

IAF Advisors/Criterion Research
Energy Market Outlook
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Price Action: The March contract fell 9.7 cents (4.7%) to \$1.966 on a 22.1 cent range.

Price Outlook: Although a rare inside had been considered possible, true to historical form prices trended lower and established a new weekly low of \$1.951, barely taking out the prior week's \$1.951 low. With winter coming to an end and likely bearish yearly and 5 year average storage comparisons, new lows seem the path of least resistance. However, never estimate the impacts of weather changes and March weather can still have a tremendous impact on end of season storage levels. CFTC data indicated a significant decrease in the managed money net short position that fell from 25,000 to just 5,000. This is the smallest net short position since January 20, 2015. Total open interest rose to 3.271 million. Aggregated CME futures open interest rose to 1.009 million as of February 12.

Weekly Storage: US working gas storage for the week ending February 5 indicated a net withdrawal of 70 bcf to 2,864 bcf. Current inventories rise 595 bcf (26.2%) above last year while surpassing the 5 year average by 560 bcf (24.3%).

Storage Outlook: As an additional note, Canadian working gas storage for the week ending February 5 as reported by Enerdata dropped 5.7 bcf. Thus total working gas inventories fell to 553.3 bcf. Current inventories exceed last year by 180.8 bcf (48.5%) and the 5 year average by 151.7 bcf (37.8%). High Canadian storage levels will also be a bearish factor this injection season.

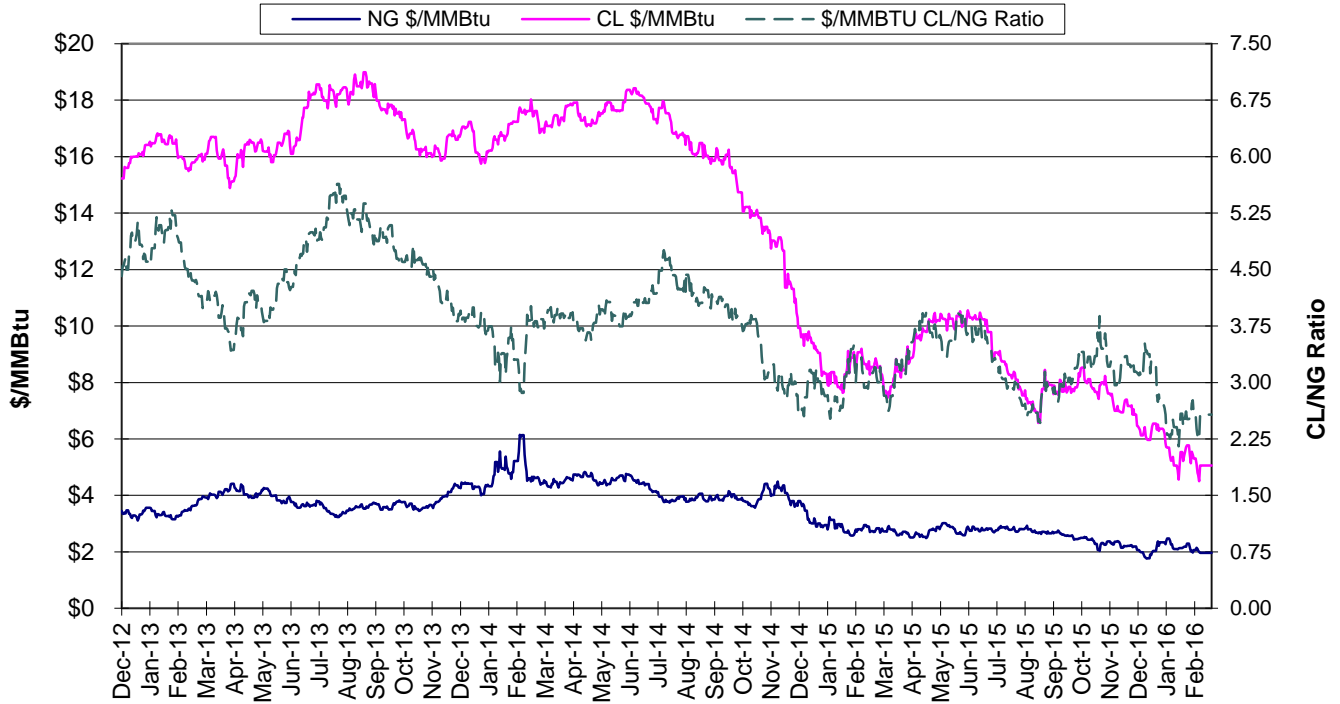
Supply Trends: Total supply fell 0.5 bcf/d to 76.0 bcf/d. US production rose. Canadian and LNG imports fell. Mexican exports were higher. The US Baker Hughes rig count fell 30 with both oil and natural gas activity lower. The total US rig count now stands at 541. The Canadian rig count fell 20 and now stands at 222. Thus, the total North American rig count fell 50 to 763 and now trails last year by 977, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. The higher efficiency US horizontal rig count fell 25 to 433 and falls 592 below last year. The EIA's monthly Drilling Productivity Report had a massive revision to February data that resulted in US production from the 7 shales region covered by the report as higher than January. The monthly revisions have been huge with this month's adjustment to initial data almost 1 bcf/d. This data corresponds to pipeline flows suggesting increasing output.

Demand Trends: Total demand fell 12.2 bcf/d to 84.7 bcf/d. All sectors were lower. Electricity demand fell 3,432 gigawatt-hrs to 74,481 which trails last year 4,669 (5.9%) while trailing the 5 year average by 4,154 (5.3%).

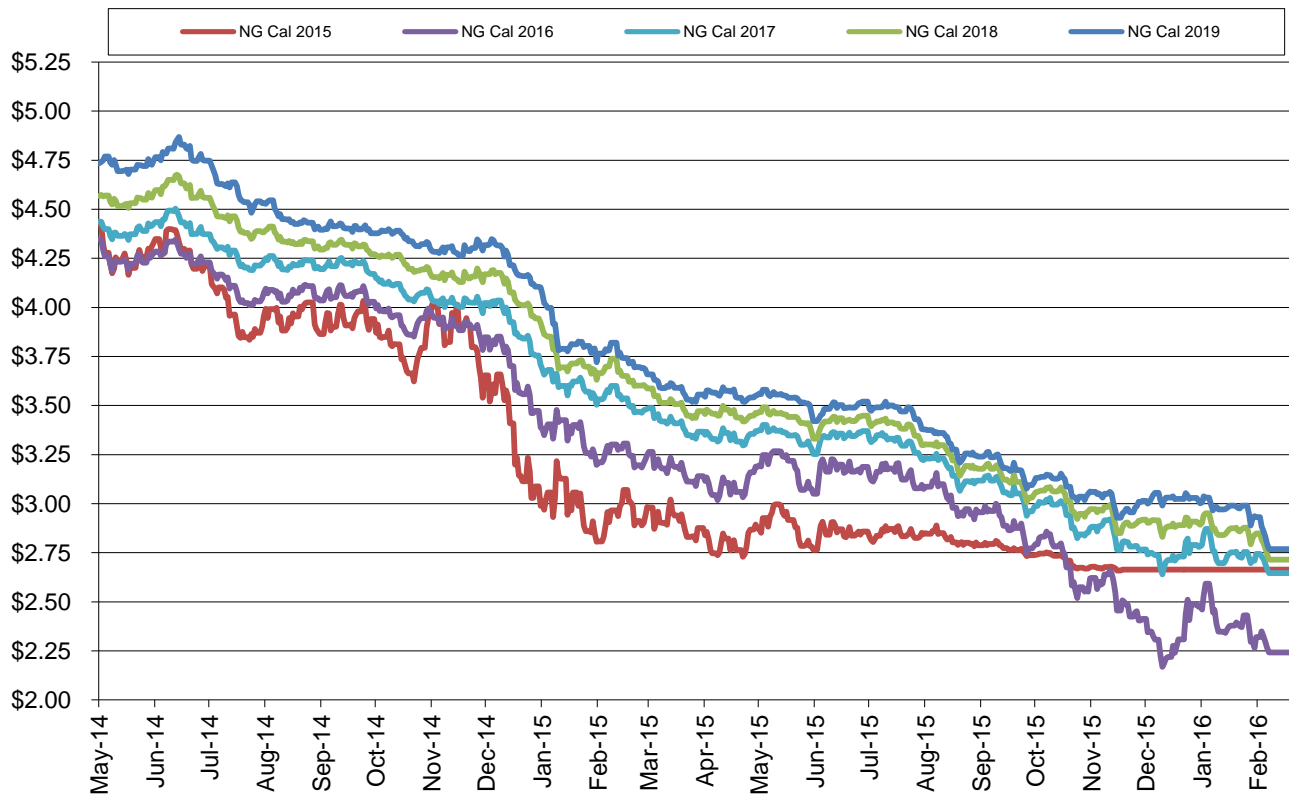
Other Factors Nuclear generation rose 402 MW in the reference week to 91,511 MW. This is 1,528 MW lower than last year and 2,103 MW lower than the 5 year average. Output is down slightly and is just under 91,000 MW.

- The 2015/16 heating season continues to easily be the least severe since 2011/12. With a forecast through February 26, the 2015/16 total heating index is at 1,940 compared to 2,305 for 2014/15, 2,527 for 2013/14, 2,237 for 2012/13 and 2,160 for 2011/12.

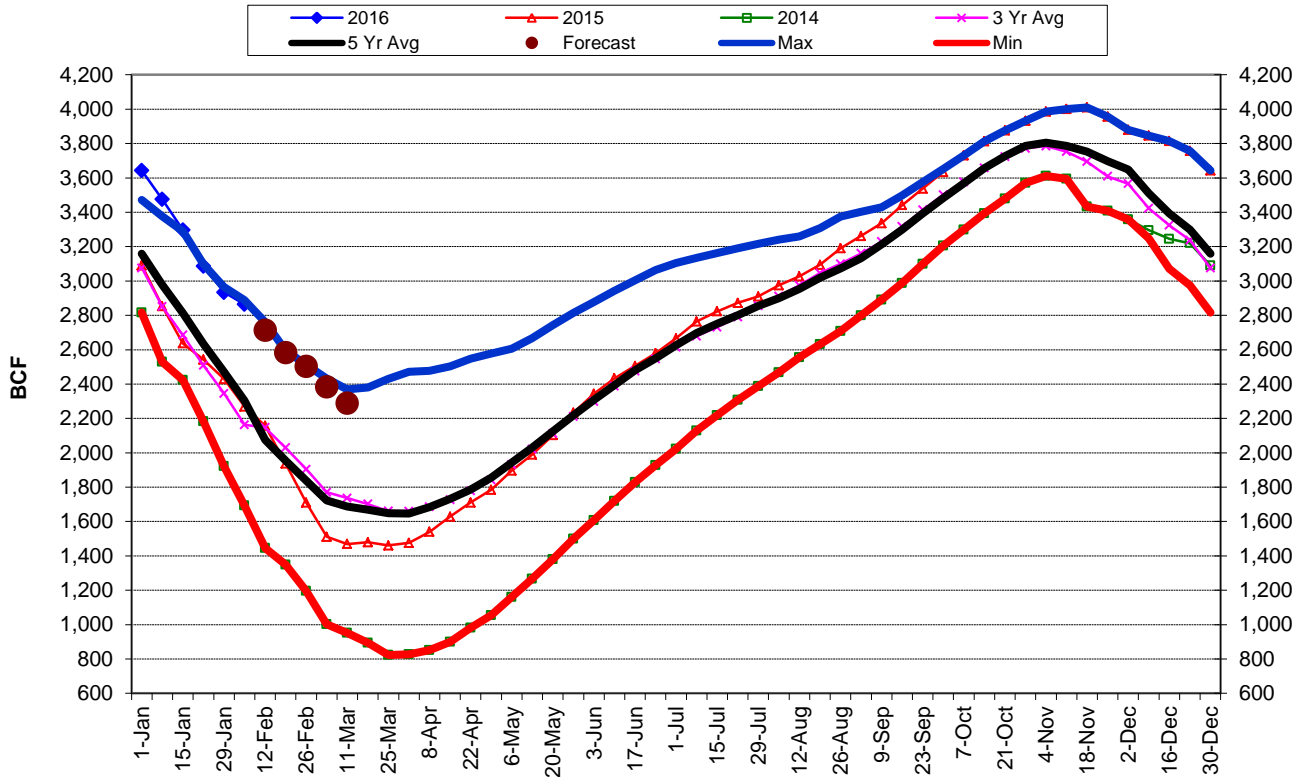
\$/MMBtu Ratio of NYMEX CL and NG



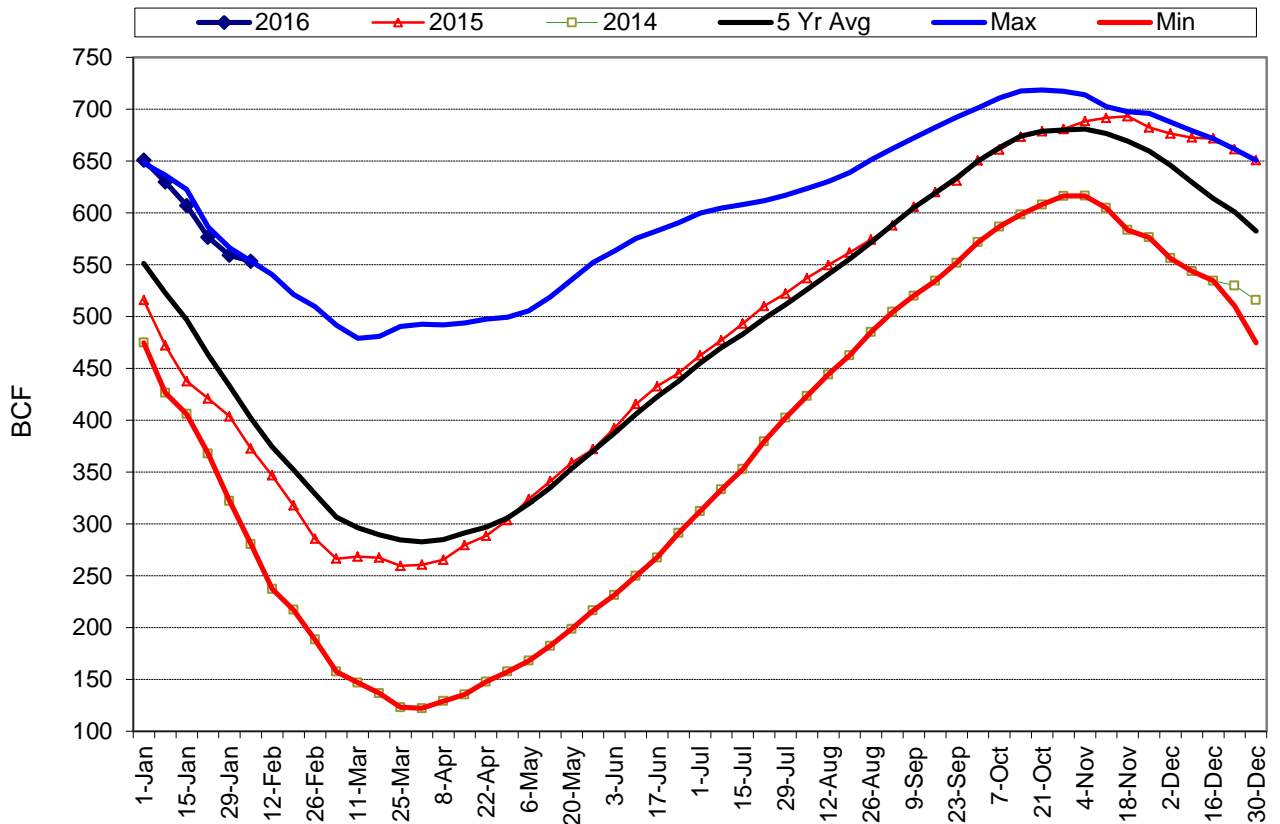
NYMEX Calendar Strips



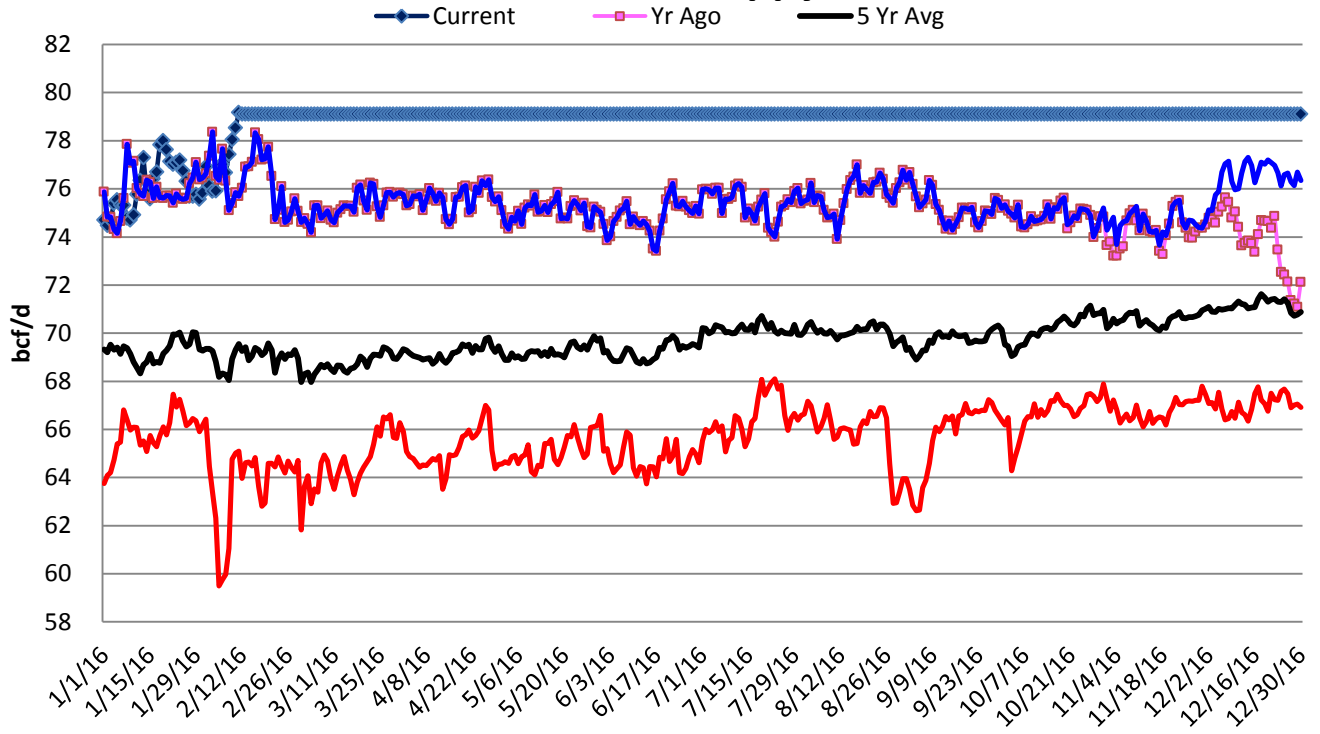
US Total Working Gas Storage - Source - EIA



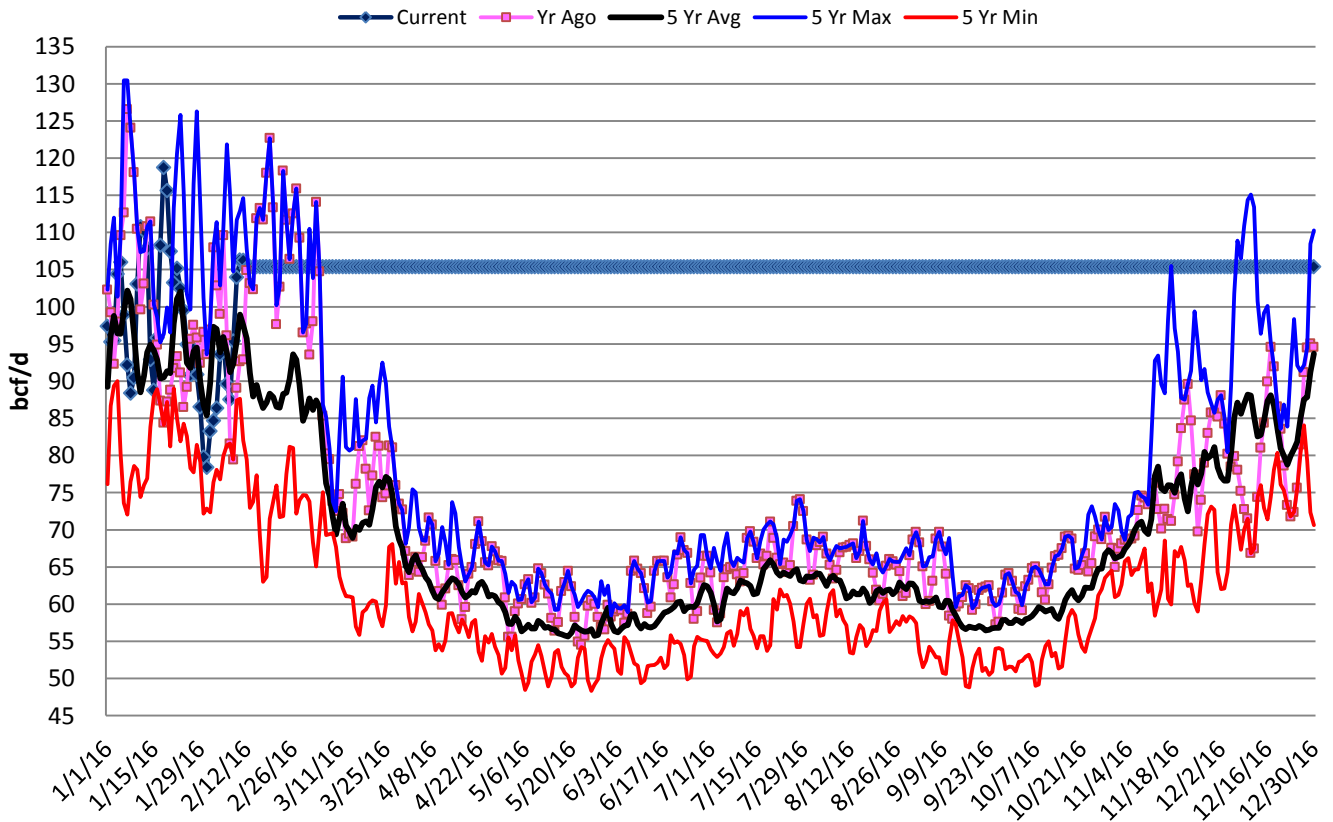
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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