

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 8.5 cents (4.7%) to \$1.907 on an 18.6 cent range.

Price Outlook: The market continued higher for the 2nd consecutive week as overall weather forecasts for the week lowered projected storage for the first time since December 25. While the market continued higher, the yearly and 5 year average storage surpluses still rose and are not expected to contract until April. Objectively, a contracting storage surplus has been generally price supportive in recent years, or at least no longer bearish. CFTC data indicated a rather notable decrease in the managed money net short position to the smallest since February 23. Total open interest rose to 3.537 million as of March 15. Aggregated CME futures open interest fell to 1.087 million as of March 18.

Weekly Storage: US working gas storage for the week ending March 11 indicated a net withdrawal of 1 bcf to 2,478 bcf. Current inventories rise 1,009 bcf (68.7%) above last year while surpassing the 5 year average by 821 bcf (49.6%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 2 bcf smaller (larger withdrawal) than reported by the EIA. The 5 week summation of our error remained at just 2 bcf. Our current estimation for early November inventories is 4,250 bcf. The EIA updated its' storage capacity estimation and increased the peak demonstrated capacity to 4,343 bcf from 4,336 bcf while design capacity was lowered to 4,658 bcf from 4,665 bcf.

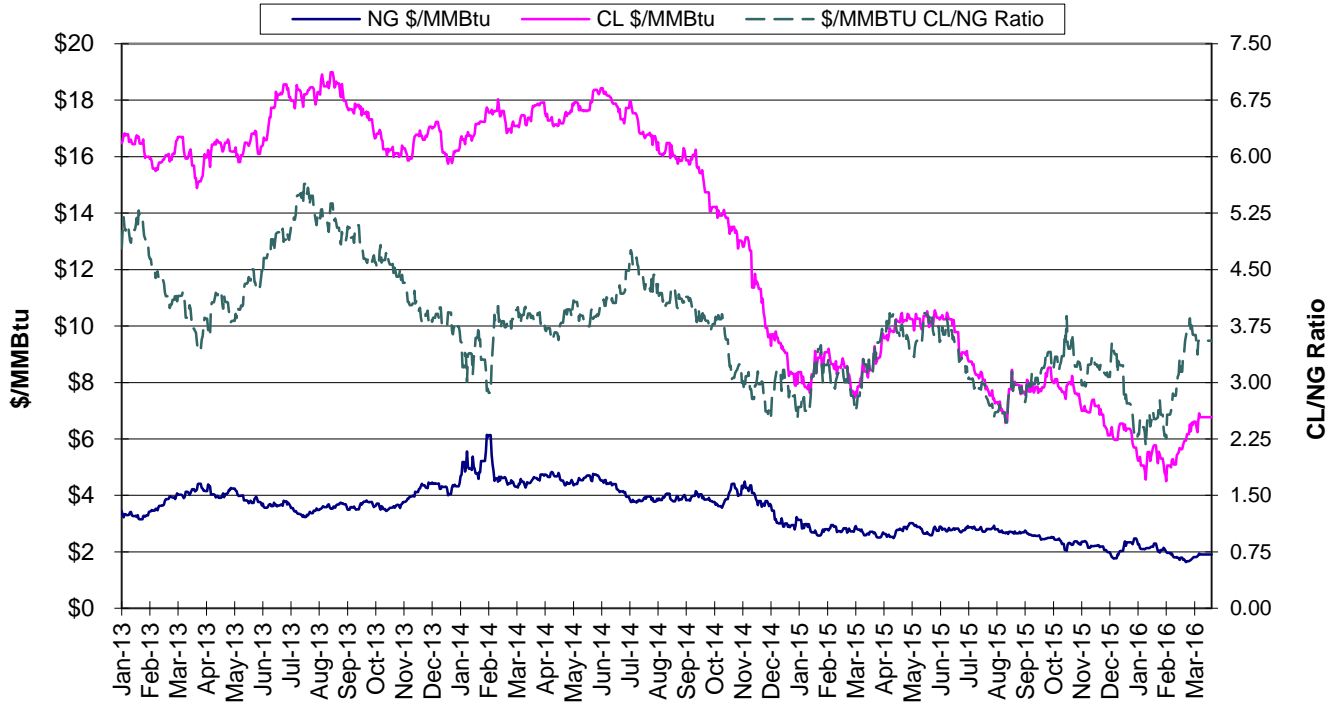
Supply Trends: Total supply fell 0.7 bcf/d to 75.2 bcf/d. Lower Canadian imports and higher Mexican exports offset a rise in US production. The US Baker Hughes rig count fell 4 as oil rose while natural gas slipped. The total US rig count now stands at 476. The Canadian rig count fell 29 and now stands at 69. Thus, the total North American rig count fell 33 to 545 and now trails last year by 664, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. The higher efficiency US horizontal rig count fell 6 to 369 and falls 460 below last year.

Demand Trends: Total demand fell 8.3 bcf/d to 74.9 bcf/d. All sectors were lower. Electricity demand fell 2,886 gigawatt-hrs to 68,466 which trails last year by 2,529 (3.6%) and the 5 year average by 3,118 (4.4%).

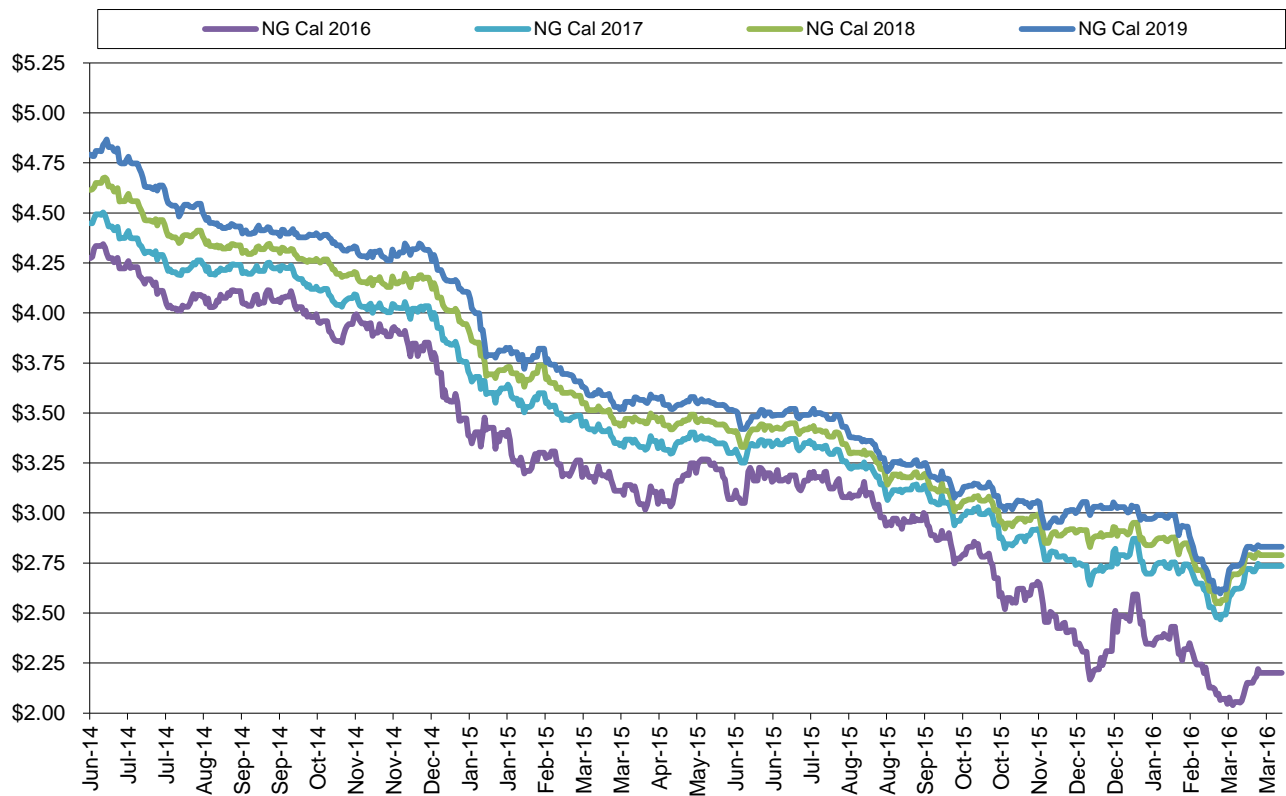
Other Factors: Nuclear generation fell 425 MW in the reference week to 87,502 MW. This is 3,566 MW higher than last year and 3,250 MW higher than the 5 year average. Recent output is almost 87,000 MW.

- The 2015/16 heating season is rapidly coming to end and is easily the least severe since 2011/12. With a forecast through April 1, the 2015/16 total heating index is at 2,260 compared to 2,791 for 2014/15, 3,086 for 2013/14, 2,854 for 2012/13 and 2,457 for 2011/12.

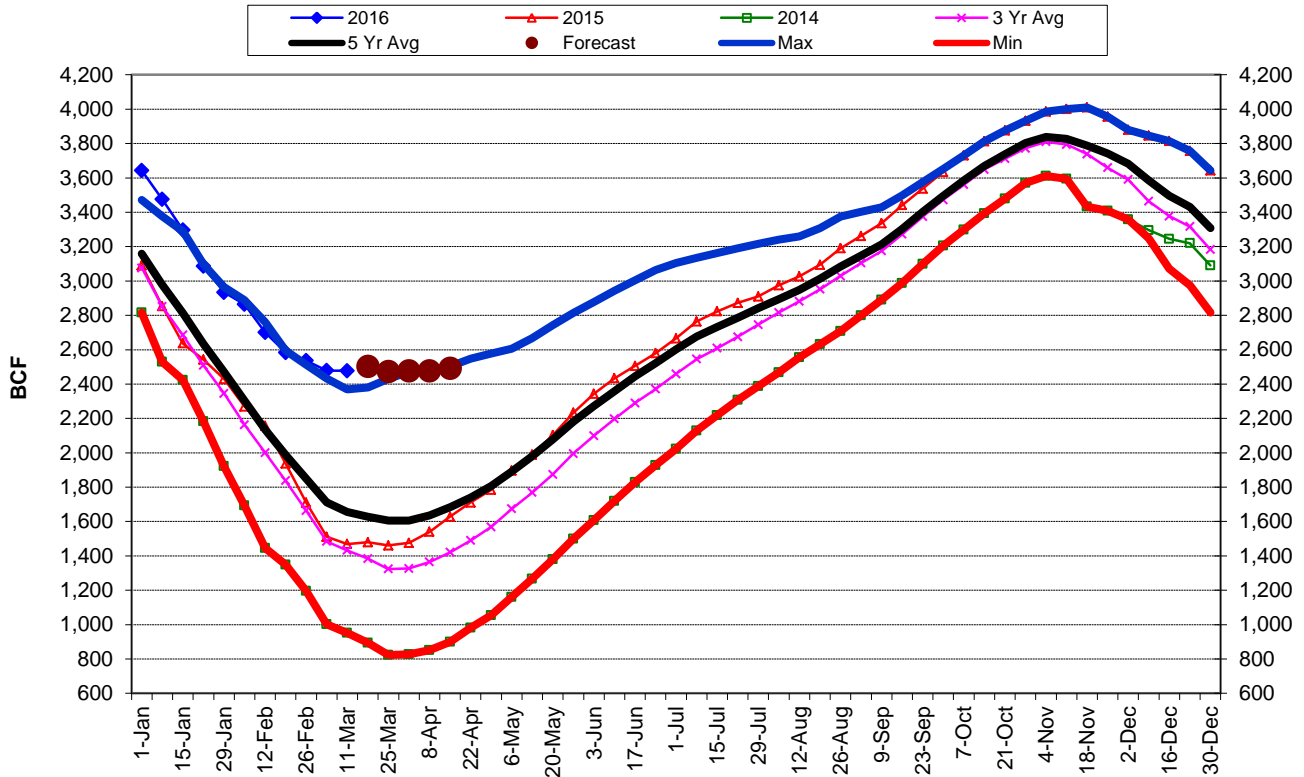
\$/MMBtu Ratio of NYMEX CL and NG



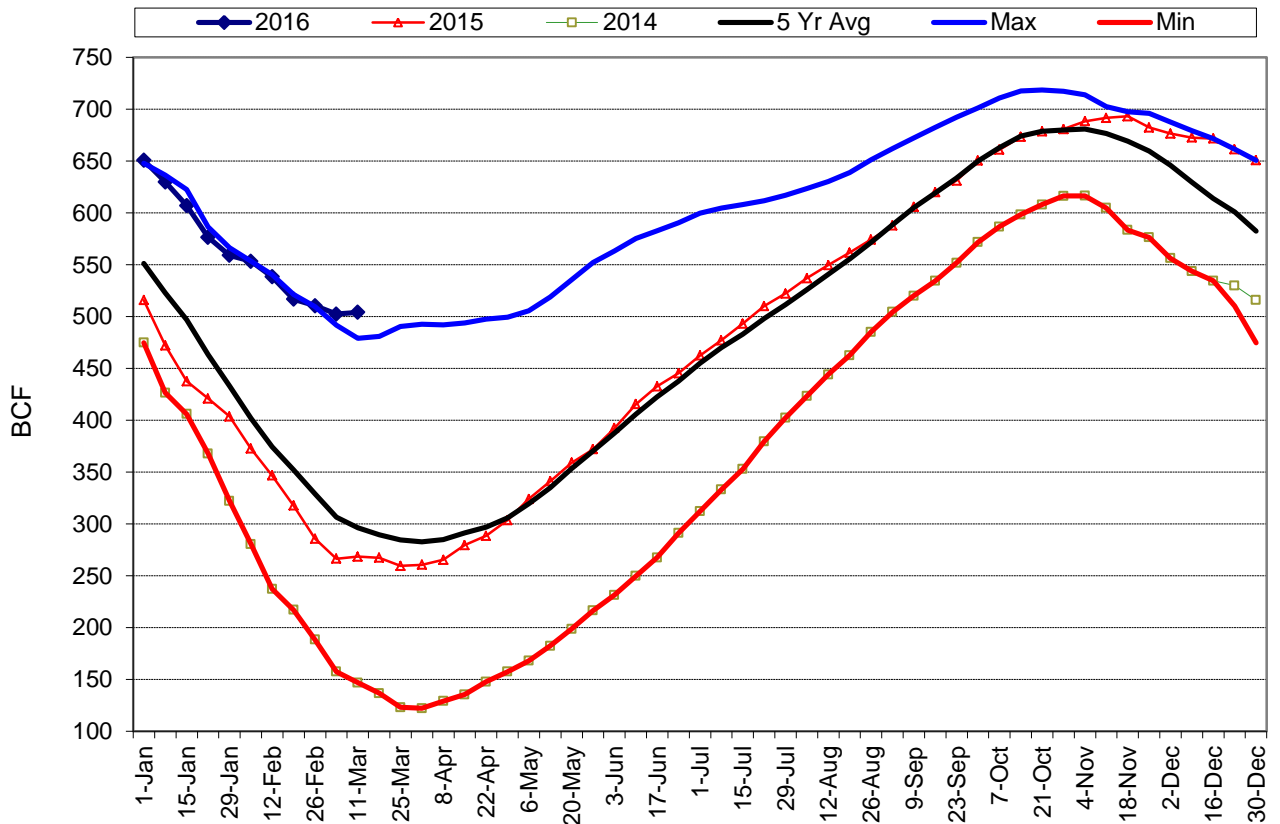
NYMEX Calendar Strips



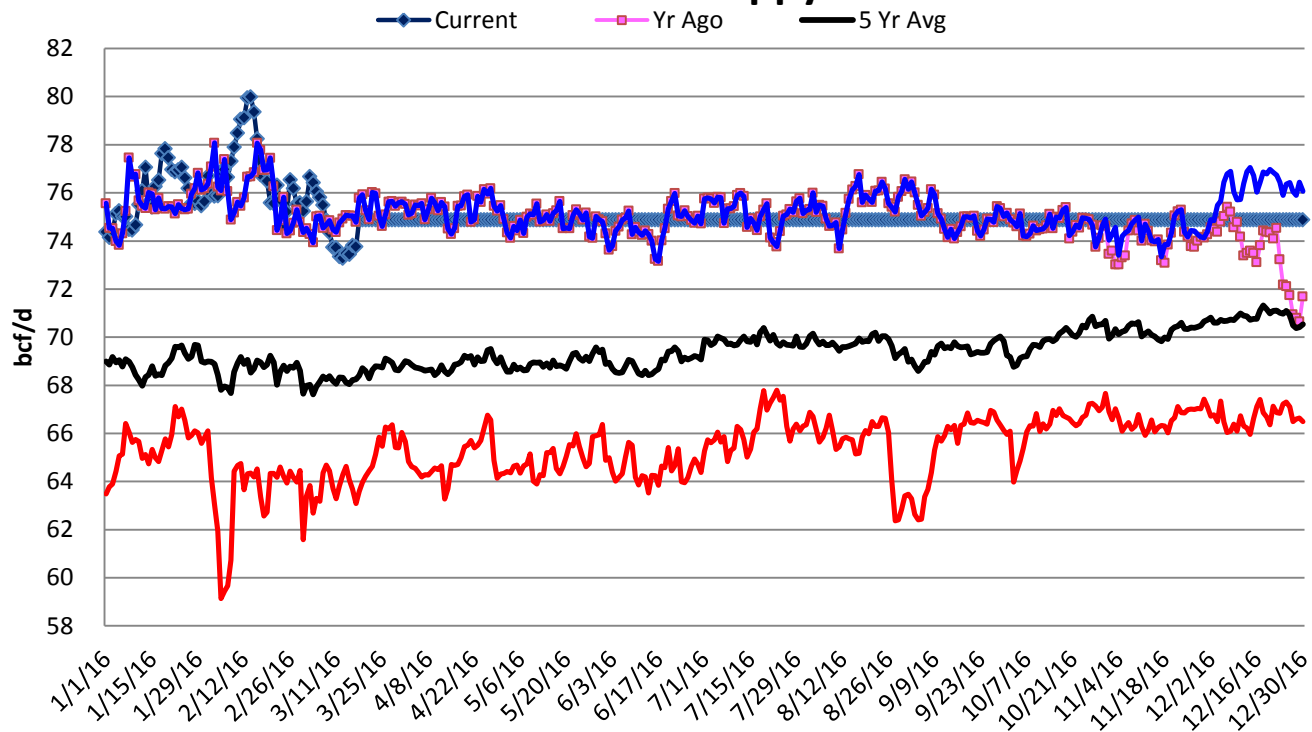
US Total Working Gas Storage - Source - EIA



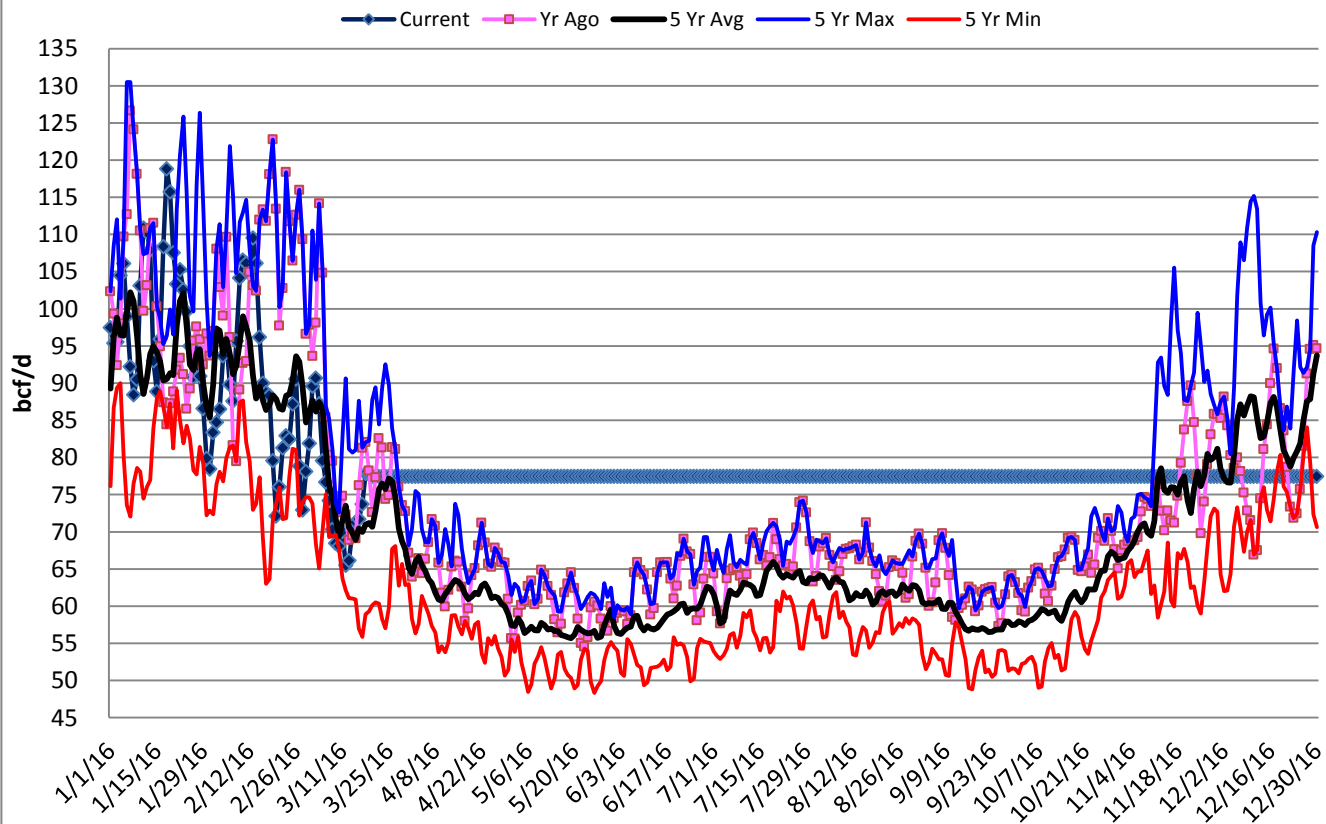
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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