

IAF Advisors/Criterion Research
Energy Market Outlook
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Price Action: The January contract fell 2.6 cents (1.2%) to \$2.186 on a 12.8 cent range.

Price Outlook: The market did not post a new high or low and instead had a rare inside week. Since 2000, only 76 weeks have been inside weeks compared to 96 when both a new high and low are established. As the weather forecasts continue to indicate well above normal temperatures, new lows remain more likely than new highs. CFTC data updated from before Thanksgiving indicated a rather substantial reduction in the managed money net short position from nearly 152,000 to almost 128,000. Total open interest now stands at 3.199 million as of December 1. Aggregated CME futures open interest fell to 1.001 million as of December 4.

Weekly Storage: US working gas storage for the week ending November 27 indicated a net withdrawal of 53 bcf. This is the first withdrawal of the 2015/16 winter which was delayed due to the extremely warm weather. Current inventories rise 547 bcf (16.0%) above last year while surpassing the 5 year average by 259 bcf (7.0%).

Storage Outlook: Our EIA weekly storage estimate was 4 bcf higher than reported by the EIA. The 5 week summation fell to 5 bcf. For a 5 week period, that is within our tolerance. Inventories have peaked at 4,009 bcf and should now continue to decline until late March or early April. We expect inventories to fall to just over 1,800 bcf in April 2016. The April level is obviously hugely weather dependent with a 1 tcf range easily conceivable.

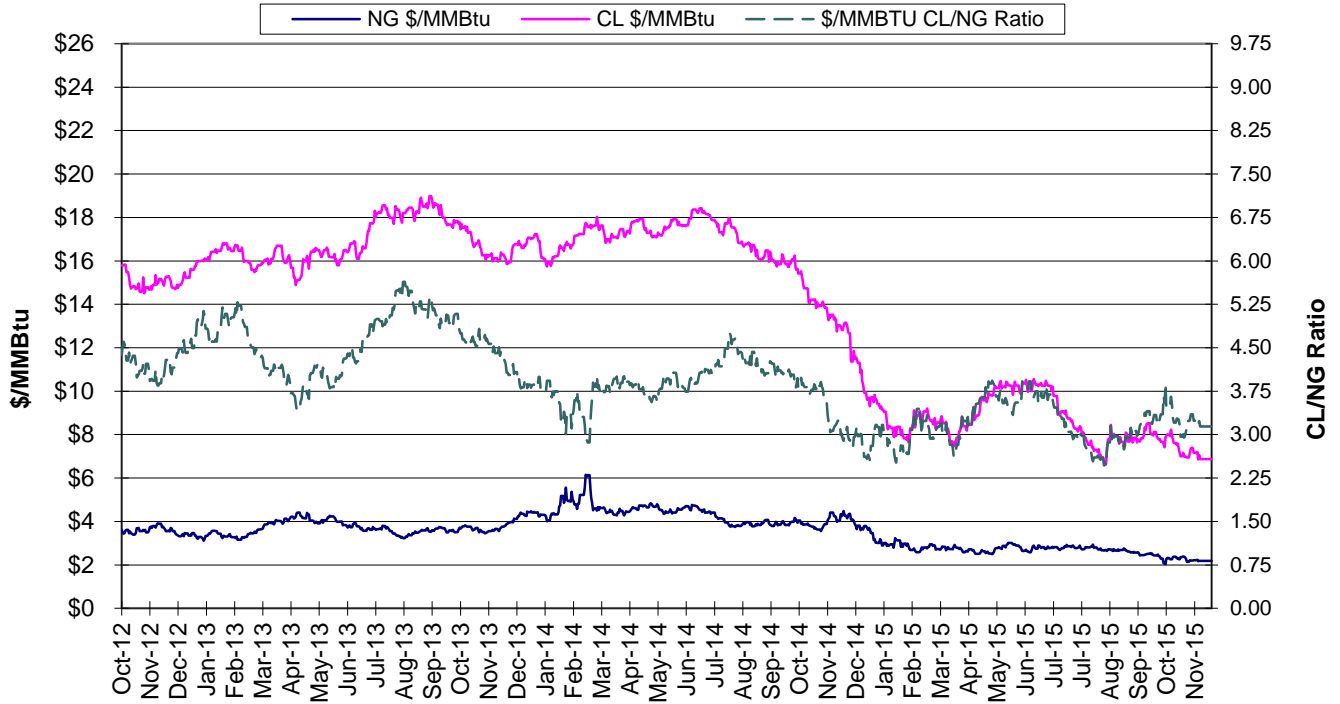
Supply Trends: Total supply rose 0.9 bcf/d to 74.3 bcf/d. US production and Canadian imports rose. LNG imports were unchanged while Mexican exports rose. The US Baker Hughes rig count slipped 7 as oil fell while natural gas activity rose. The total US rig count now stands at 737. The Canadian rig count fell 7 and now stands at 177. Thus, the total North American rig count fell 14 to 914 and now trails last year by 1,428 and that compares to the record 1,440 year on year rig count deficit from November 20. The higher efficiency US horizontal rig count was unchanged at 569 and falls 799 below last year. This is the lowest US horizontal rig count since December 25, 2009. The EIA Monthly Natural Gas report indicated yet another record for US natural gas production in September.

Demand Trends: Total demand rose 9.2 bcf/d to 81.3 bcf/d. All sectors were higher. Electricity demand rose 16 gigawatt-hrs to 70,149 which trails last year by 1,784 (2.5%) and the 5 year average by 2,595 (3.6%). The EIA Monthly Natural Gas report indicated the 8th consecutive monthly record demand level in September.

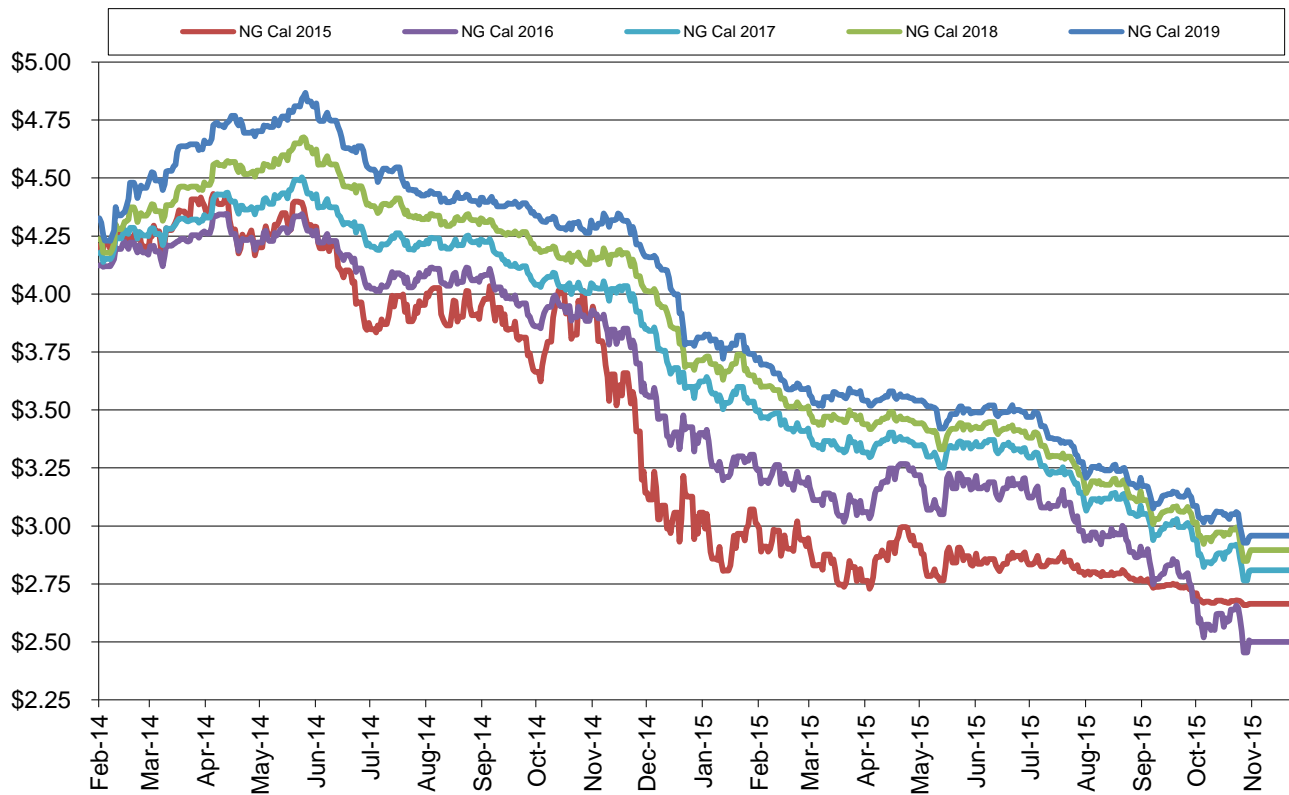
Other Factors Nuclear generation rose 4,402 MW in the reference week to 84,340 MW. This is 7,838 MW lower than last year and 2,994 MW lower than the 5 year average. Units have recovered from unplanned issues and output was recently over 87,000 MW.

- The 2015/16 heating season is still off to the slowest start since 2011. With a forecast through December 18, the 2015/16 total heating index is at 609 compared to 804 for 2014/15, 958 for 2013/14, 709 for 2012/13 and 744 for 2011/12.

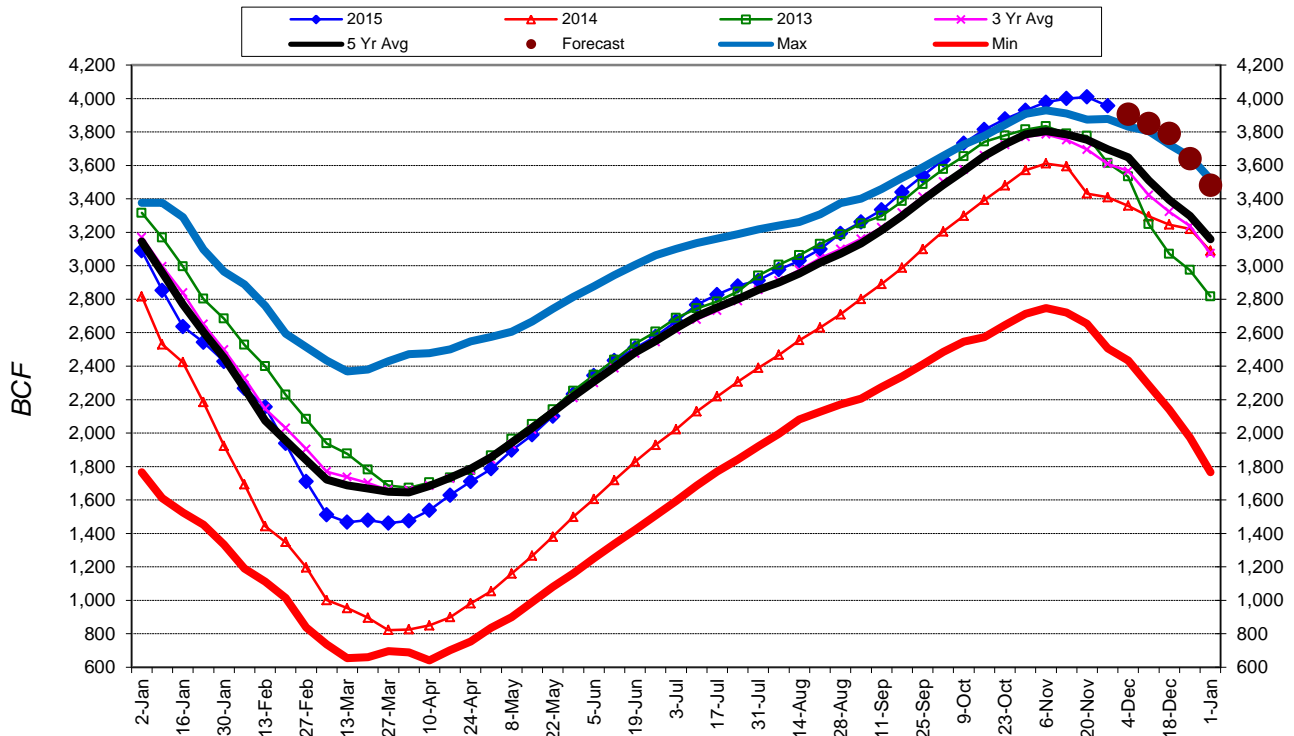
\$/MMBtu Ratio of NYMEX CL and NG



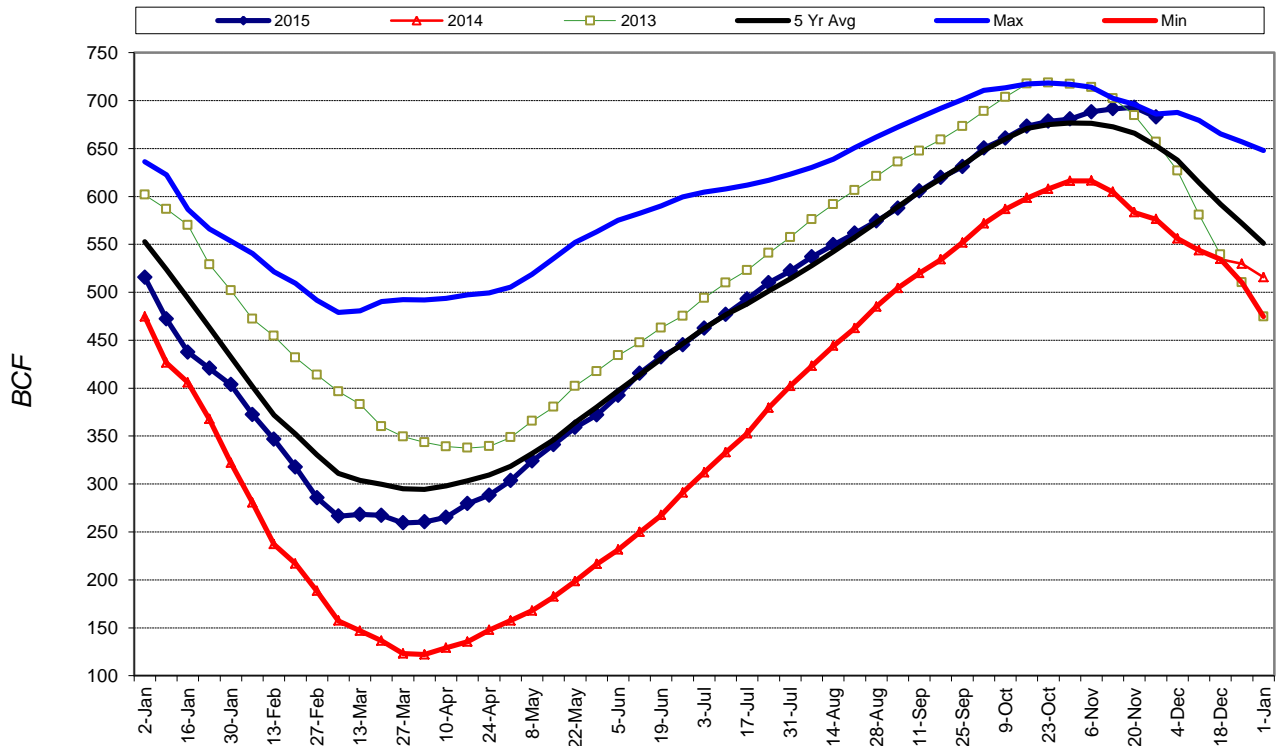
NYMEX Calendar Strips



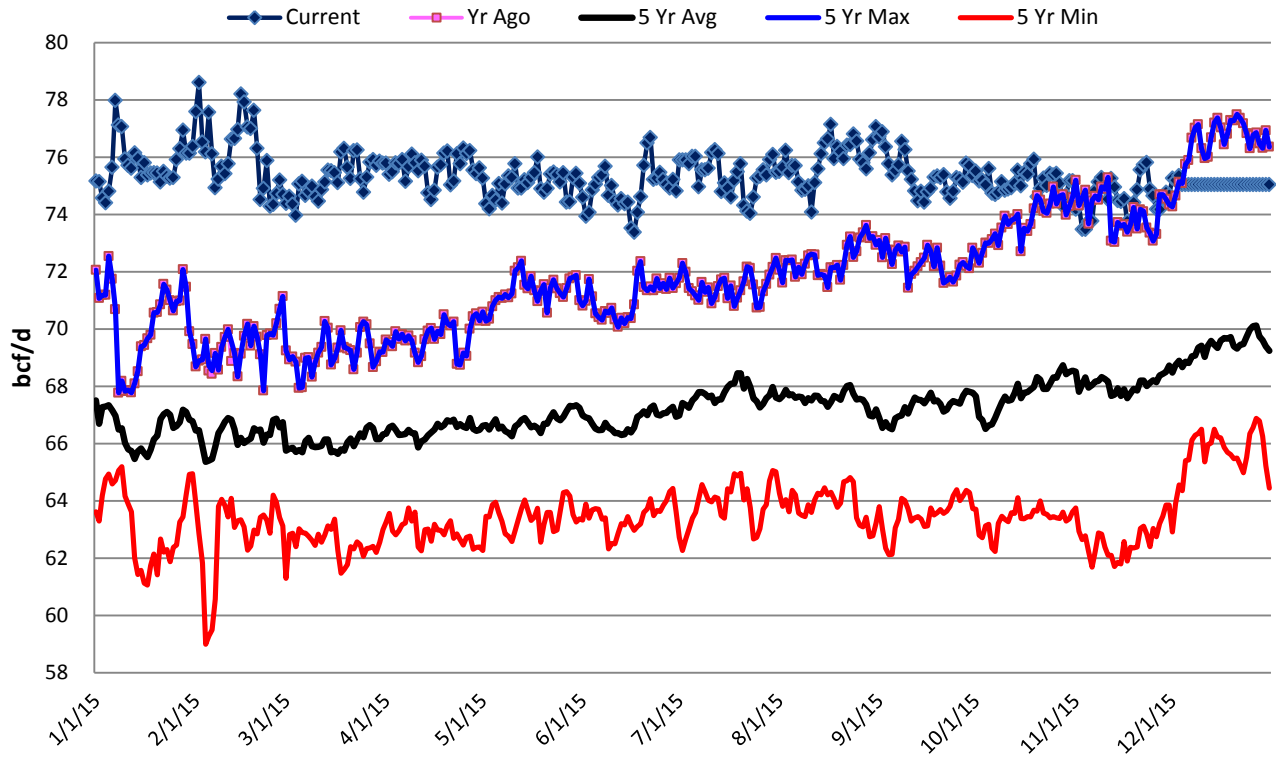
US Working Gas Storage - Source - EIA



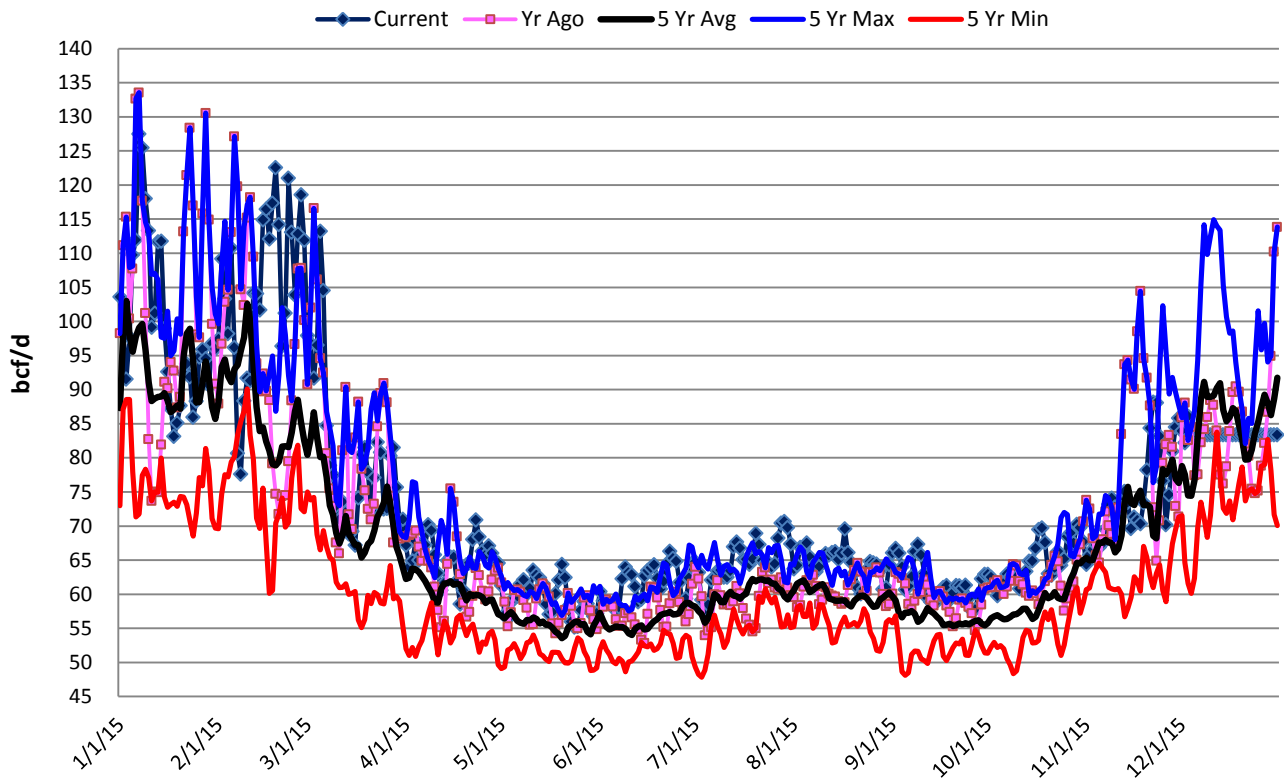
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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