

IAF Advisors/Criterion Research  
Energy Market Outlook  
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December 25, 2015

**Price Action:** The January contract rose 26.2 cents (14.8%) to \$2.029 on a 26.5 cent range.

**Price Outlook:** The market surged higher as weather forecasts turned bullish in comparison to recent outlooks. The weather forecasts are not considered overly bullish on an absolute basis. However, they are significantly less bearish than outlooks since late November. Thus the market rallied and may continue to do so if weather forecasts continue to lower storage projections. However, prices could easily turn lower again if weather forecasts predict a return to above normal temperatures. The back end of the current forecasts are above normal. CFTC data was not released due to the Christmas Holiday. Aggregated CME futures open interest fell to 1.008 million as of December 24.

**Weekly Storage:** US working gas storage for the week ending December 18 indicated a net withdrawal of 32 bcf. Current inventories rise 569 bcf (17.5%) above last year while surpassing the 5 year average by 420 bcf (12.4%). This week's injection easily established a new weekly record for the mathematically largest injection (smallest withdrawal) and was obviously mathematically larger than last year and the 5 year average.

**Storage Outlook:** Based only on weather forecasts, this week removed 58 bcf to storage estimations. April storage levels are now projected to drop slightly below 2,000 bcf.

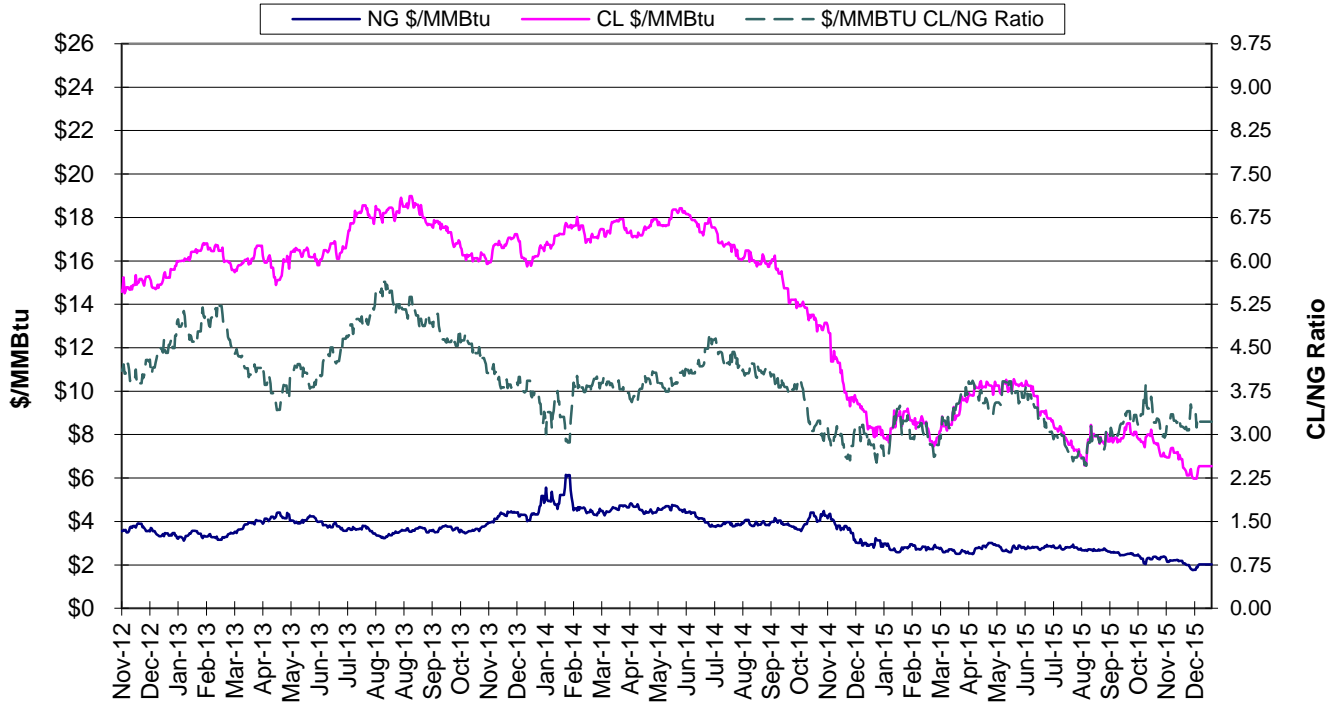
**Supply Trends:** Total supply fell 1.3 bcf/d to 73.7 bcf/d. US production and Canadian imports fell while Mexican exports and LNG imports were unchanged. The US Baker Hughes rig count fell 9 with both oil and natural gas activity lower. The total US rig count now stands at 700. The Canadian rig count fell 36 and now stands at 126. Thus, the total North American rig count fell 45 to 826 and now trails last year by 1,270, which is down from the record 1,441 yearly deficit. The higher efficiency US horizontal rig count fell 5 to 554 and falls 796 below last year.

**Demand Trends:** Total demand fell 2.3 bcf/d to 74.9 bcf/d. Power was slightly higher while all other sectors were lower. Electricity demand rose 2,514 gigawatt-hrs to 74,793 which trails last year by 2,677 (3.5%) while trailing the 5 year average by 4,470 (5.6%).

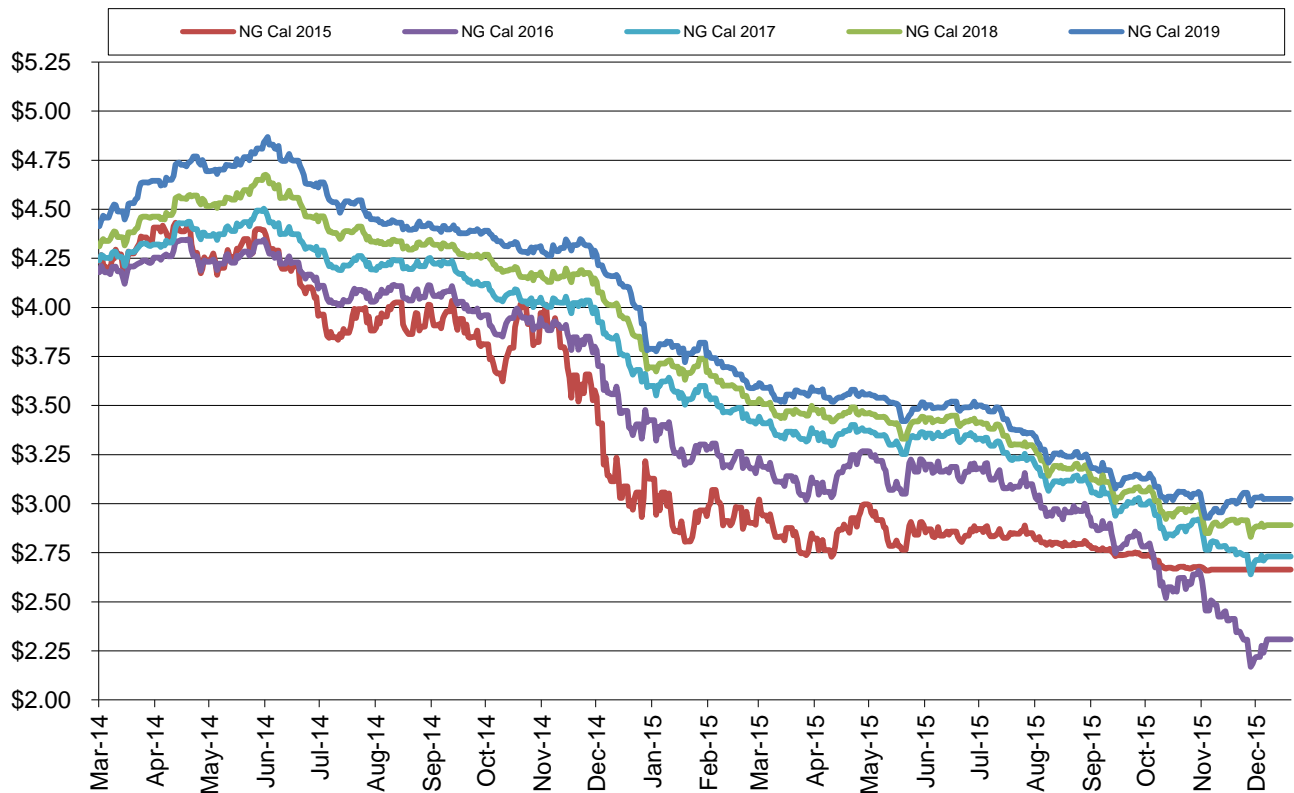
**Other Factors** Nuclear generation rose 766 MW in the reference week to 88,992 MW. This is 4,682 MW lower than last year and 3,906 MW lower than the 5 year average. Units have recovered from numerous issues and output was recently nearly 95,000 MW.

- The 2015/16 heating season is progressing at a still well below average pace. With a forecast through January 8, the 2015/16 total heating index is at 944 compared to 1,230 for 2014/15, 1,418 for 2013/14, 1,206 for 2012/13 and 1,166 for 2011/12.

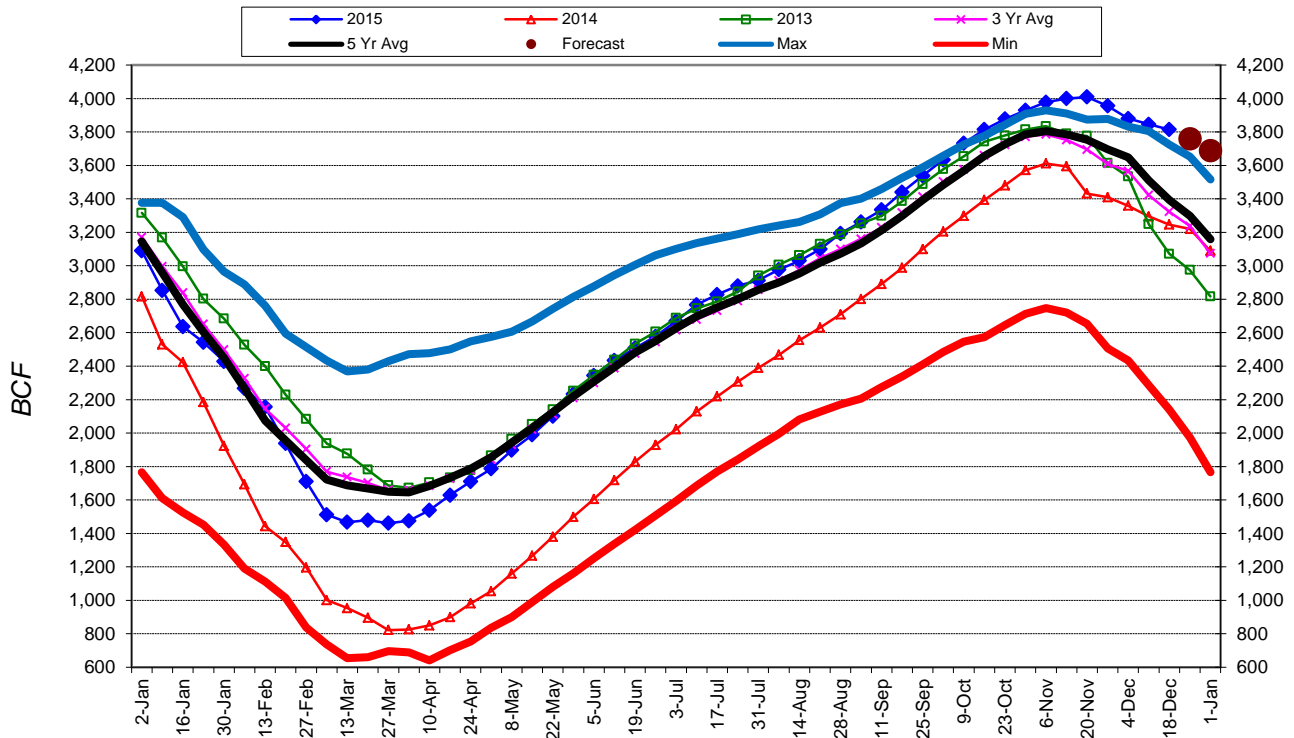
## \$/MMBtu Ratio of NYMEX CL and NG



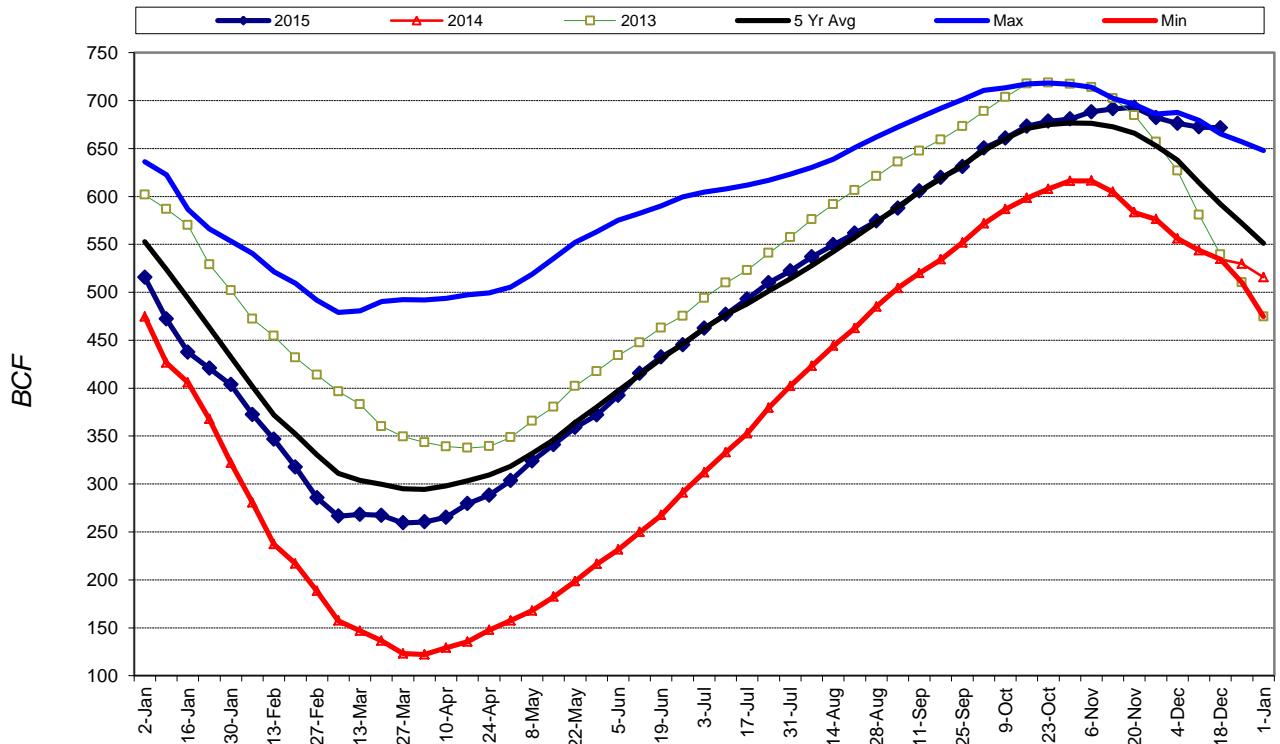
## NYMEX Calendar Strips



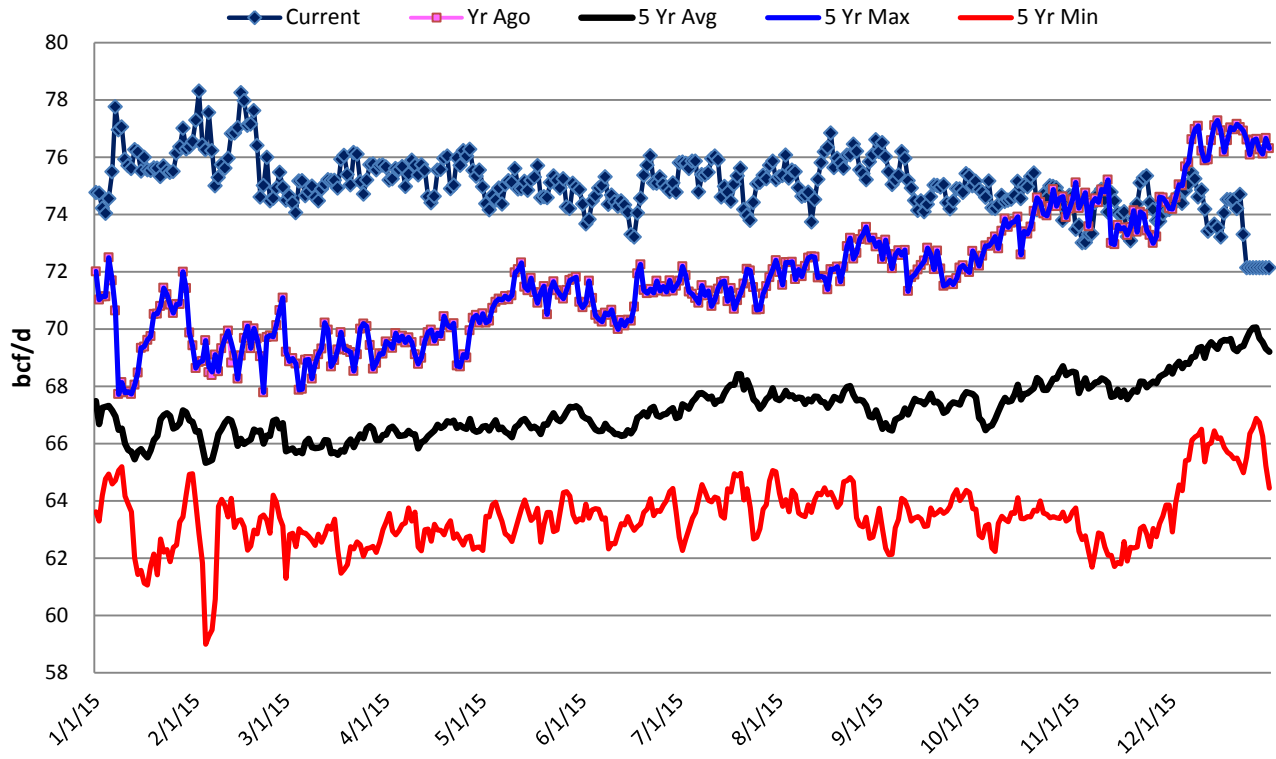
## US Working Gas Storage - Source - EIA



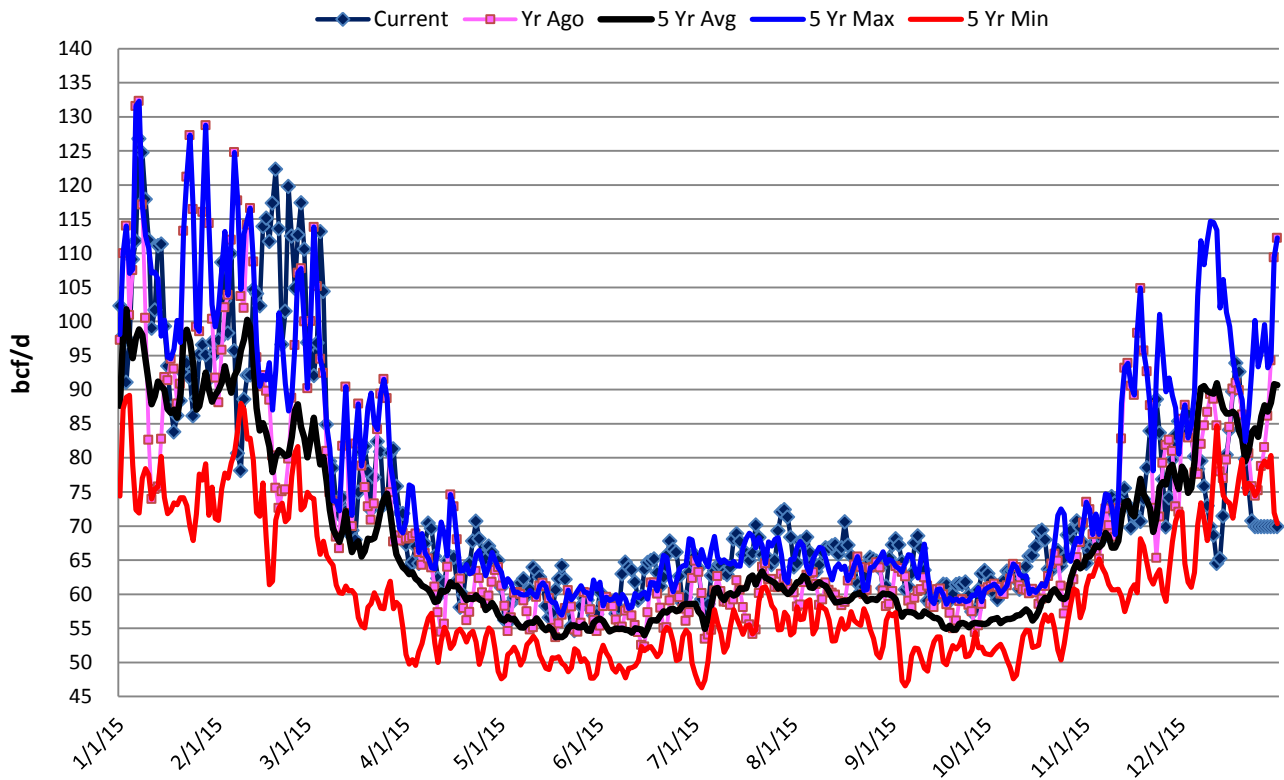
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



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

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