

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 May contract rose 7.4 cents (3.9%) to \$1.806 on a 19.1 cent range.

Price Outlook: The market posted both a new high even without considering the now prompt May contract prints and a new low as well. While still expecting new weekly highs or lows in general, the market may exhibit more sideways trade as high absolute storage levels limit the upside while contracting storage surpluses provide support. CFTC data indicated the first managed money net long position since January 6, 2015. Total open interest fell to 3.400 million as of March 29. Aggregated CME futures open interest rose to 1.098 million as of April 1.

Weekly Storage: US working gas storage for the week ending March 25 indicated a net withdrawal of 25 bcf to 2,468 bcf. Current inventories rise 1,007 bcf (68.9%) above last year while surpassing the 5 year average by 863 bcf (53.8%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 3 bcf smaller (larger withdrawal) than reported by the EIA. This is back within our tolerance range with the weekly error contracting. The 5 week summation of our error did increase to 6 bcf. For a 5 week period, this is still well within comfort zone. Updated weather forecasts suggest this weeks' level of 2,468 bcf will likely be the 2016 low. Our current estimation for early November inventories is 4,250 bcf.

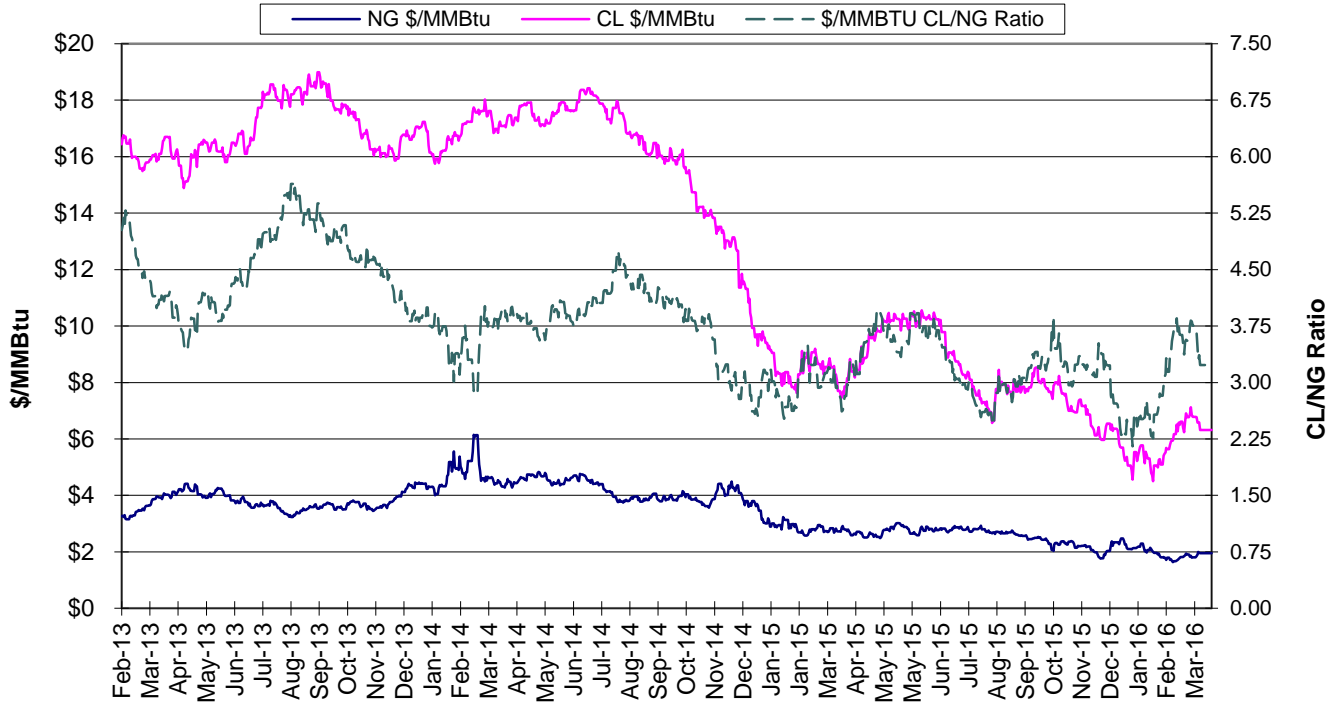
Supply Trends: Total supply rose 1.1 bcf/d to 74.7 bcf/d. US production and Canadian imports were higher while Mexican exports fell. LNG imports were unchanged. The US Baker Hughes rig count fell 14 as both oil and natural gas activity fell. The total US rig count now stands at 450. The Canadian rig count fell 6 and now stands at 49. Thus, the total North American rig count fell 20 to 499 and now trails last year by 629, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. The higher efficiency US horizontal rig count fell 13 to 346 and falls 453 below last year. The EIA Natural Gas Monthly Report indicated an increase in January production.

Demand Trends: Total demand rose 6.3 bcf/d to 76.0 bcf/d. Power demand fell while all other sectors were higher. Electricity demand fell 565 gigawatt-hrs to 67,689 which trails last year by 3,244 (4.6%) and the 5 year average by 3,248 (4.6%). The EIA Natural Gas Monthly Report indicated January demand of over 100 bcf/d despite rather moderate temperatures. This continues to highlight strong underlying demand that has longer term bullish implications.

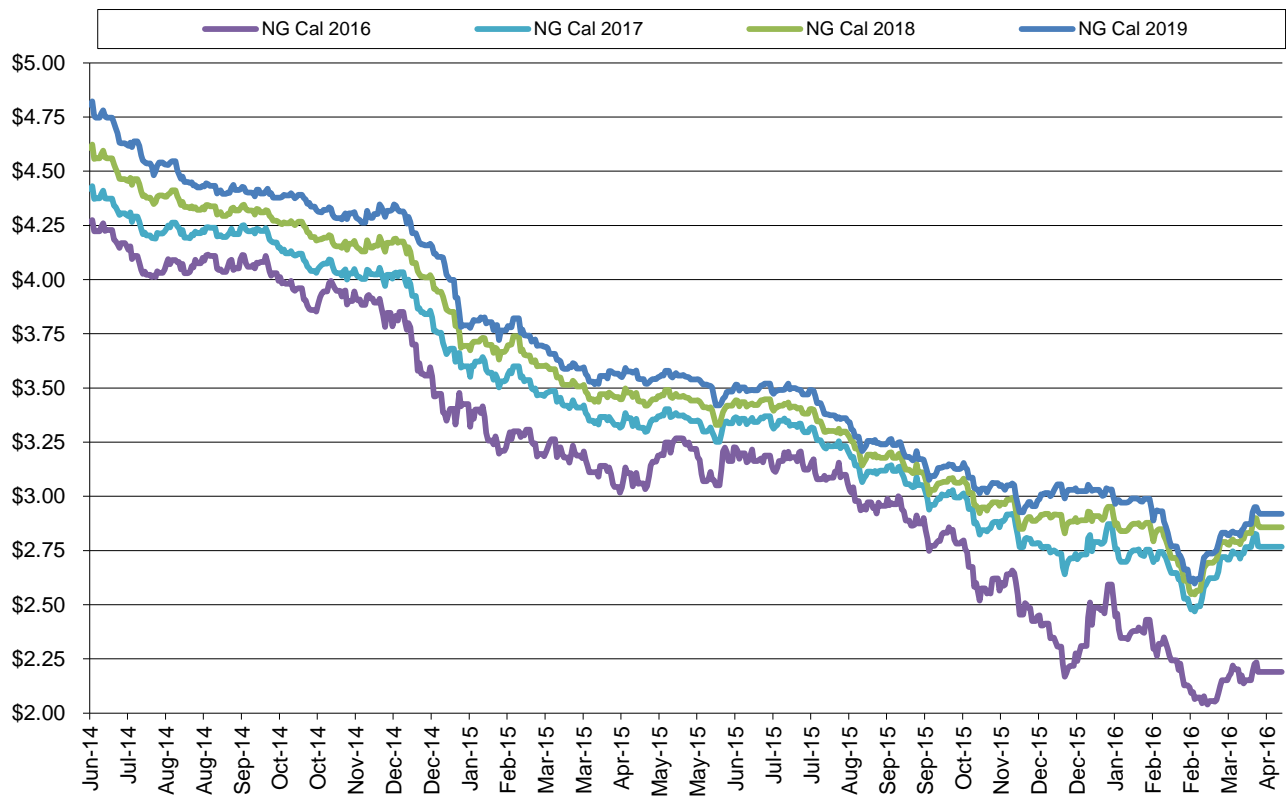
Other Factors: Nuclear generation fell 2,548 MW in the reference week to 84,057 MW. This is 1,608 MW higher than last year and 2,884 MW higher than the 5 year average. Recent output is approximately 86,000 MW.

- The 2015/16 heating season is obviously coming to end and is easily the least severe since 2011/12. With a forecast through April 15, the 2015/16 total heating index is at 2,351 compared to 2,841 for 2014/15, 3,186 for 2013/14, 2,951 for 2012/13 and 2,535 for 2011/12.

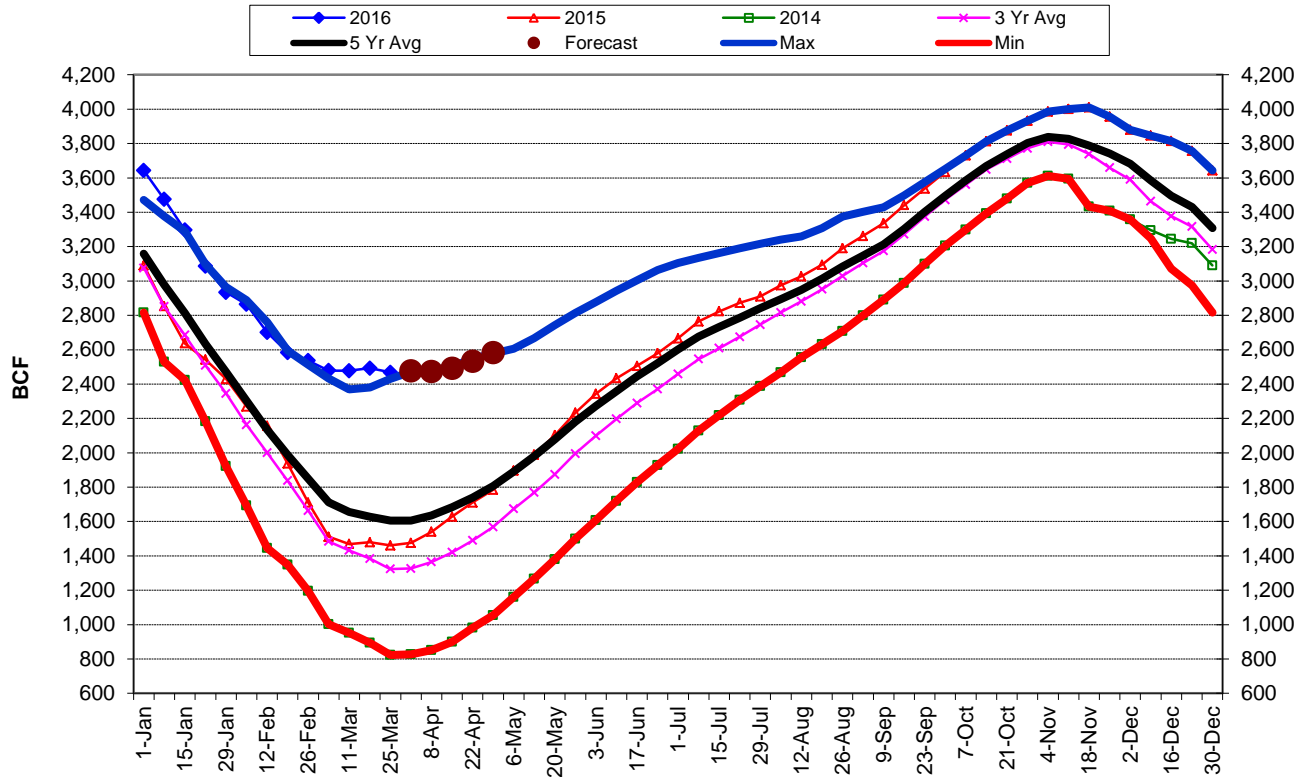
\$/MMBtu Ratio of NYMEX CL and NG



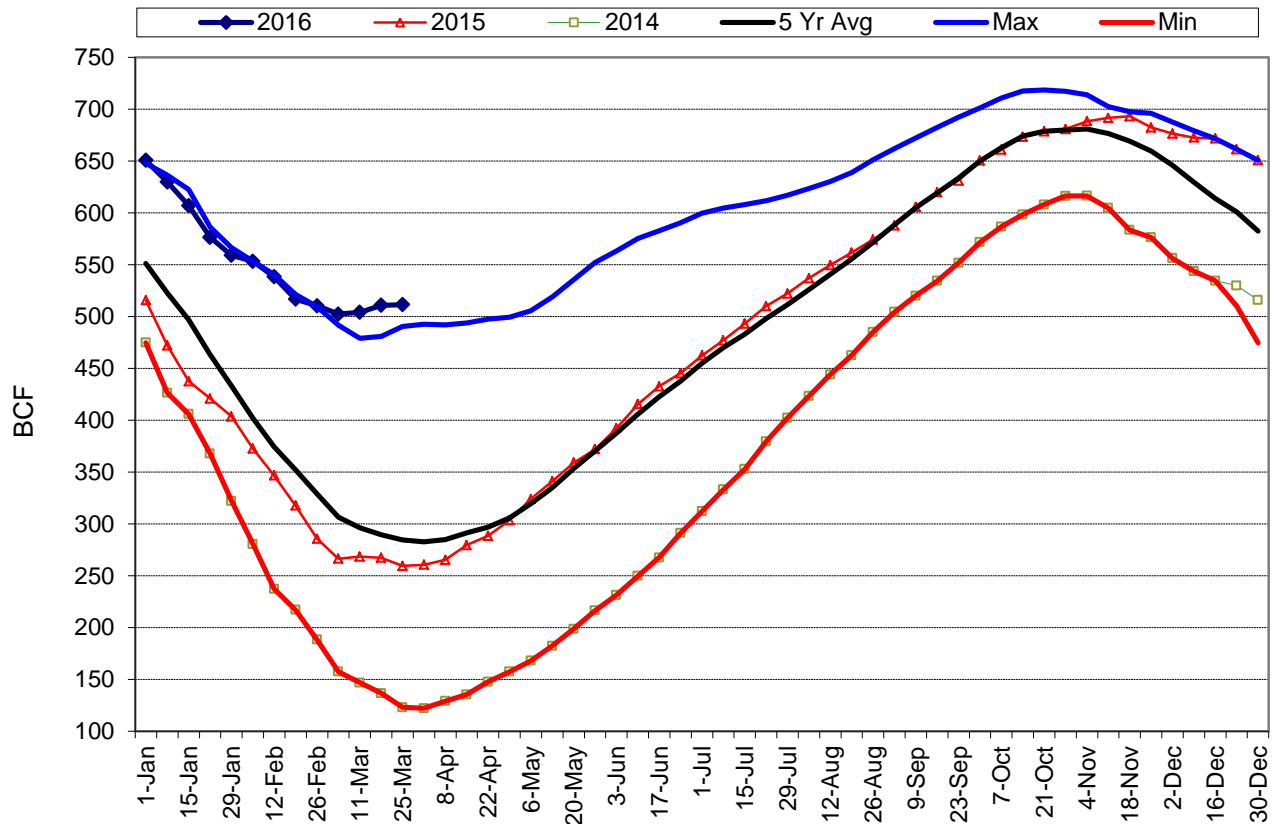
NYMEX Calendar Strips



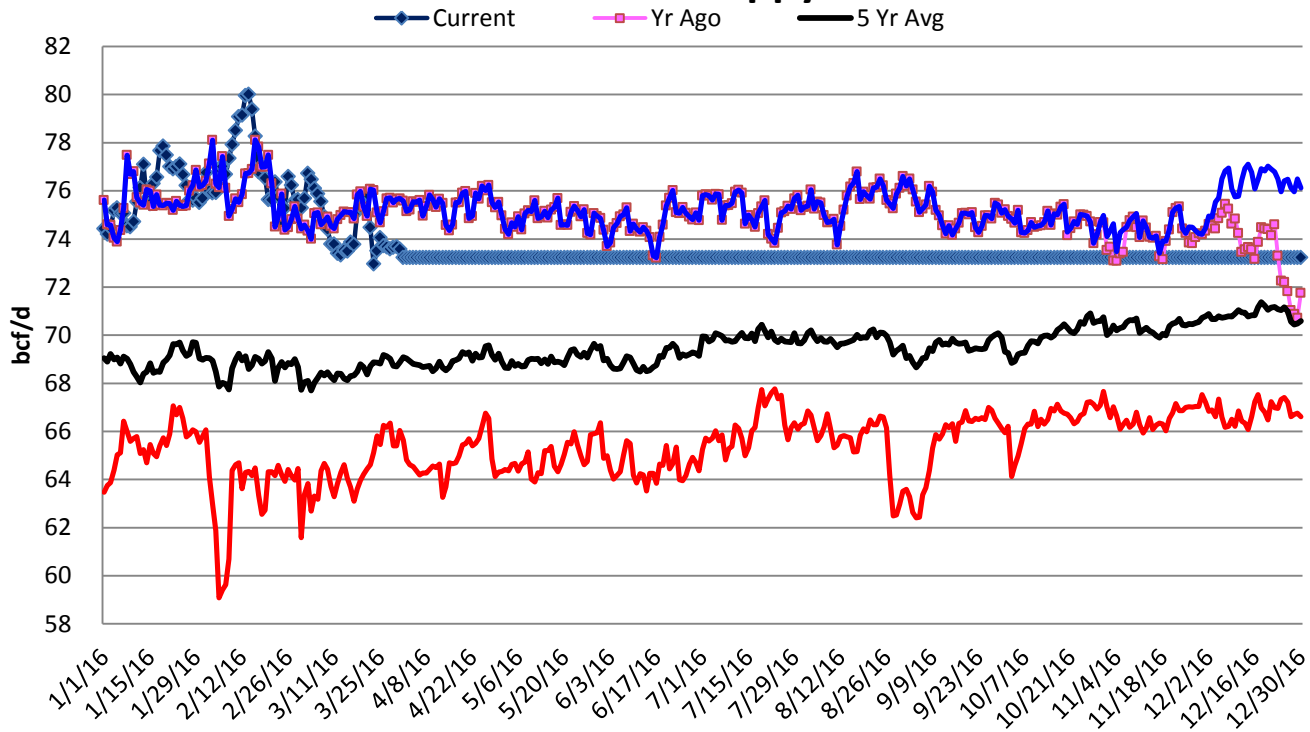
US Total Working Gas Storage - Source - EIA



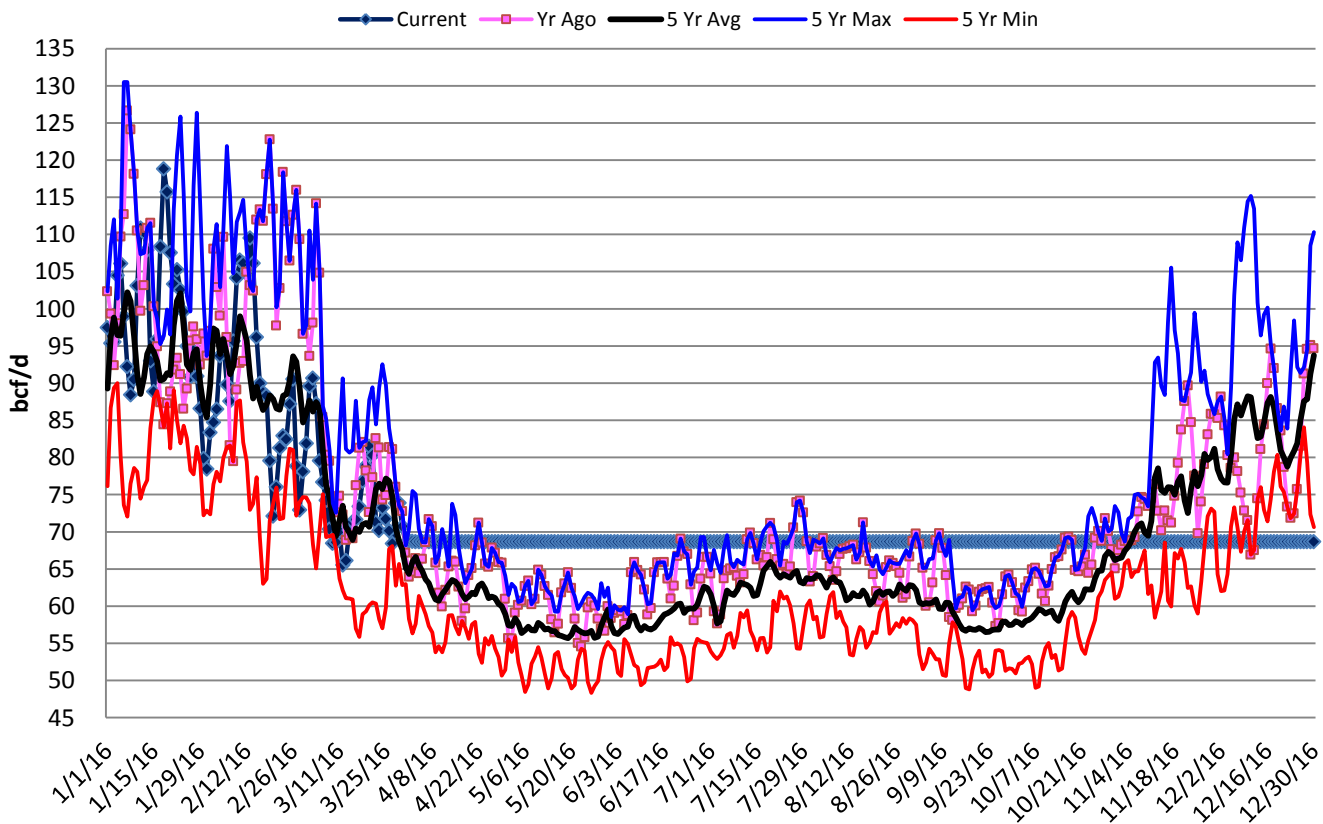
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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