

IAF Advisors/Criterion Research  
Energy Market Outlook  
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**Please contact me if you wish to review a joint RBN Energy daily publication detailing natural gas fundamental factors.**

**Price Action:** The April contract rose 15.6 cents (9.4%) to \$1.822 on a 24.7 cent range.

**Price Outlook:** The streak of consecutive weeks ended at 5 as the market rebounded. Although overall weather forecasts still added to projected storage over the week compared to a 30 year normal profile, the last 3 days of the week did lower storage estimations compared to the prior day. That is the first instance of that occurring since February 8. While the market was able to rebound, the fundamentals remain bearish and the recent price rally may be short-lived. CFTC data indicated another increase in the managed money net short position, but at a much slower pace than recent weeks and is still well below the December 29, 2015 level of over 101,000. Total open interest fell to 3.451 million as of March 8. Aggregated CME futures open interest rose to 1.101 million as of March 11.

**Weekly Storage:** US working gas storage for the week ending March 4 indicated a net withdrawal of 57 bcf to 2,479 bcf. Current inventories rise 968 bcf (64.1%) above last year while surpassing the 5 year average by 768 bcf (44.9%).

**Storage Outlook:** Although the last 3 days of the week witnessed bullish revisions to previous forecasts for the 1st time since February 8, the net change on the week based only on weather forecasts added 40 bcf to storage estimations. The yearly storage surplus will easily exceed 1,000 bcf in late March with the surplus to the 5 year average approaching 900 bcf.

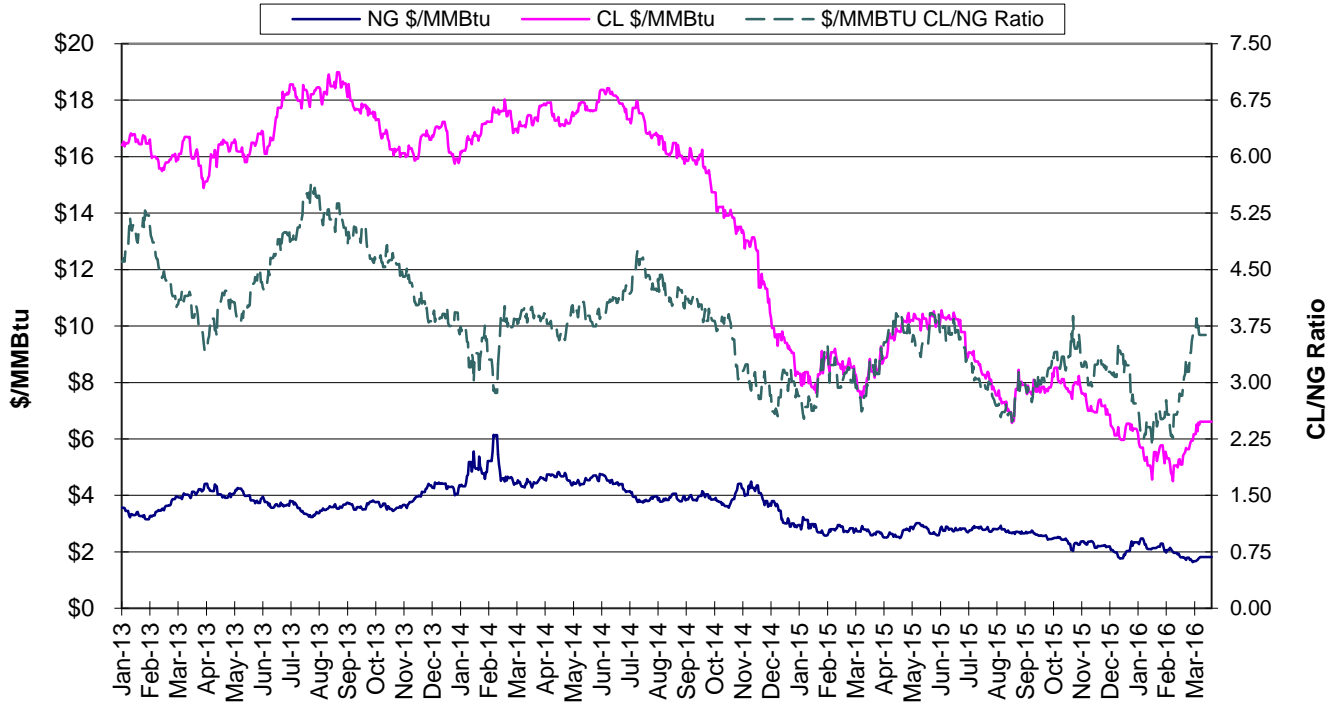
**Supply Trends:** Total supply rose 0.6 bcf/d to 76.3 bcf/d. Higher Canadian imports and lower Mexican exports offset a drop in US production. The US Baker Hughes rig count fell 9 with both oil and natural gas activity lower. The total US rig count now stands at 480. The Canadian rig count fell 31 and now stands at 98. Thus, the total North American rig count fell 40 to 578 and now trails last year by 767, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. The higher efficiency US horizontal rig count fell 14 to 375 and falls 474 below last year. The EIA monthly Drilling Productivity Report contained a massive upward revision of approximately 2.5 bcf/d to the initial March production estimate. At the same time, the history was recalibrated. What had been a rather protracted and more substantial drop in output was revised dramatically to suggest only a more recent and much less substantial decline.

**Demand Trends:** Total demand rose 3.0 bcf/d to 83.2 bcf/d. All sectors were higher. Electricity demand fell 540 gigawatt-hrs to 71,352 which trails last year by 9,413 (11.7%) and the 5 year average by 4,888 (6.4%).

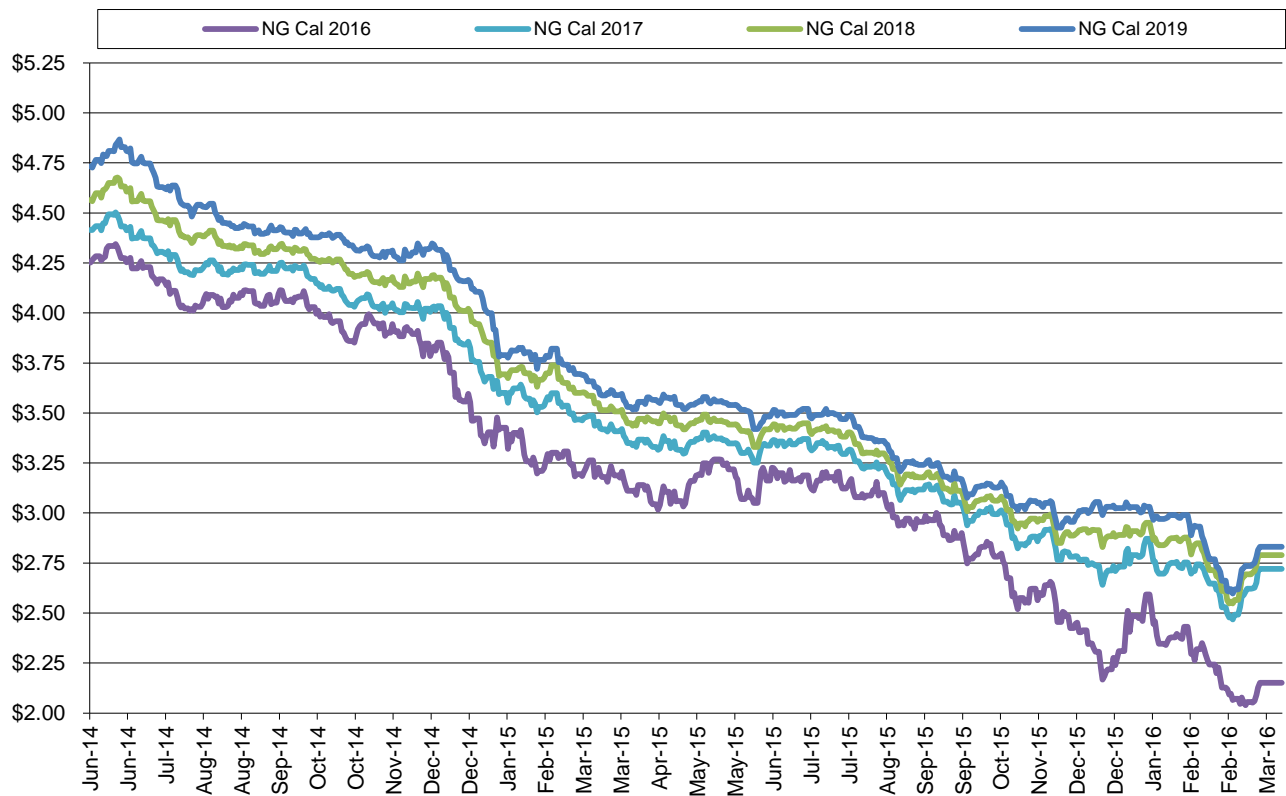
**Other Factors:** Nuclear generation fell 2,054 MW in the reference week to 87,927 MW. This is 1,670 MW higher than last year and 1,218 MW higher than the 5 year average. Recent output is just over 88,000 MW.

- The 2015/16 heating season is highly likely to easily be the least severe since 2011/12. With a forecast through March 25, the 2015/16 total heating index is at 2,186 compared to 2,716 for 2014/15, 3,017 for 2013/14, 2,767 for 2012/13 and 2,428 for 2011/12.

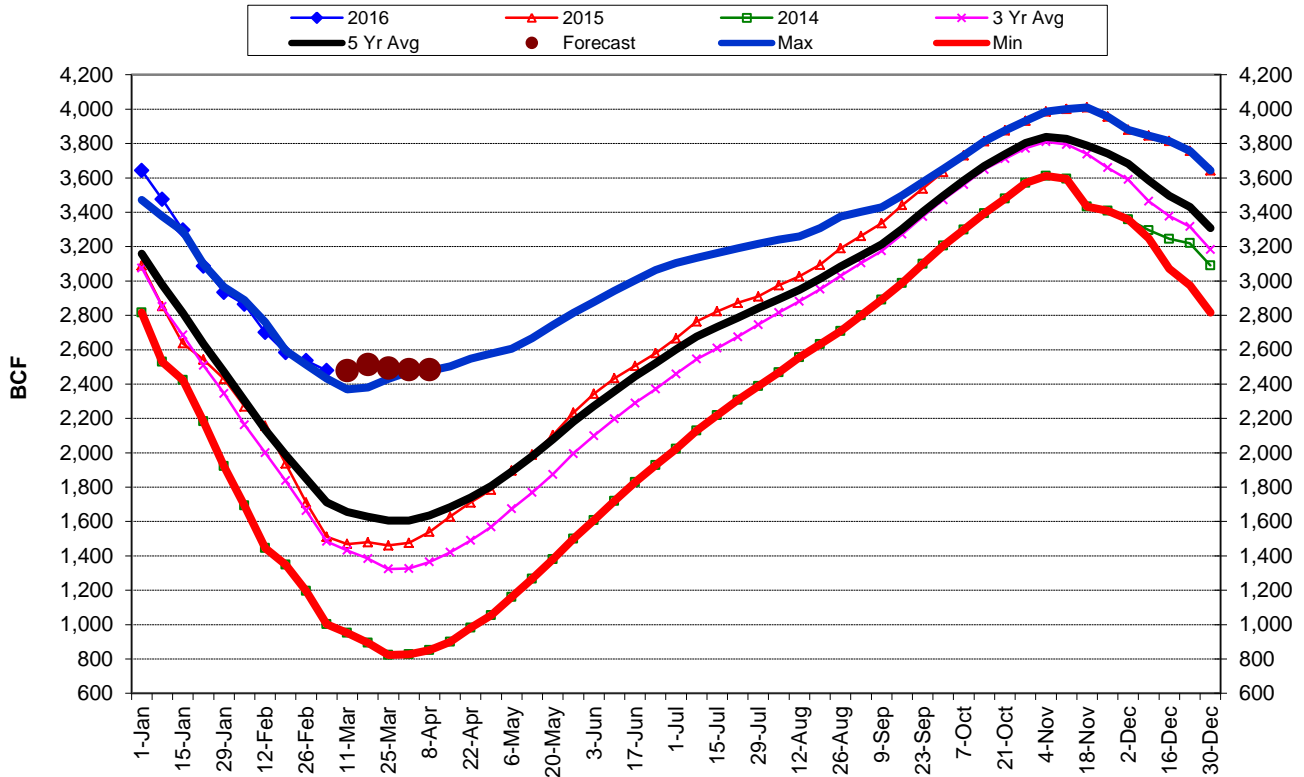
## \$/MMBtu Ratio of NYMEX CL and NG



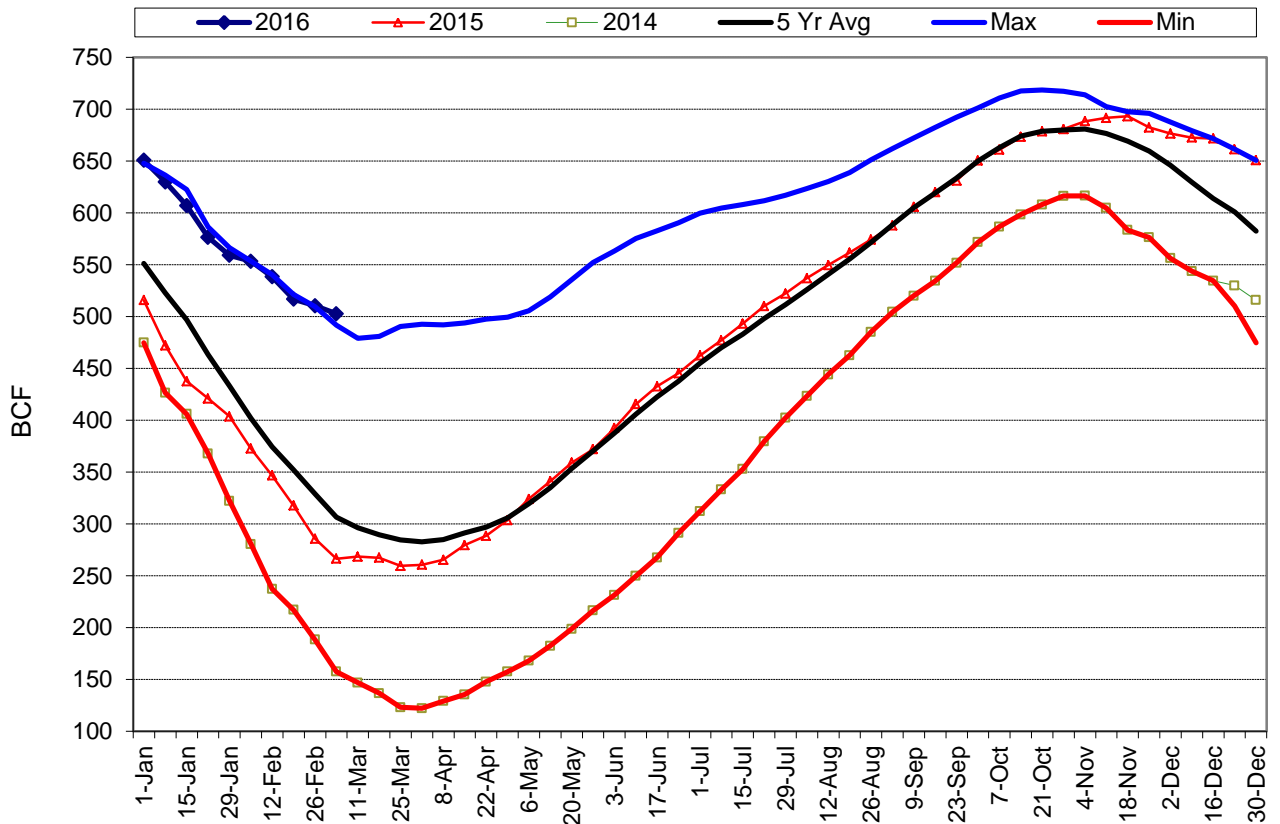
## NYMEX Calendar Strips



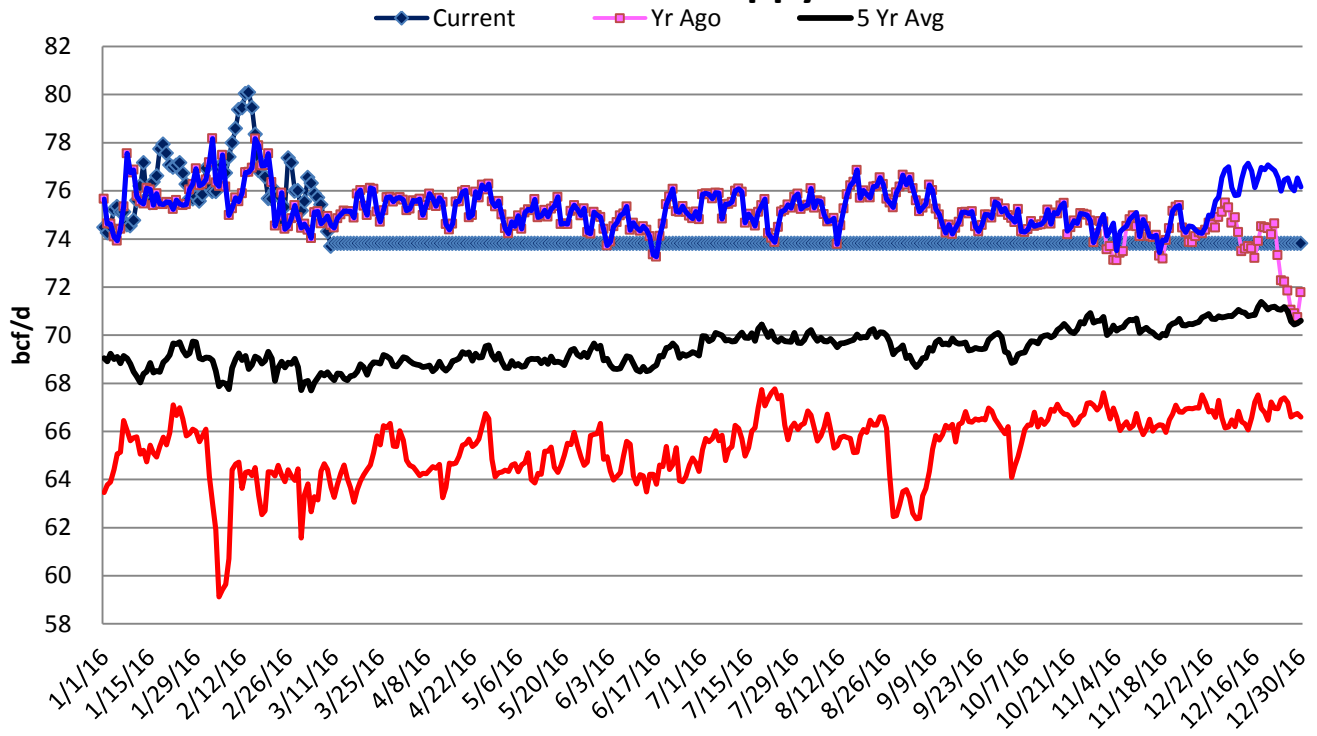
## US Total Working Gas Storage - Source - EIA



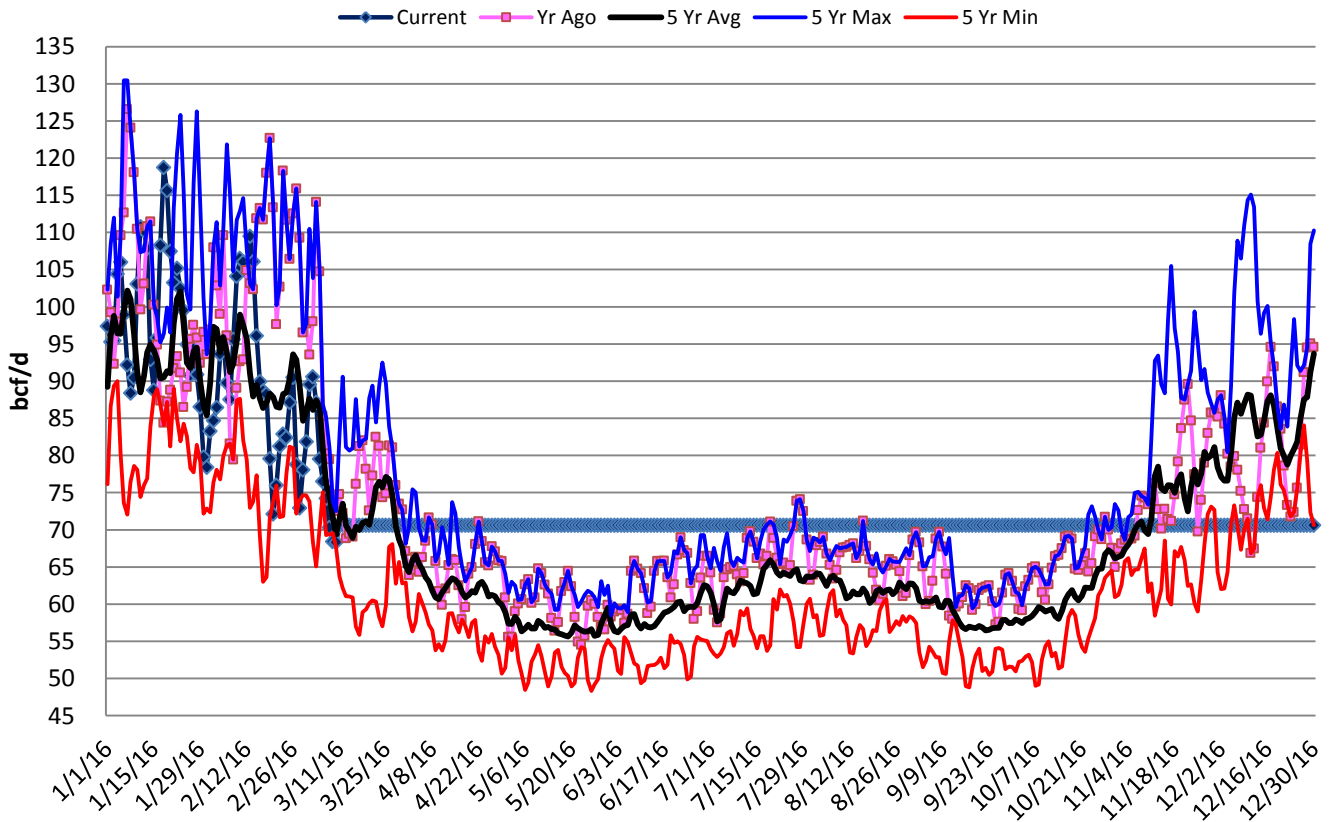
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



## **ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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