

IAF Advisors/Criterion Research
Energy Market Outlook
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April 8, 2016

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 3.4 cents (1.7%) to \$1.990 on an 18.2 cent range.

Price Outlook: True to form, did not remain entirely range bound and posted a new weekly high, before backing off to end only marginally higher on the week. We still expect the market to generally post new highs or lows each week in what might remain a somewhat choppy market. High absolute storage continues to offer resistance on the upside while declining storage surpluses offer support. Ultimate price direction will obviously be driven by storage injections. CFTC data indicated an increase in the first managed money net long position since January 6, 2015 established last week. Total open interest fell to 3.359 million as of April 5. Aggregated CME futures open interest rose to 1.110 million as of April 8.

Weekly Storage: US working gas storage for the week ending April 1 indicated a net injection of 12 bcf to 2,480 bcf. Current inventories rise 1,004 bcf (68.0%) above last year while surpassing the 5 year average by 872 bcf (54.2%).

Storage Outlook: This week's storage change was mathematically smaller than last year's +15 bcf build while mathematically larger than the 5 year average withdrawal of (15) bcf. The upcoming storage change will compare against last year's +64 injection and a 5 year average injection of +22 bcf. Thus the yearly storage surplus as well as the 5 year average surplus should both fall.

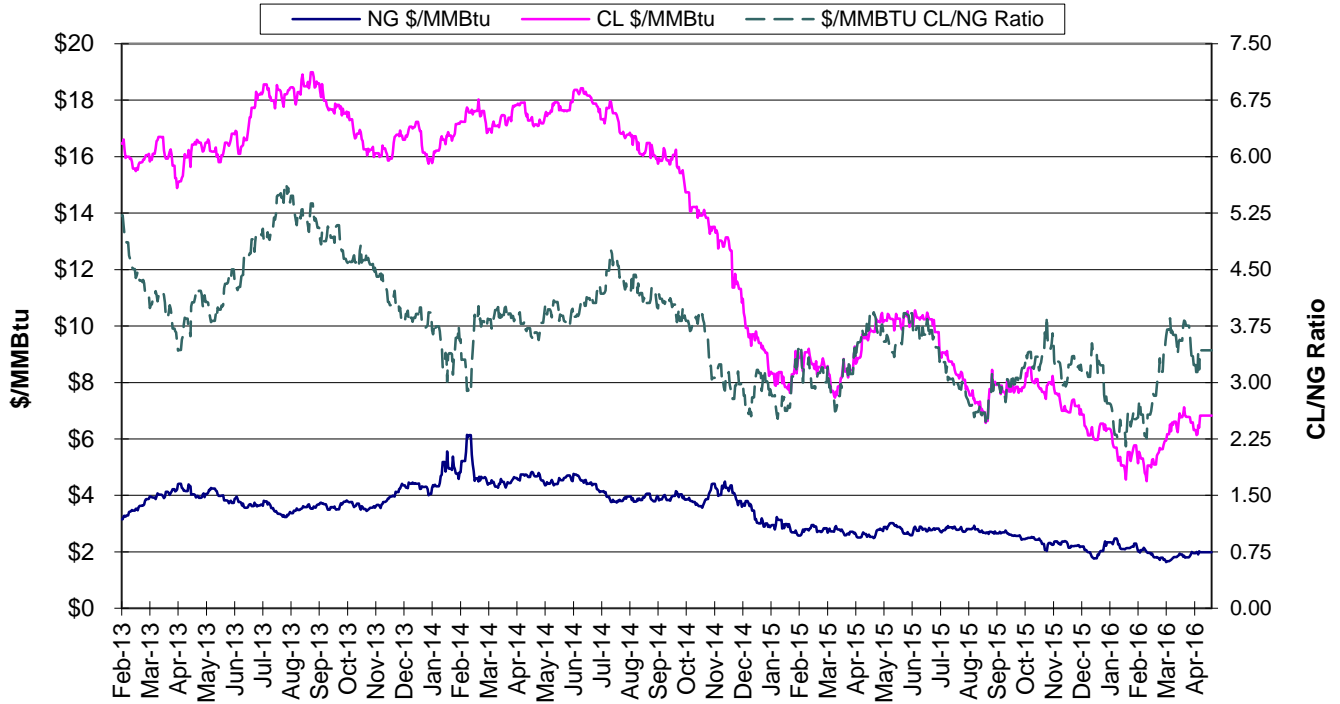
Supply Trends: Total supply fell 1.0 bcf/d to 73.8 bcf/d. US production and Canadian and LNG imports while Mexican exports rose. The US Baker Hughes rig count fell 7 as oil activity fell but natural gas rose. The total US rig count now stands at 443. The Canadian rig count fell 8 and now stands at 41. Thus, the total North American rig count fell 15 to 484 and now trails last year by 603, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. **The higher efficiency US horizontal rig count fell 5 to 341 and falls 429 below last year.**

Demand Trends: Total demand fell 5.1 bcf/d to 70.9 bcf/d. All sectors were lower. Electricity demand fell 485 gigawatt-hrs to 67,204 which trails last year by 1,973 (2.9%) and the 5 year average by 2,557 (3.7%).

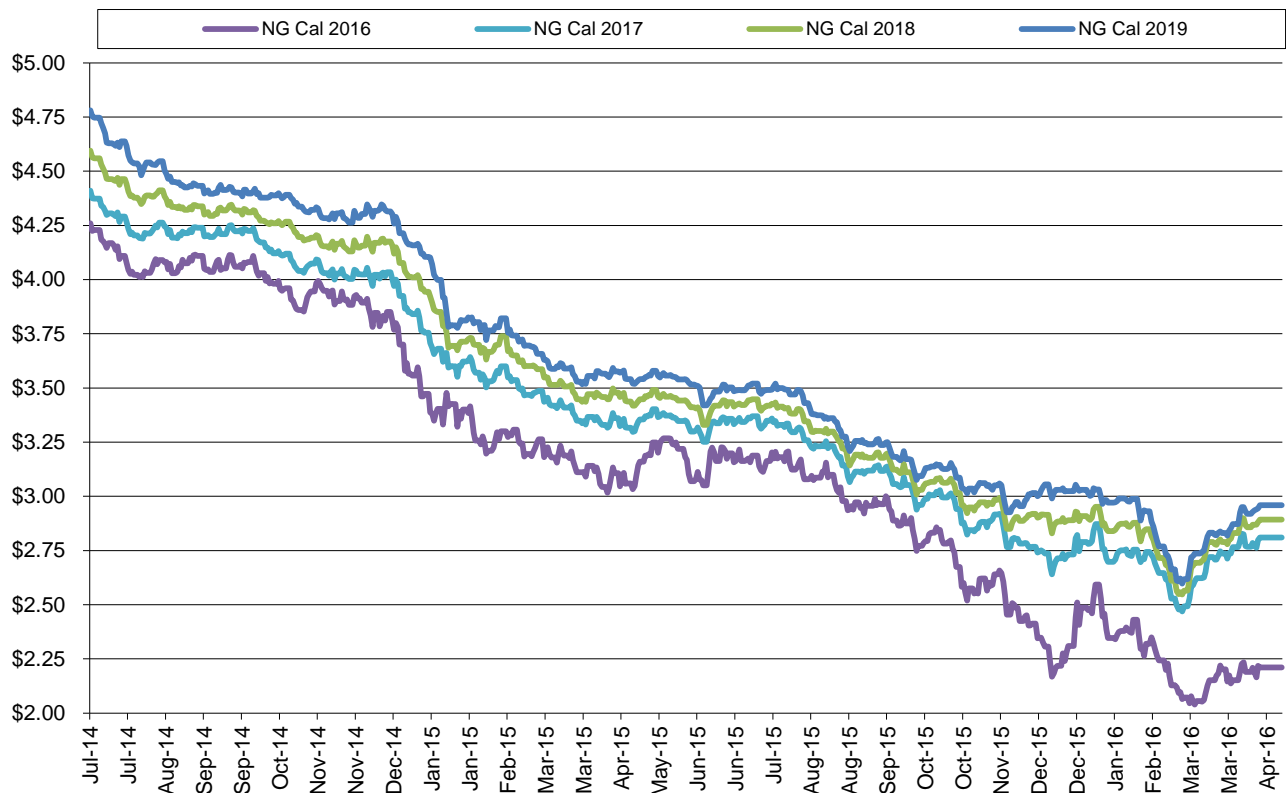
Other Factors: Electricity demand fell 485 gigawatt-hrs to 67,204 which trails last year by 1,973 (2.9%) and the 5 year average by 2,557 (3.7%).

- The 2015/16 heating season is obviously coming to end and is easily the least severe since 2011/12. With a forecast through April 22, the 2015/16 total heating index is at 2,398 compared to 2,860 for 2014/15, 3,206 for 2013/14, 3,001 for 2012/13 and 2,546 for 2011/12.

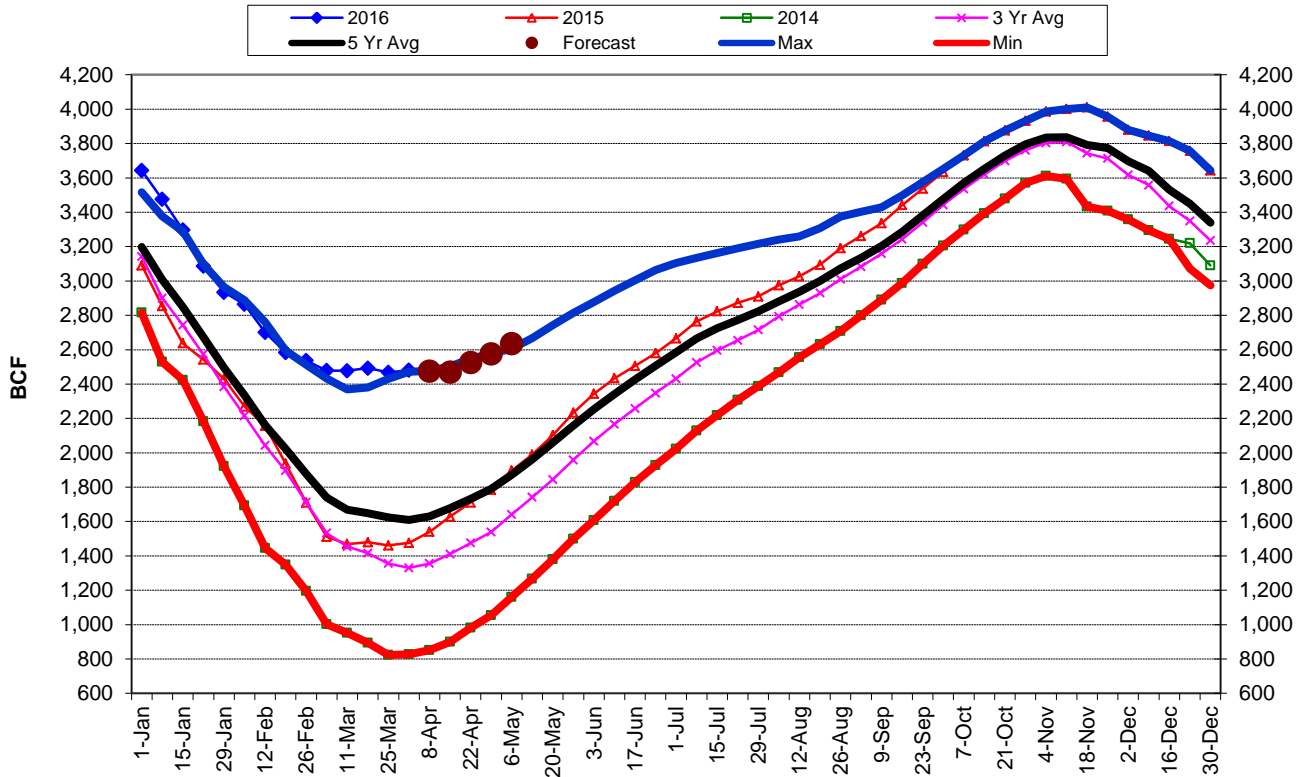
\$/MMBtu Ratio of NYMEX CL and NG



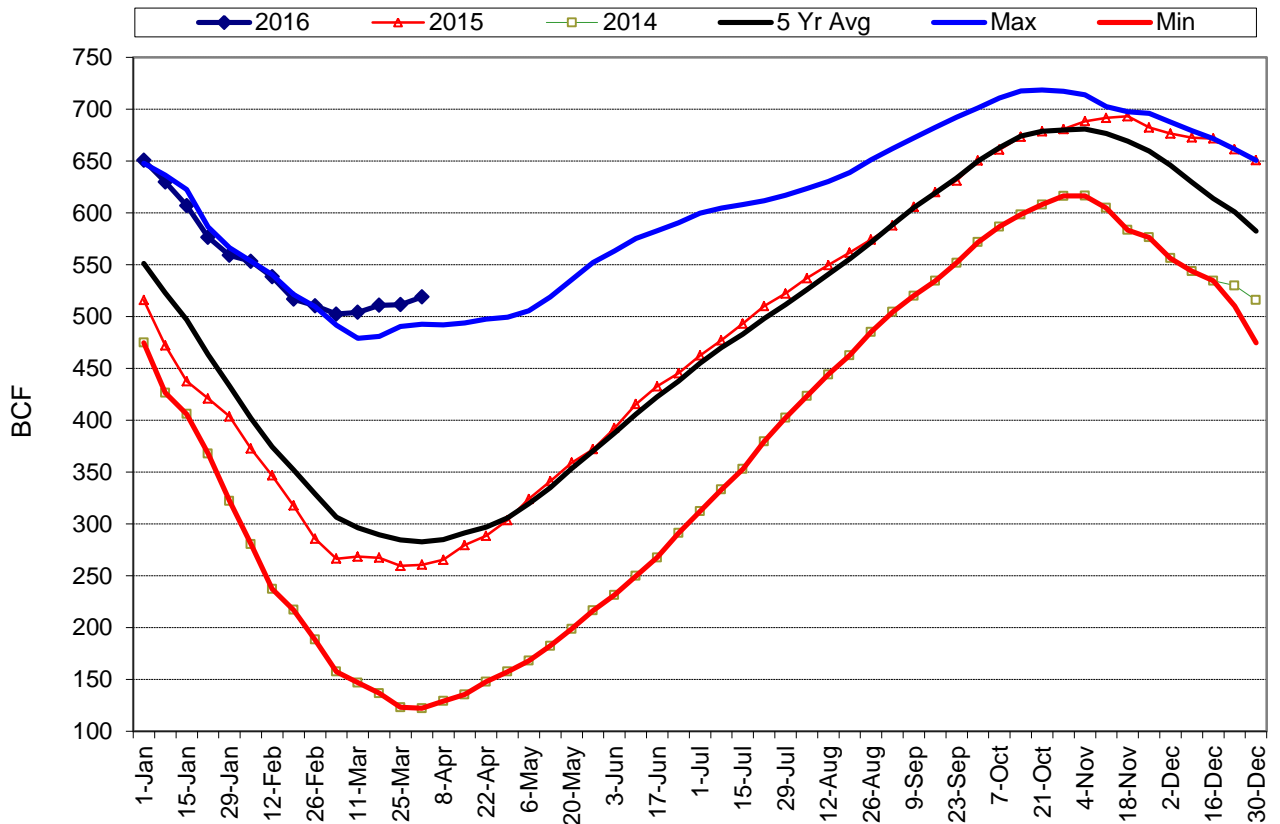
NYMEX Calendar Strips



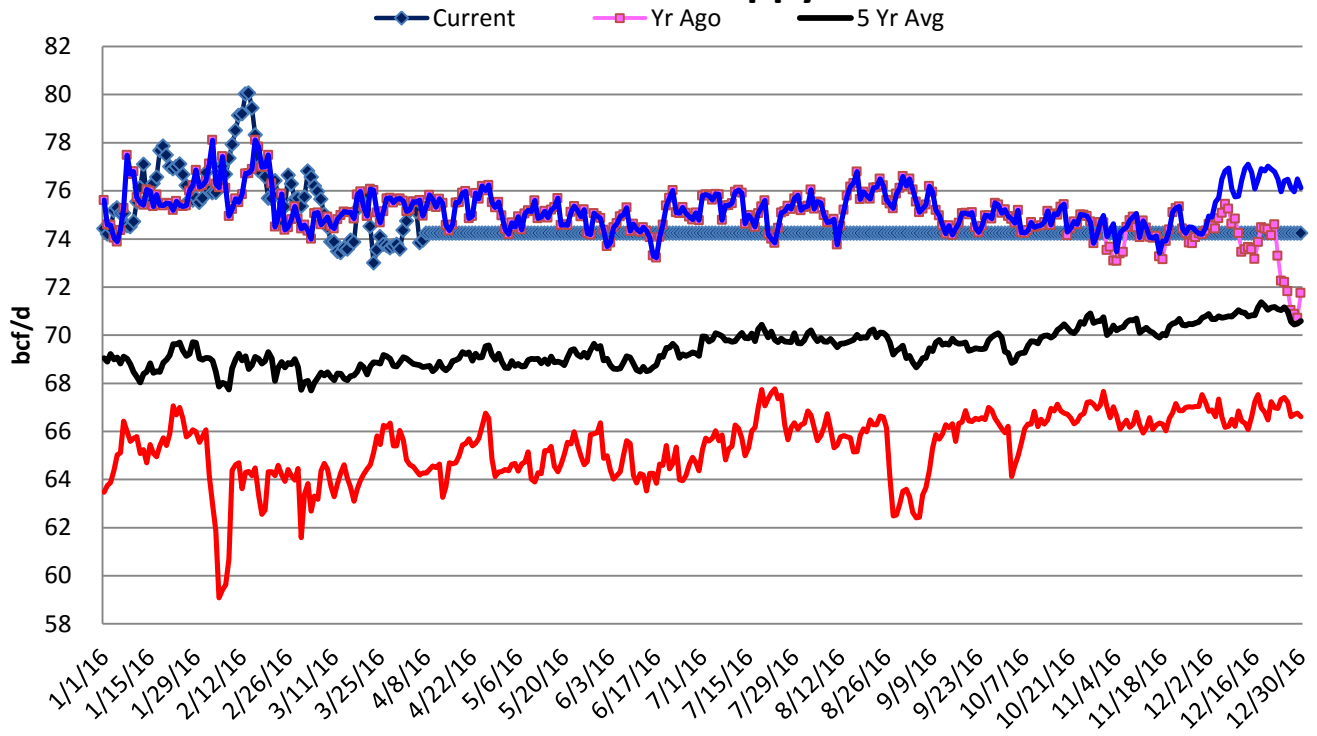
US Total Working Gas Storage - Source - EIA



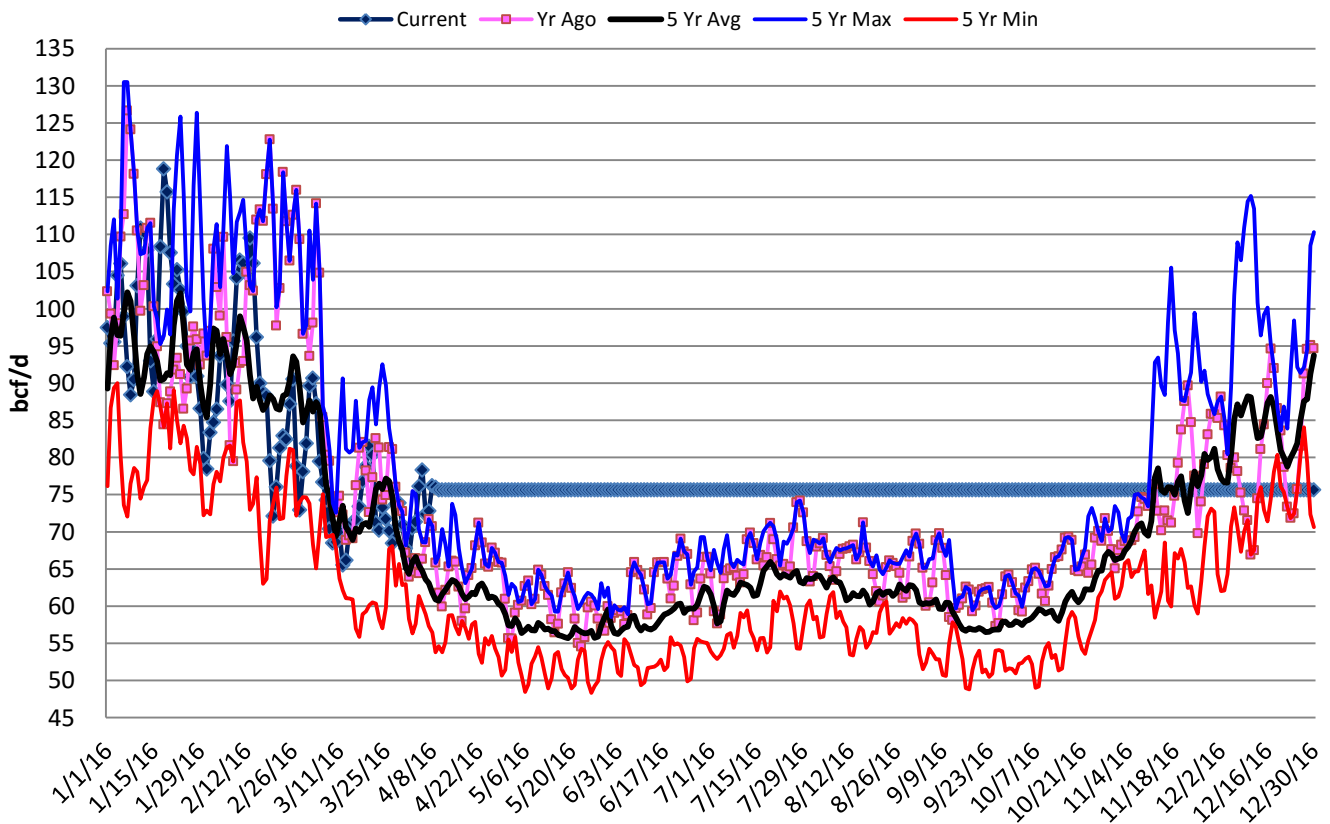
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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