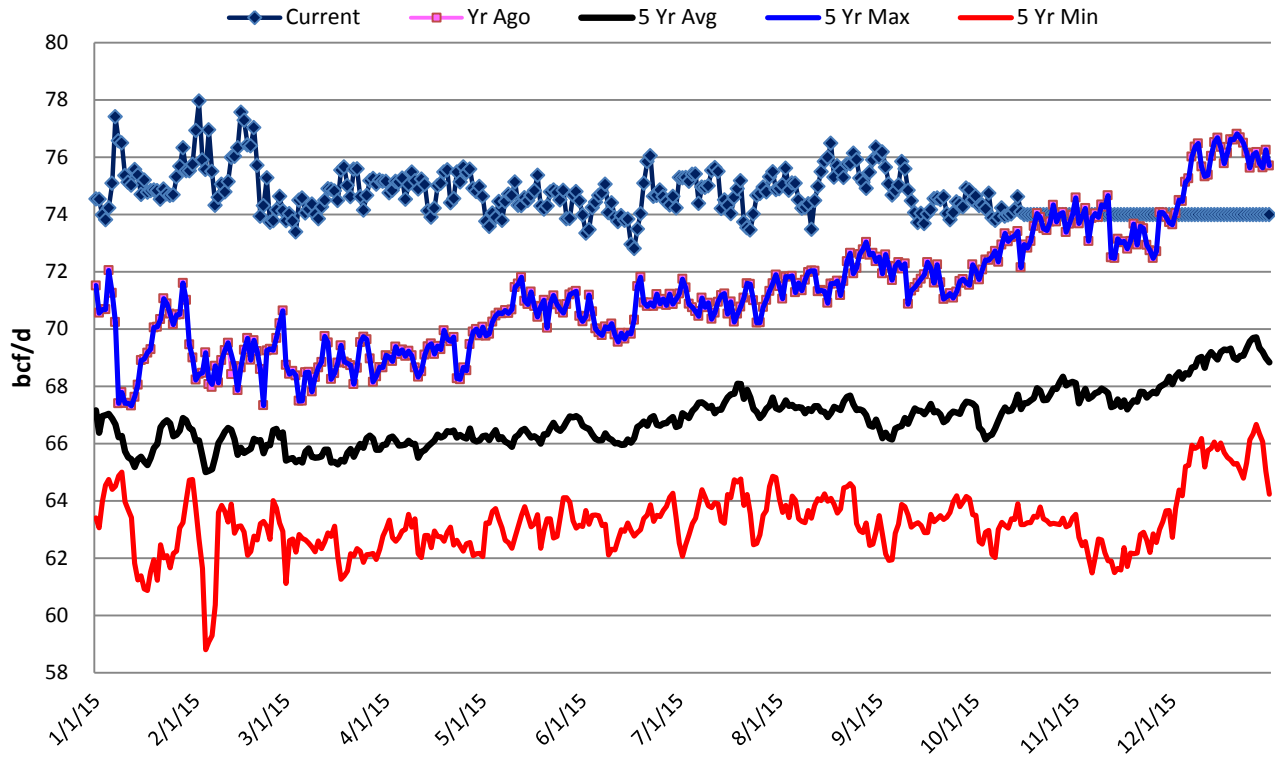
## US Working Gas Storage - Source - EIA



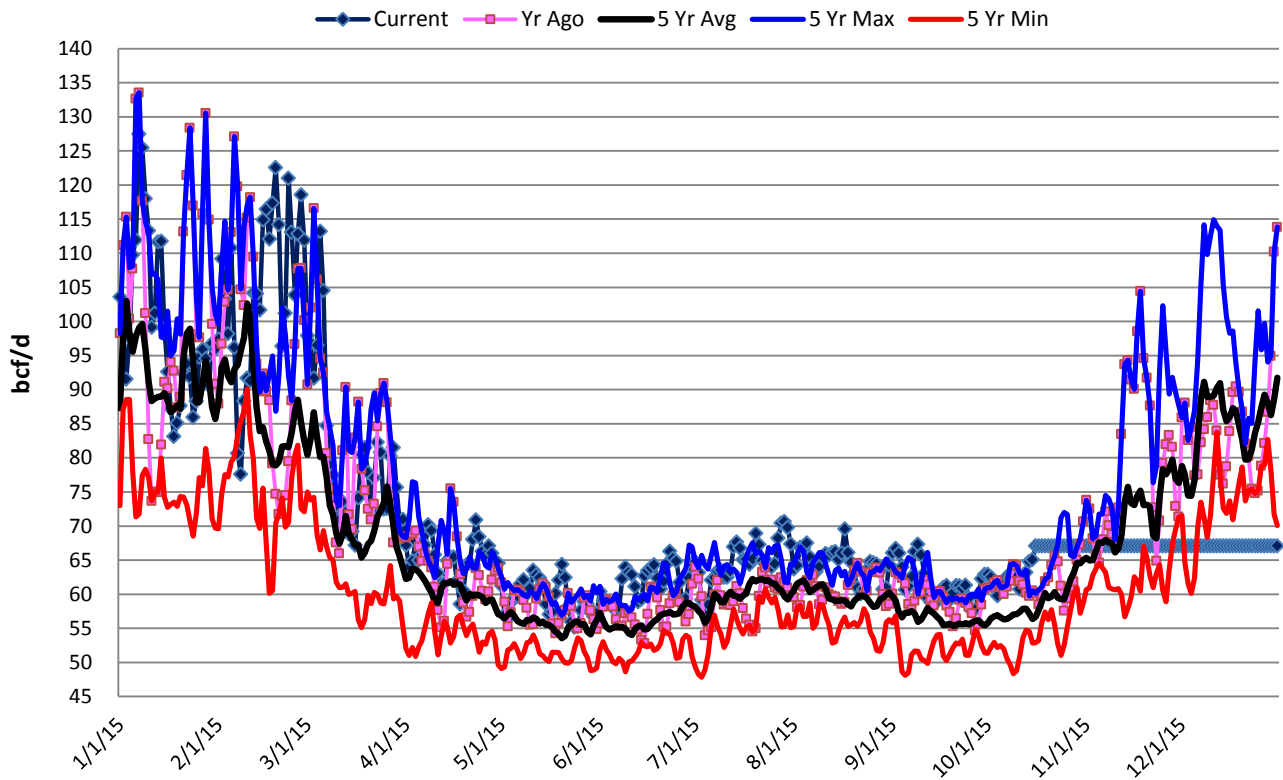
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



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

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