

IAF Advisors/Criterion Research  
Energy Market Outlook  
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November 6, 2015

**Price Action:** The December contract fell 1.0 cent (0.4%) to \$2.361 on a 15.7 cent range.

**Price Outlook:** Prices came close to both prior week's high and low, but did not match either one and thus posted a rare inside week. The back end of the weather forecasts have turned below normal and if confirmed may help provide support to the market. However, many suspect the cold will be short-lived and if temperatures return to well above normal in December, prices are likely to remain defensive. However, considering a bullish temperature adjusted supply/demand balance just normal temperatures are likely to result in bullish withdrawals. CFTC data was not updated due to the Veteran's Day Holiday. Aggregated CME futures open interest fell to 1,015,000 as of November 13.

**Weekly Storage:** US working gas storage for the week ending November 6 indicated a net injection of 49 bcf. Thus total working gas inventories rose to 3,978 bcf. This now represents the highest level of working gas ever reported by the EIA. Current inventories rise 367 bcf (10.2%) above last year while surpassing the 5 year average by 173 bcf (4.5%).

**Storage Outlook:** Our EIA weekly storage exactly matched the EIA. The 5 week summation error is now at just +1 bcf. Inventories are now expected to almost reach 4,000 bcf in November. We expect inventories to fall to just above 1,600 bcf in April 2016. The April level is obviously hugely weather dependent with a 1 tcf range easily conceivable.

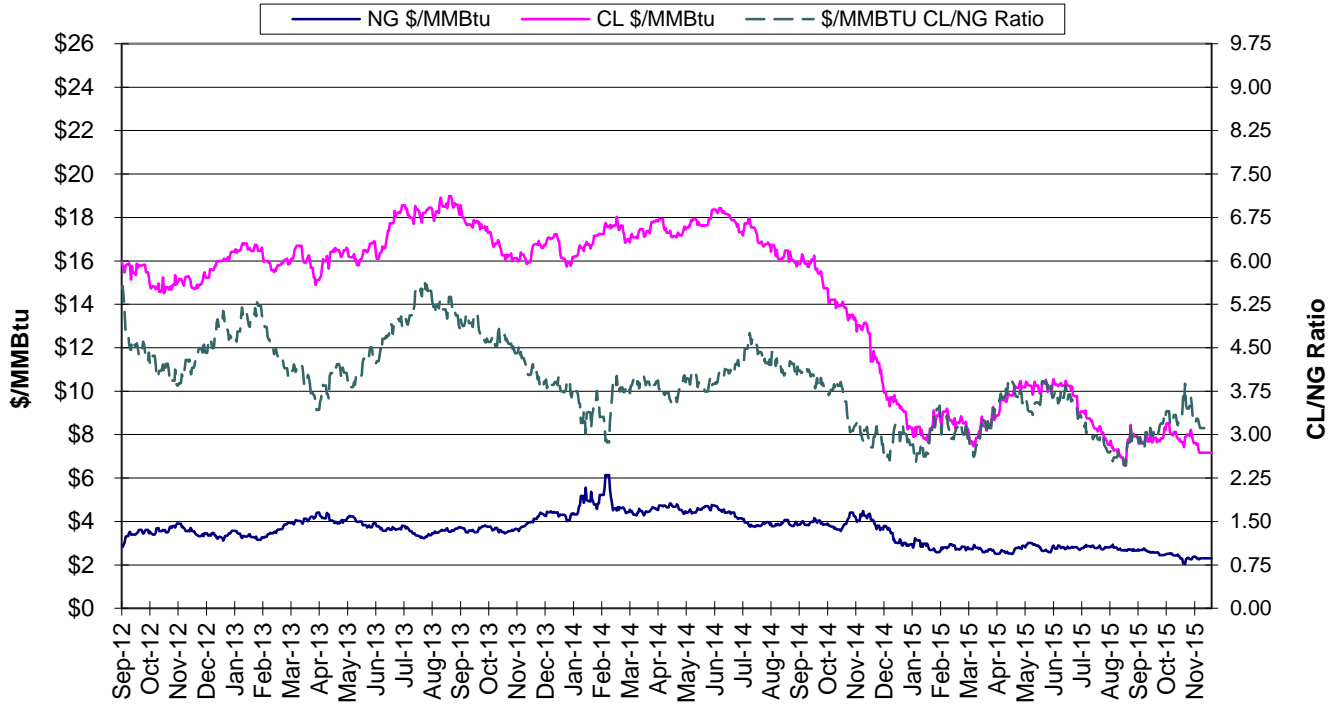
**Supply Trends:** Total supply fell 0.7 bcf/d to 73.6 bcf/d. US production and Canadian imports and Mexican exports were lower. LNG imports were unchanged. The US Baker Hughes rig count fell 4 as oil rose while natural gas slipped. The total US rig count now stands at 767. The Canadian rig count fell 9 and now stands at 176. Thus, the total North American rig count fell 13 to 943 and now trails last year by 1,387. This is slightly below the record year on year rig count deficit of October 30ths 1,392 short fall. The higher efficiency US horizontal rig count rose 2 to 587 and falls 782 below last year. The EIA Drilling Productivity Report was released and included a massive downward revision to November. Even after three positive revisions in the previous months, this month more than eliminated those increases. Unfortunately, the large revisions create uncertainty regarding any trends that are apparent.

**Demand Trends:** Total demand fell 0.4 bcf/d to 66.9 bcf/d. Lower power demand offset slightly higher R&C. Electricity demand rose 326 gigawatt-hrs to 68,619 which trails last year by 1,266 (1.8%) while trailing the 5 year average by 1,702 (2.4%).

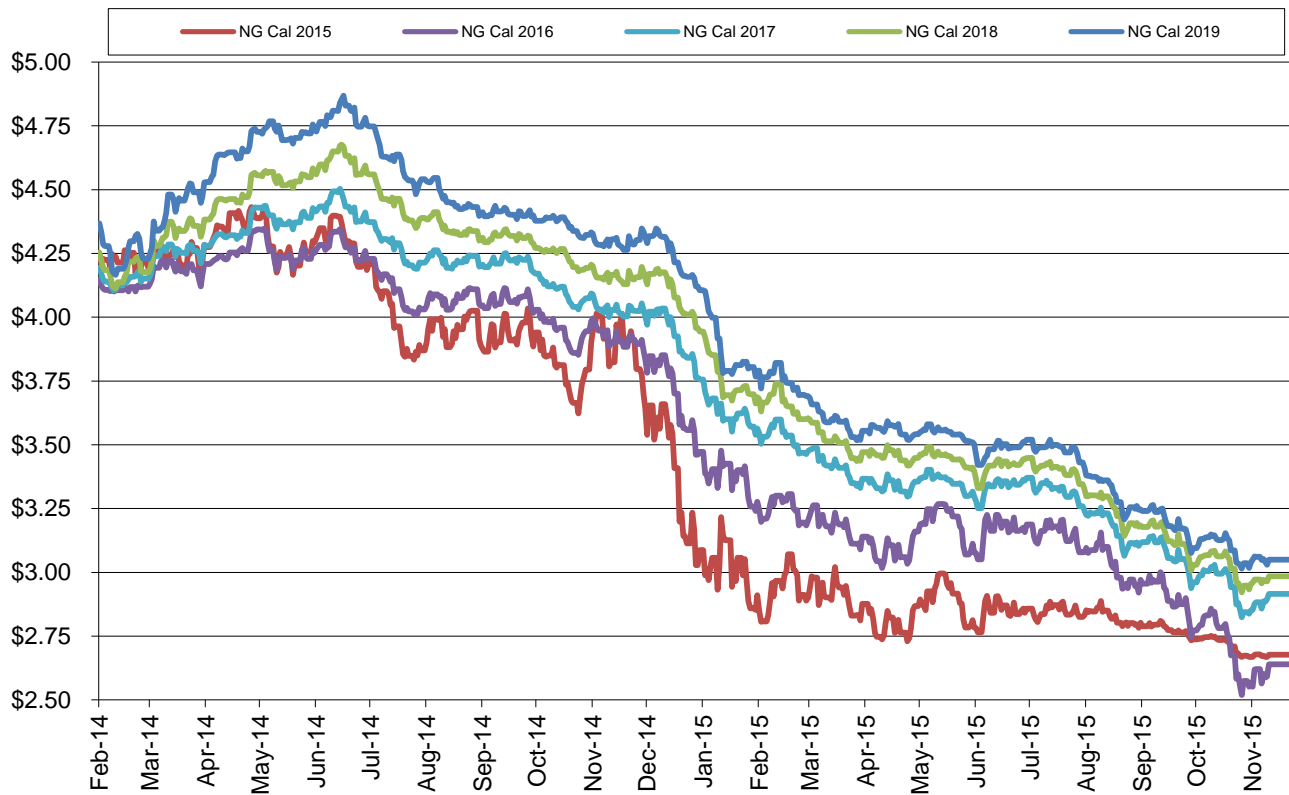
**Other Factors** Nuclear generation rose 981 MW in the reference week to 77,743 MW. This is 4,599 MW lower than last year and 3,690 MW lower than the 5 year average. Recent output was nearing 78,000 MW and unless unplanned outages reduce output, nuclear generation may have witnessed a cycle low. Output has risen slower than expected.

- Not surprisingly, the 2015/16 heating season is still off to a slow start. With a forecast through November 27, the 2015/16 total heating index did rise, but at a slower than normal pace. The current index is at 252 compared to 462 for 2014/15, 445 for 2013/14, 445 for 2012/13 and 338 for 2011/12.

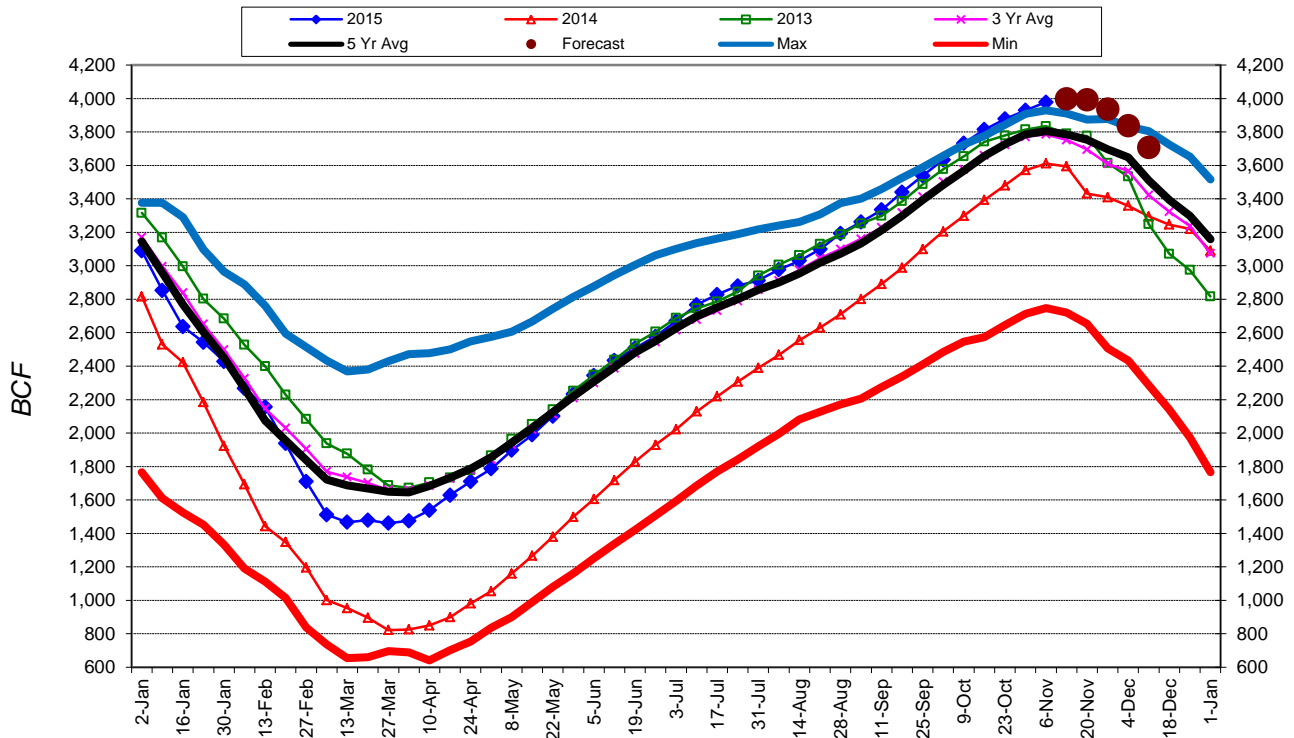
## \$/MMBtu Ratio of NYMEX CL and NG



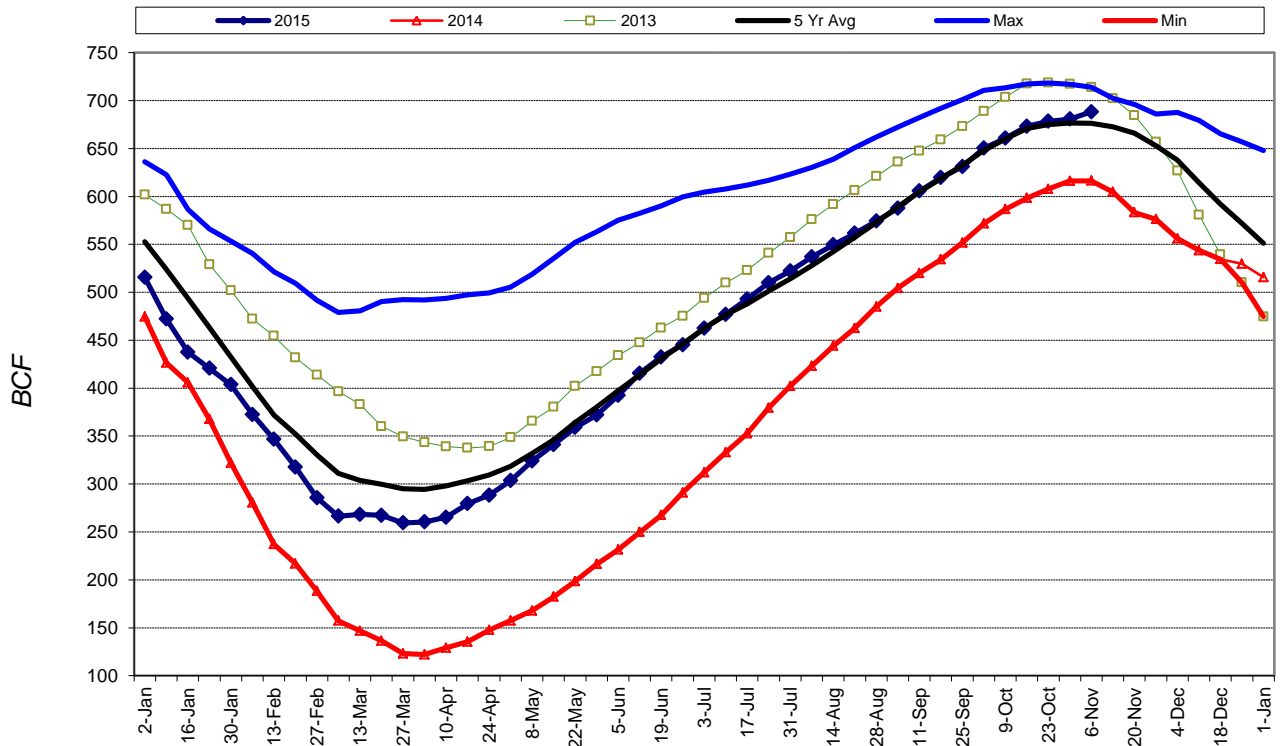
## NYMEX Calendar Strips



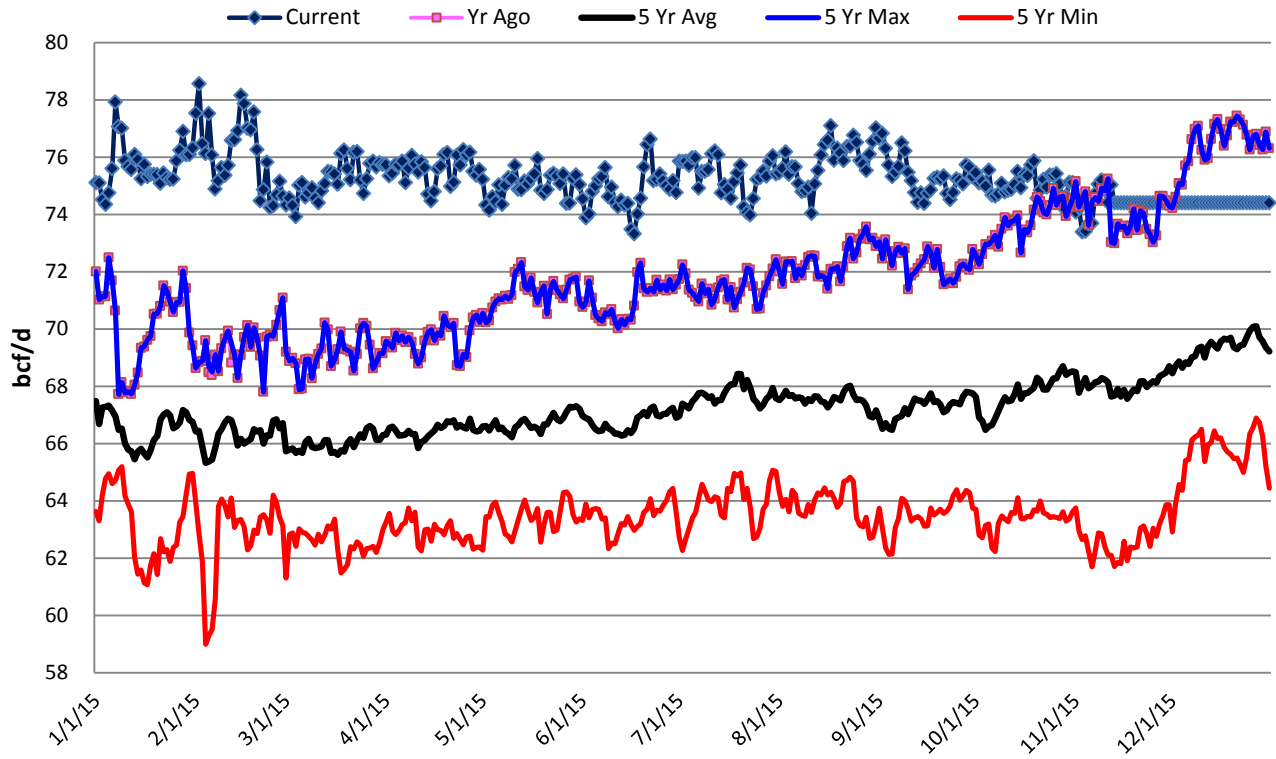
## US Working Gas Storage - Source - EIA



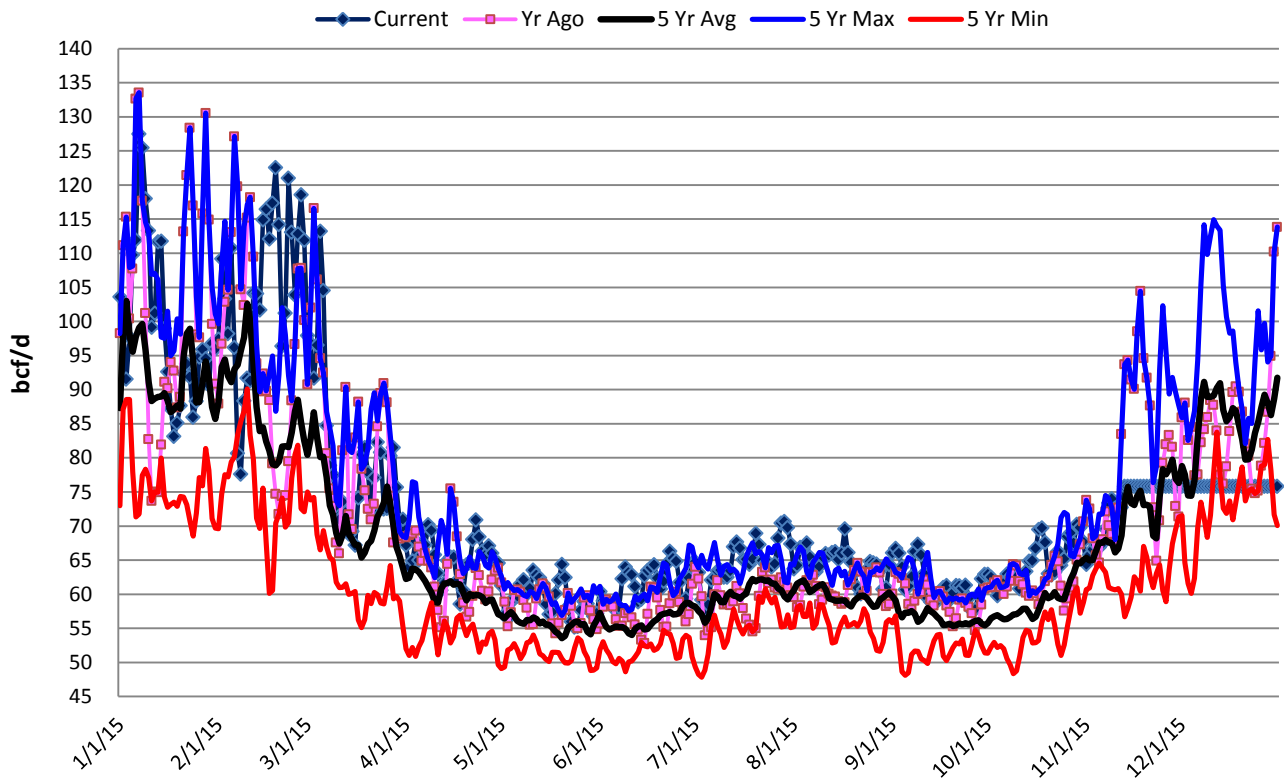
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



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

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