

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 fell 8.8 cents (4.4%) to \$1.902 on a 16.6 cent range.

Price Outlook: Natural gas missed posting both a new high and low as this week's \$2.501 high fell shy of last week's \$2.074 print. Still, true to form, a new low was established as weather forecasts were considered quite bearish. While we still expect the market to generally post new highs or lows each week, the projected sharp reduction in the yearly and 5 year average storage comparisons will likely limit significant downside. Ultimate price direction will obviously be driven by storage injections. CFTC data indicated a decrease in the managed money net long position, the first mathematically bearish change since March 22, 2016. Total open interest rose to 3.451 million as of April 12. Aggregated CME futures open interest rose to 1.161 million as of April 15.

Weekly Storage: US working gas storage for the week ending April 8 indicated a net withdrawal of 3 bcf to 2,477 bcf. Current inventories rise 937 bcf (60.8%) above last year while surpassing the 5 year average by 847 bcf (52.0%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 2 bcf larger than reported by the EIA. This is within our tolerance range. The 5 week summation of our error fell to zero as our estimates exactly matched the (2) bcf withdrawal the EIA reported. Our current estimation for early November inventories is 4,300 bcf. This assumes 30 year normal weather and a warm summer could easily reduce this estimate by 200-250 bcf.

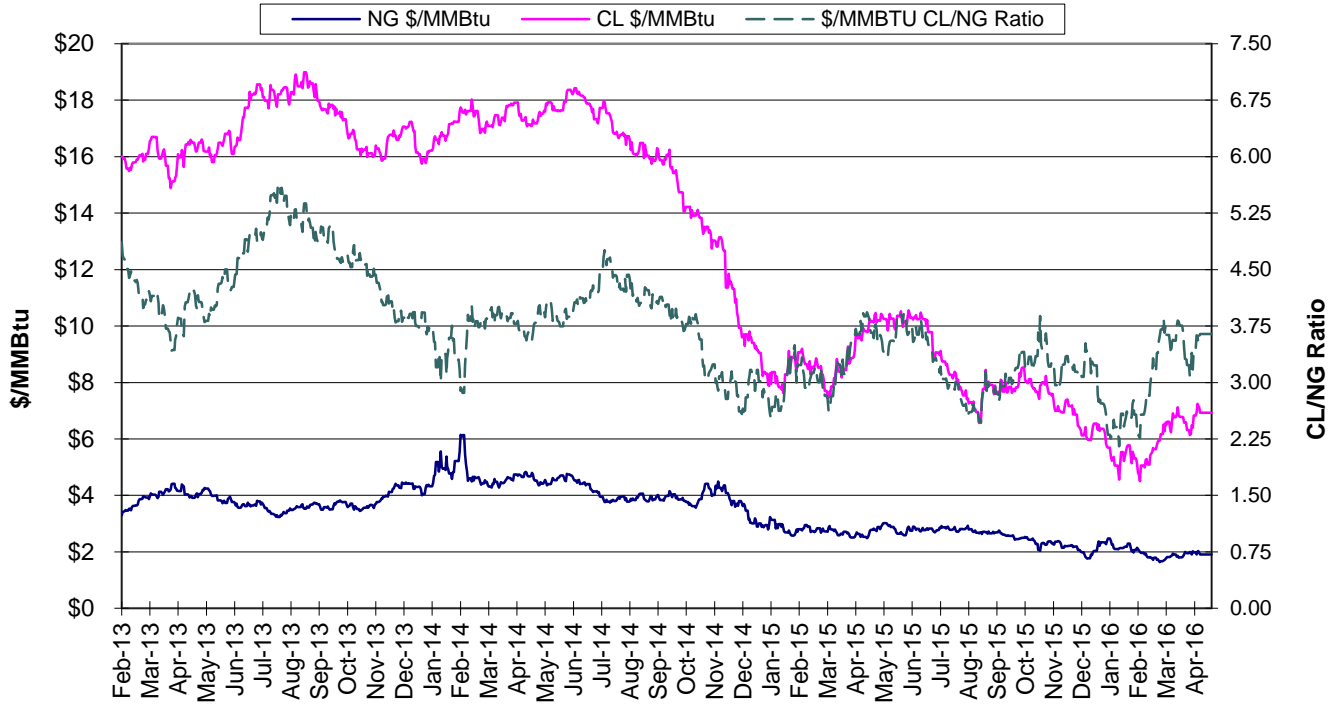
Supply Trends: Total supply rose 1.0 bcf/d to 75.0 bcf/d. Canadian and LNG imports rose. US production fell while Mexican exports rose. The US Baker Hughes rig count fell 3 as oil activity fell with natural gas unchanged. The total US rig count now stands at 440. The Canadian rig count fell 1 and now stands at 40. Thus, the total North American rig count fell 4 to 480 and now trails last year by 554, 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 335 and falls 406 below last year. The EIA drilling productivity report again increased previous production estimates, although at a more reasonable pace. Estimates for the current month have been increased 5 months in a row and 8 of the last 9.

Demand Trends: Total demand rose 1.5 bcf/d to 72.5 bcf/d. R&C and industrial demand rose while power fell. Electricity demand rose 1,582 gigawatt-hrs to 68,786 which exceeds last year by 342 (0.5%) while trailing the 5 year average by 212 (0.3%).

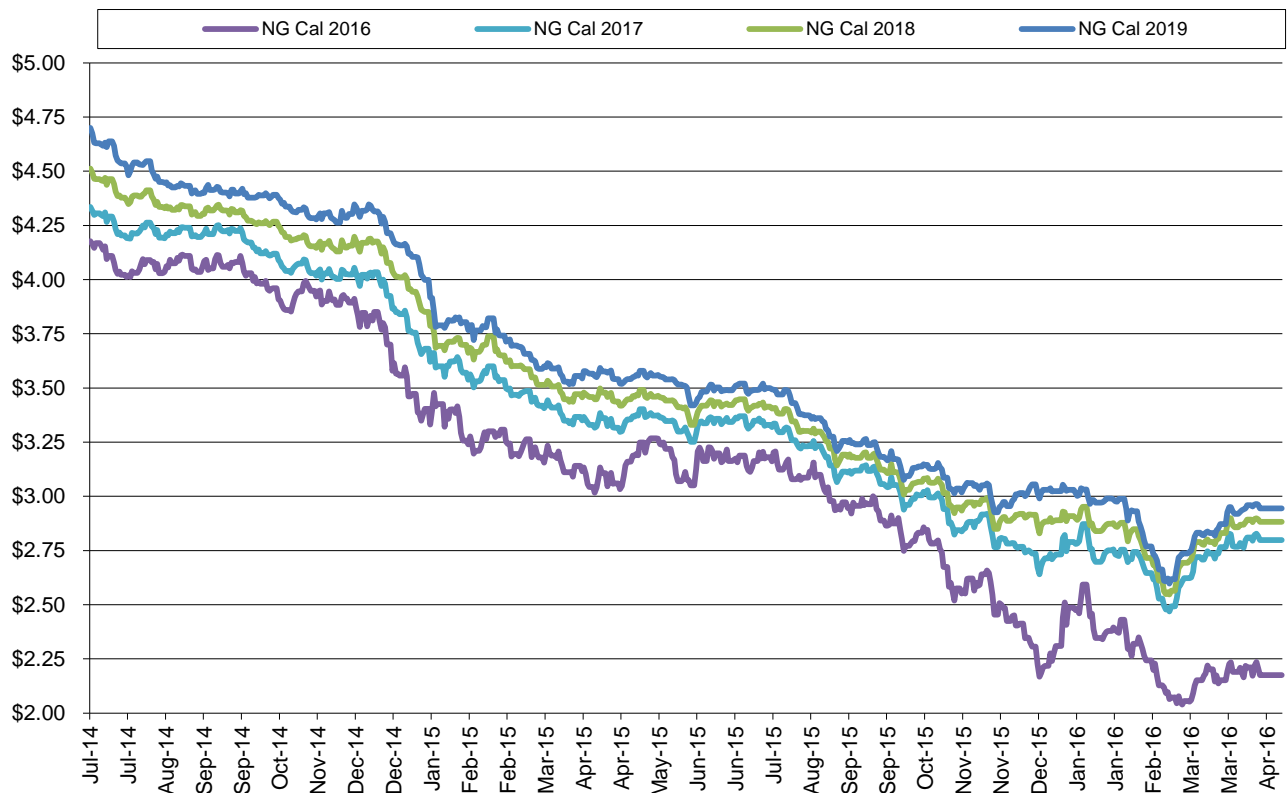
Other Factors: Nuclear generation rose 2,659 MW in the reference week to 86,025 MW. This is 4,334 MW higher than last year and 6,960 MW higher than the 5 year average. Recent output is just below 83,000 MW.

- The 2015/16 heating season is obviously coming to end and is easily the least severe since 2011/12. With a forecast through April 29, the 2015/16 total heating index is at 2,396 compared to 2,882 for 2014/15, 3,221 for 2013/14, 3,020 for 2012/13 and 2,566 for 2011/12.

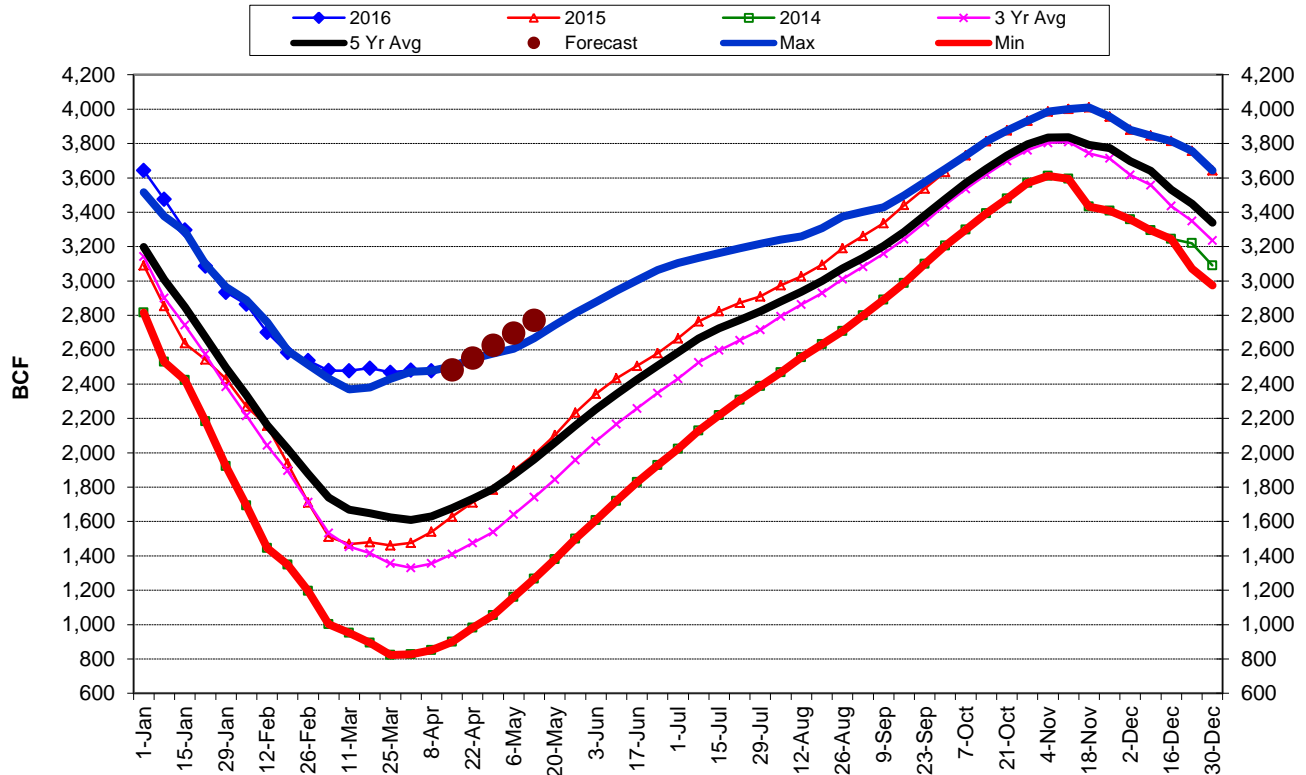
\$/MMBtu Ratio of NYMEX CL and NG



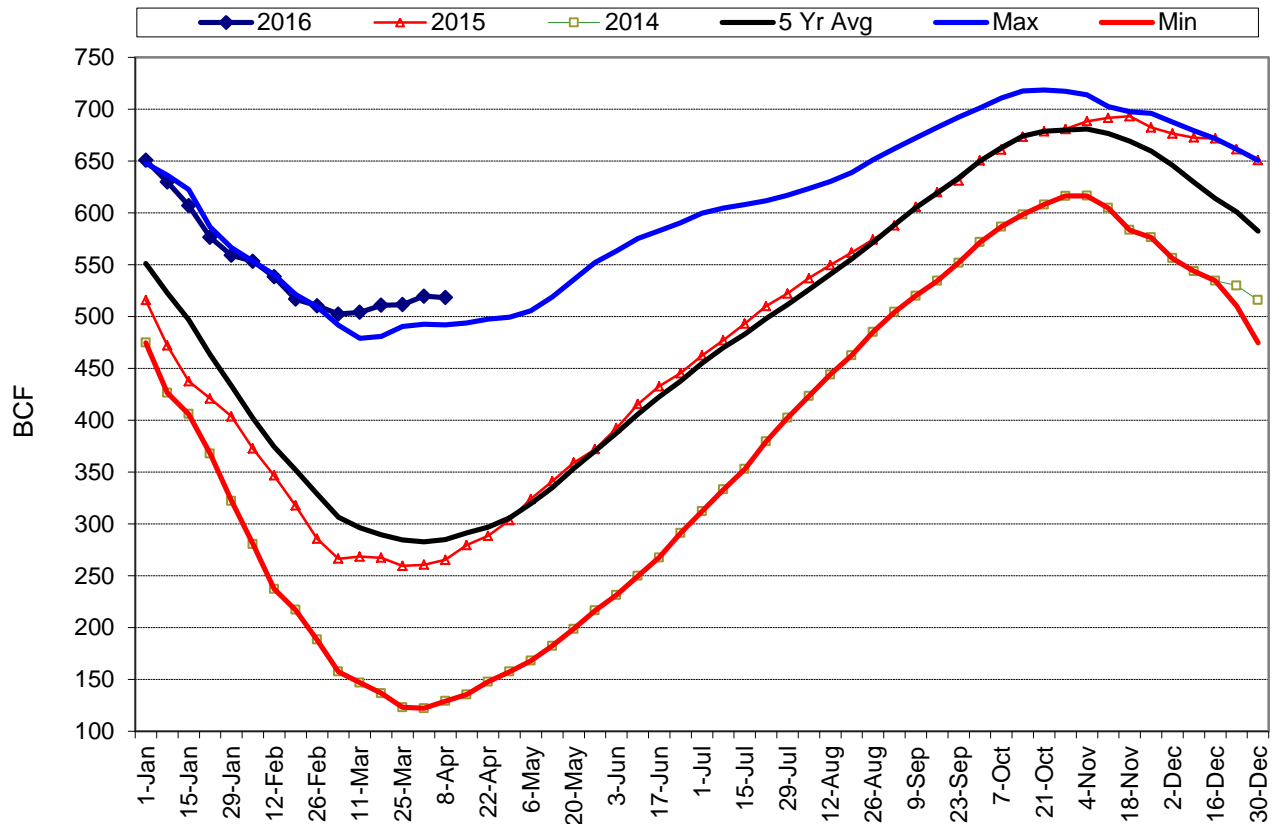
NYMEX Calendar Strips



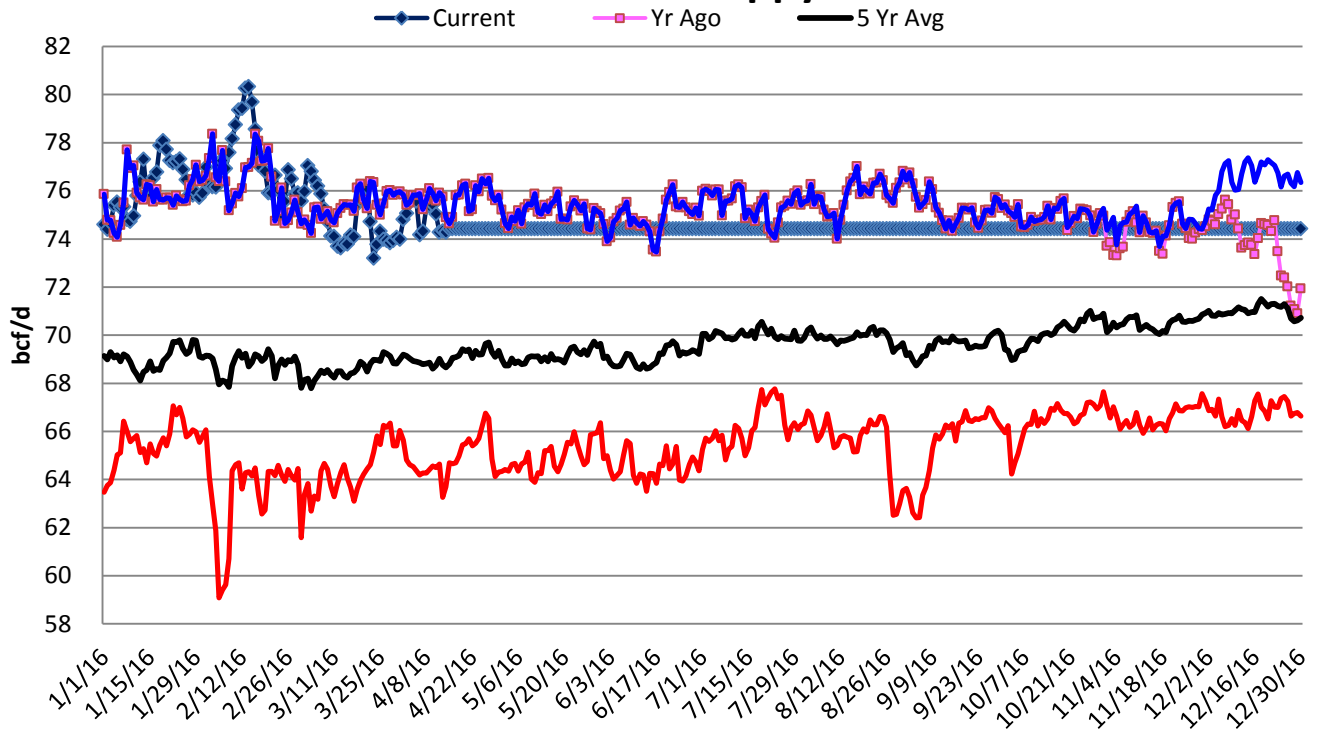
US Total Working Gas Storage - Source - EIA



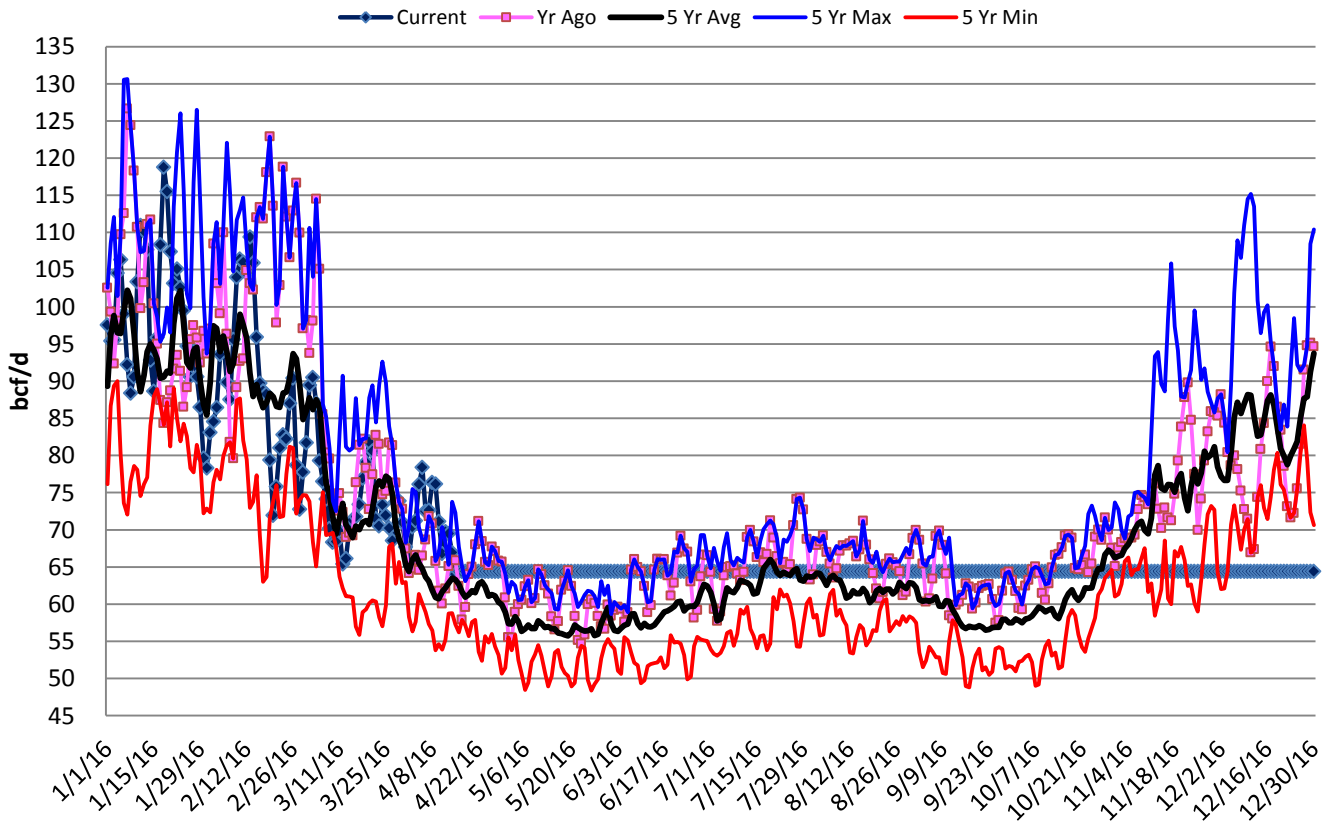
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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