

IAF Advisors/Criterion Research  
Energy Market Outlook  
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November 20, 2015

**Price Action:** The December contract fell 21.6 cent (9.1%) to \$2.145 on a 33.7 cent range.

**Price Outlook:** After a rare inside week last week, the market posted both a new high and new low as an early week rise established a new high and then weather forecasts indicating a return to above normal temperatures at the end of the forecast pressured the market lower. The longer cold weather is delayed, the less upside price impact any cooler temperatures will have on the market. Delayed cooler weather increasingly paves the way for even lower prices. Updated CFTC data revealed a dramatic reduction in the managed money net short position to almost 152,000 from almost 184,000. Open interest is now at 3.385 million as of November 17. Aggregated CME futures open interest fell to 992,000 as of November 20.

**Weekly Storage:** US working gas storage for the week ending November 13 indicated a net injection of 15 bcf. This report included the new 5 regional data set that has long been expected. The new total working gas inventory level is 4,000 bcf. This now represents the highest level of working gas ever reported by the EIA. Current inventories rise 406 bcf (11.3%) above last year while surpassing the 5 year average by 213 bcf (5.6%).

**Storage Outlook:** Again due primarily to the warm early November temperatures, the injection exceeded both last year and the 5 year average. This injection year has seen 12 weeks surpass last year while 25 weeks have exceeded the 5 year average. The upcoming week will easily exceed last year and the 5 year average.

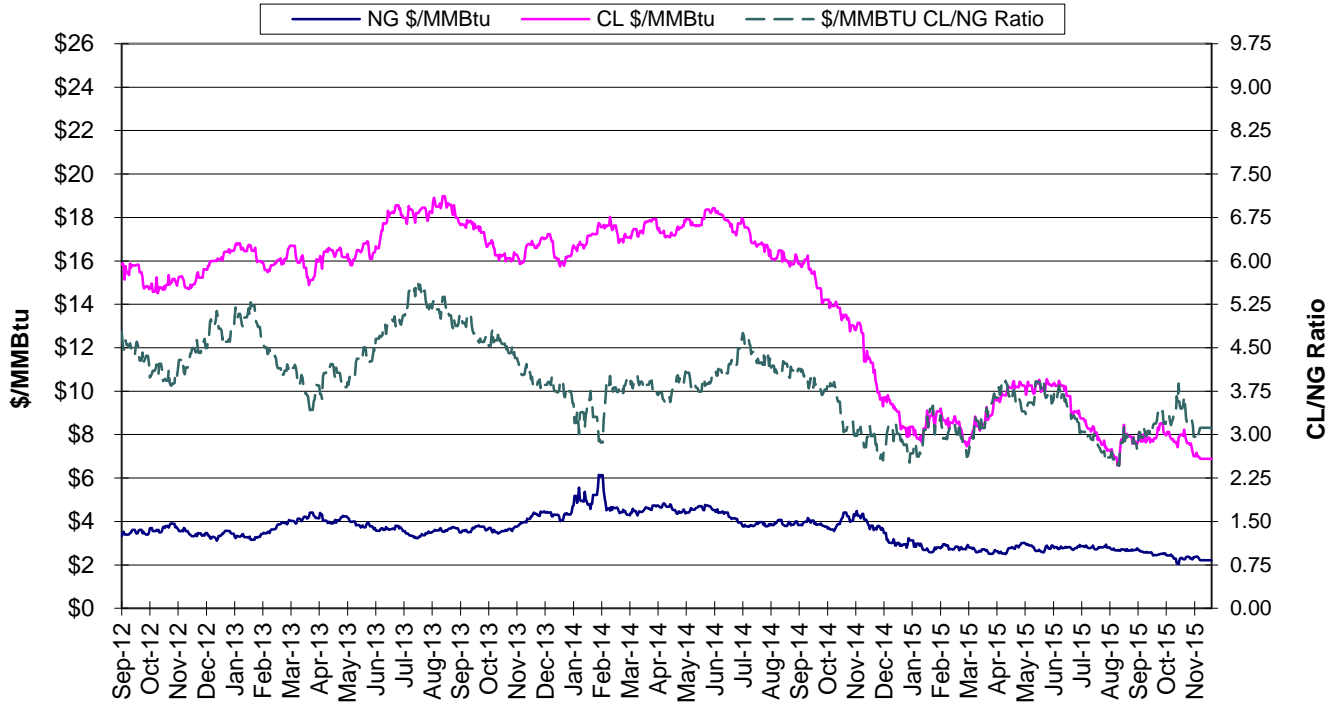
**Supply Trends:** Total supply rose 0.6 bcf/d to 74.0 bcf/d. Canadian imports rose. Mexican exports and LNG imports were unchanged. US production fell. The US Baker Hughes rig count slipped 10 as oil fell while natural gas was unchanged. The total US rig count now stands at 757. The Canadian rig count fell 10 and now stands at 166. Thus, the total North American rig count fell 20 to 923 and now trails last year by 1,440, which is a new record year on year rig count deficit. The higher efficiency US horizontal rig count fell 6 to 581 and falls 782 below last year. A review of Q3 E&P company reports reveals a slight uptick in production. Continued efficiency gains are the key take away. Some companies reported operating losses that were offset by financial hedges. However, current forward prices are now much lower than in year's past and hedges will not offer the same degree of financial protection in coming quarters.

**Demand Trends:** Total demand rose 4.8 bcf/d to 71.7 bcf/d. All sectors were higher. Electricity demand rose 725 gigawatt-hrs to 69,344 which trails last year by 5,166 (6.9%) while trailing the 5 year average by 2,587 (3.6%).

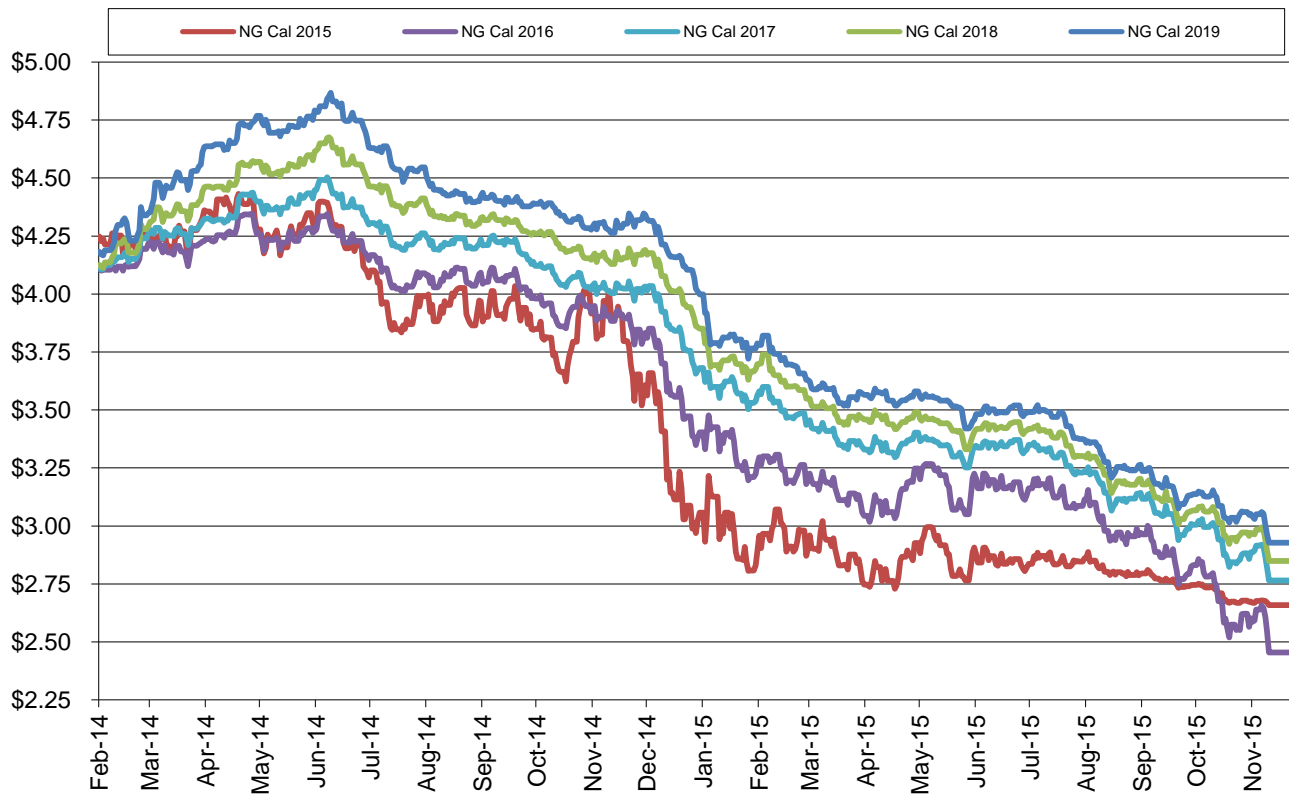
**Other Factors** Nuclear generation fell 1,840 MW in the reference week to 75,903 MW. This is 6,112 MW lower than last year and 6,014 MW lower than the 5 year average. Unplanned issues reduced output. However, output rebounded and was recently over 83,000 MW.

- Not surprisingly, the 2015/16 heating season is off to the slowest start since 2011. With a forecast through December 4, the 2015/16 total heating index is at 414 compared to 579 for 2014/15, 573 for 2013/14, 509 for 2012/13 and 464 for 2011/12.

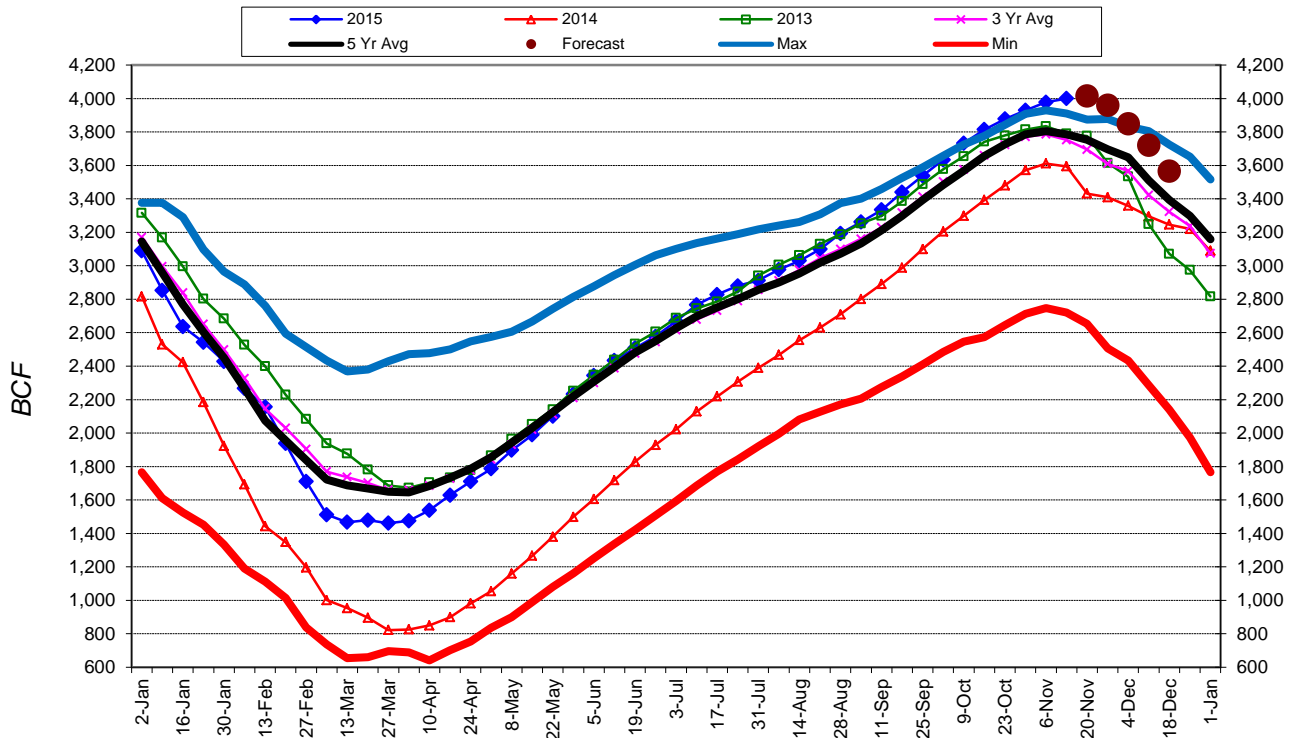
## \$/MMBtu Ratio of NYMEX CL and NG



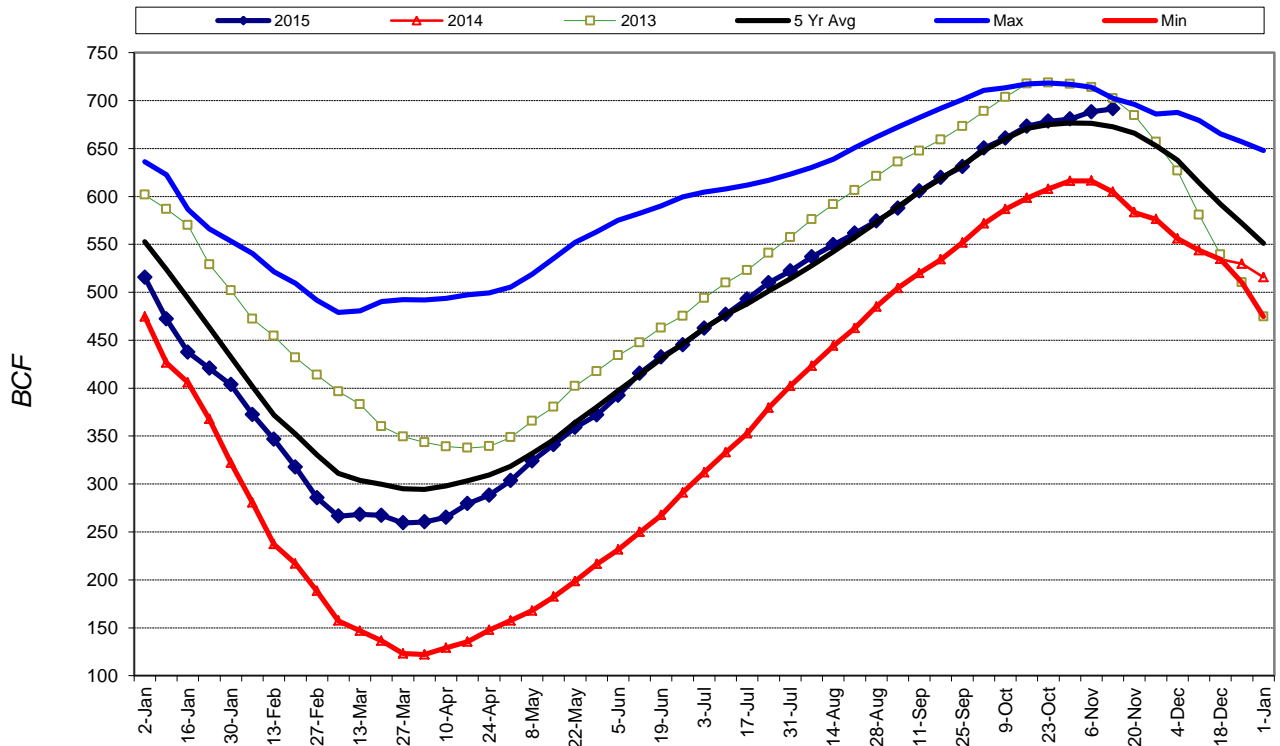
## NYMEX Calendar Strips



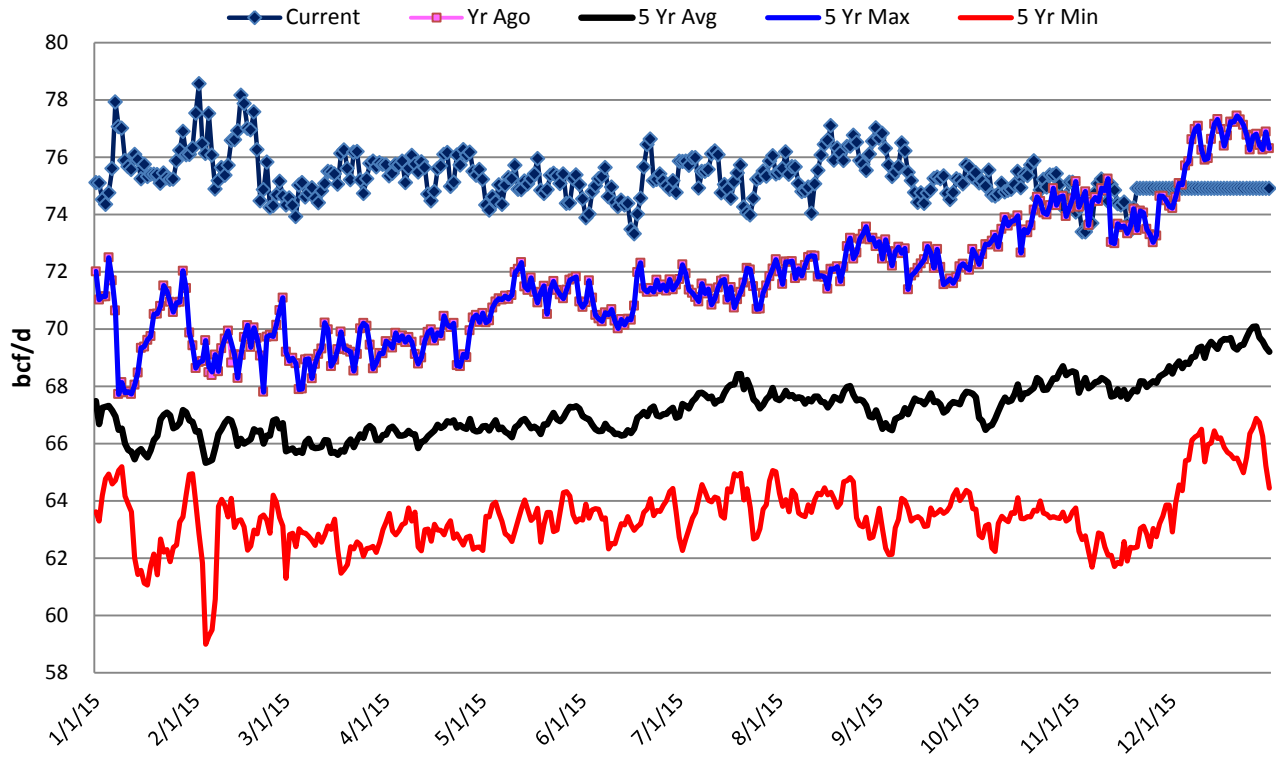
## US Working Gas Storage - Source - EIA



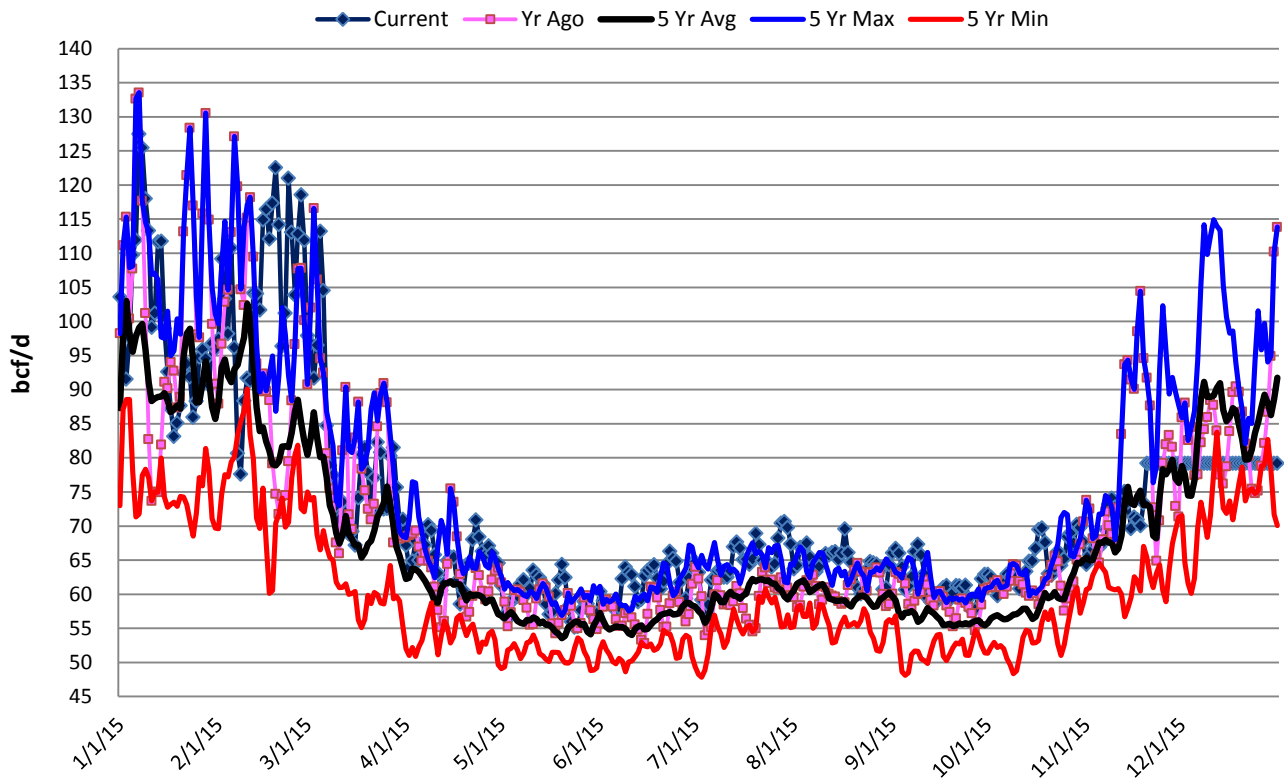
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



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

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