

IAF Advisors
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 June contract fell 8.9 cents (3.9%) to \$2.178 on a 26.2 cent range.

Price Outlook: Natural gas posted a new high before slipping lower at the end of the week. The rise last week seemed exaggerated and this week's weakness seemed to simply be a bit of a correction. The increase to the 5 year average storage surplus was considered an important factor and expectations this week for another small increase to the 5 year average storage surplus may continue to keep pressure on the market. CFTC data indicated another increase in the managed money net long position to the largest since December 16, 2014. Total open interest rose to 3.450 million as of April 26. Aggregated CME futures open interest fell to 1.101 million as of April 29.

Weekly Storage: US working gas storage for the week ending April 22 indicated a net injection of +73 bcf to 2,557 bcf. Current inventories rise 847 bcf (49.5%) above last year while surpassing the 5 year average by 828 bcf (47.7%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 8 bcf smaller than reported by the EIA. This is above the upper end of our tolerance range. The 5 week summation of our error soared to 17 bcf as the EIA has reported net injections of +64 bcf compared to our estimated +47 bcf. Our current estimation for early November inventories is 4,283 bcf. This assumes 30 year normal weather and a warm summer could easily reduce this estimate by 200-250 bcf.

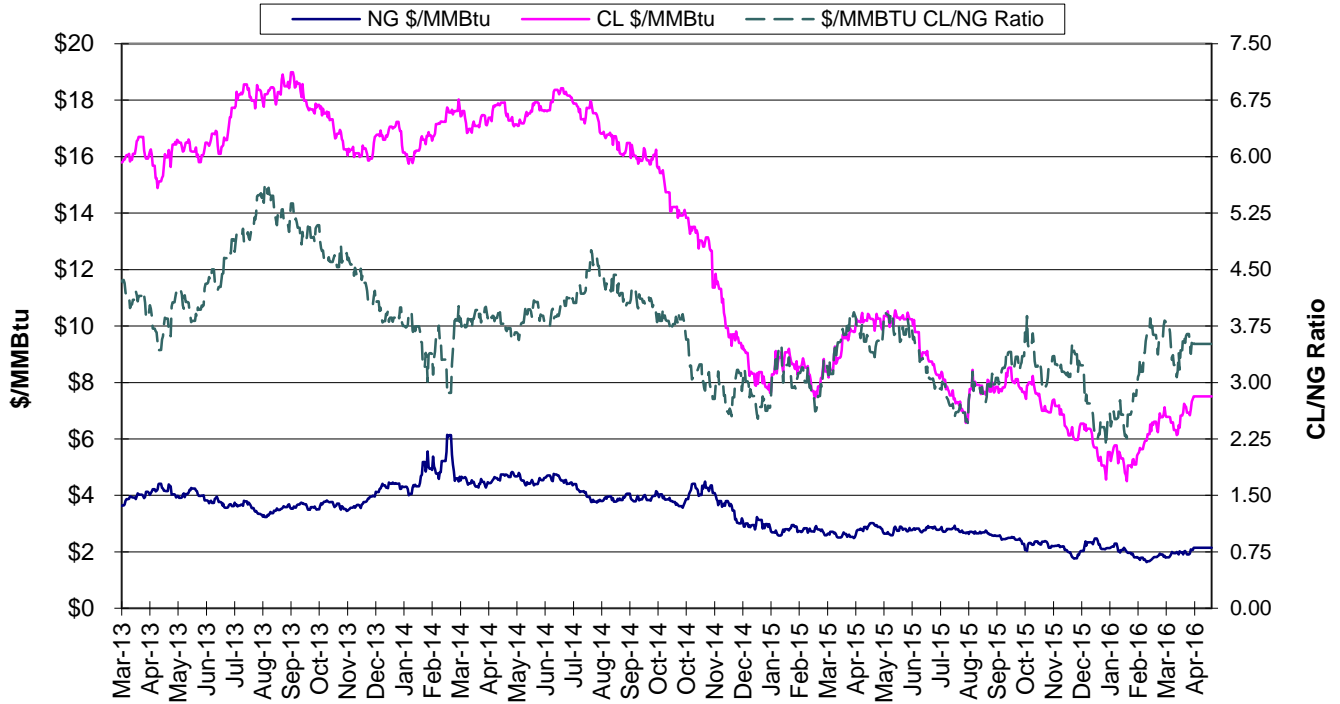
Supply Trends: Total supply rose 0.8 bcf/d to 75.7 bcf/d. US production and Canadian imports rose with LNG imports and Mexican exports unchanged. The US Baker Hughes rig count fell 11 as both oil and natural gas activity dropped. The total US rig count now stands at 420. The Canadian rig count fell 3 and now stands at 37. Thus, the total North American rig count fell 14 to 457 and now trails last year by 527, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. The higher efficiency US horizontal rig count fell 8 to 324 and falls 375 below last year. The EIA monthly report revealed an increase in US February production to the 4th highest on record.

Demand Trends: Total demand fell 8.9 bcf/d to 63.8 bcf/d. R&C and industrial demand fell with power demand higher. Electricity demand fell 891 gigawatt-hrs to 67,123 which trails last year by 1,027 (1.5%) while trailing the 5 year average by 1,374 (2.0%). The EIA monthly report revealed much lower February demand as expected considering the extreme relative warmth. February 2016 was the 2nd warmest in our proprietary index that began in 1970.

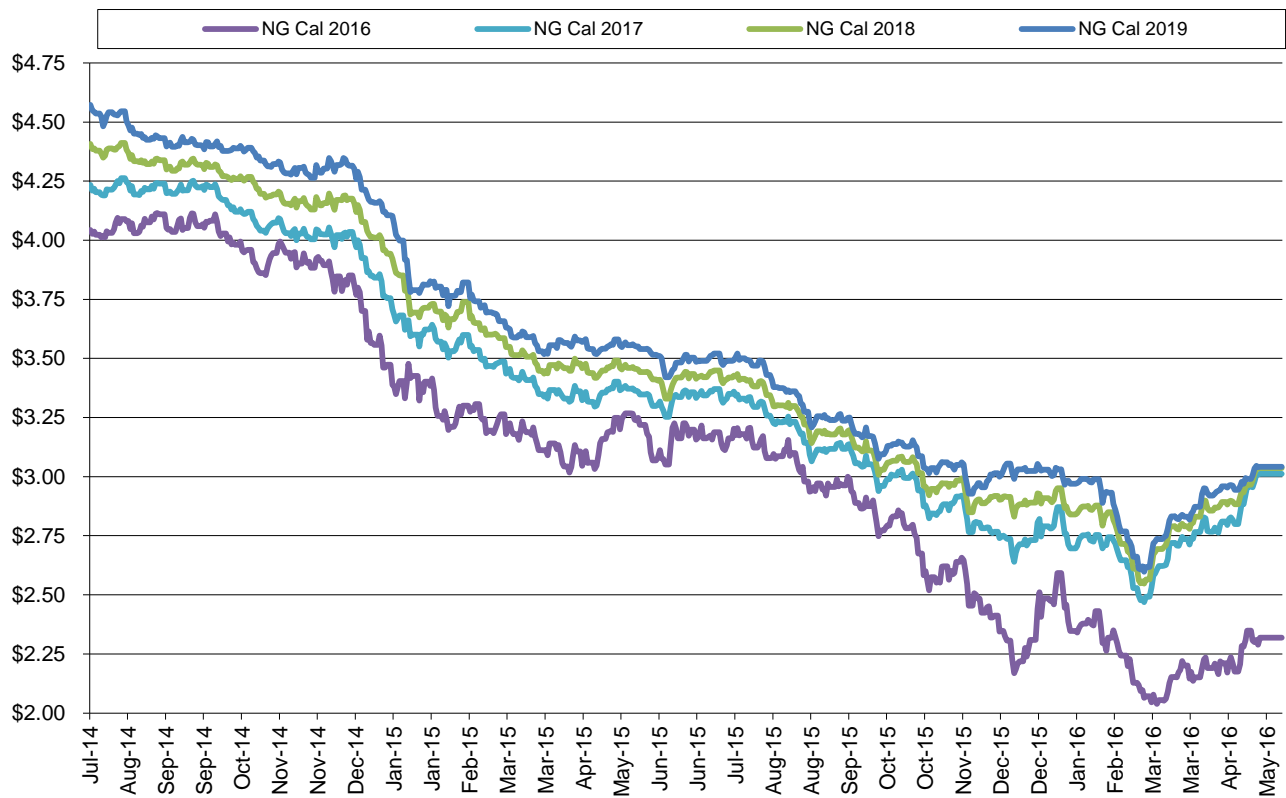
Other Factors: Nuclear generation fell 1,646 MW in the reference week to 82,846 MW. This is 3,576 MW higher than last year and 7,308 MW higher than the 5 year average. Recent output is still just below 83,000 MW.

- The 2015/16 heating season is at an end and next week will transition to the cooling index. With a forecast through May 13 the 2015/16 total heating index is at 2,408 compared to 2,886 for 2014/15, 3,230 for 2013/14, 3,048 for 2012/13 and 2,567 for 2011/12.

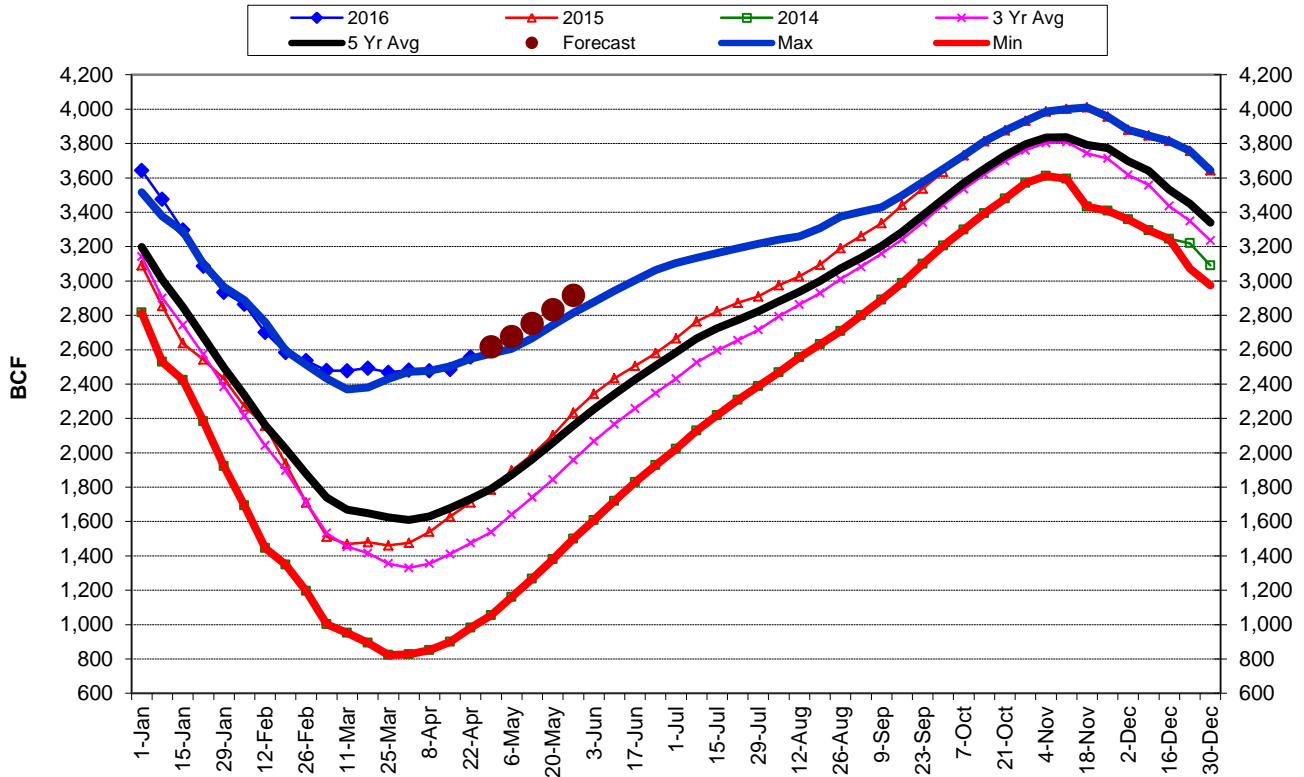
\$/MMBtu Ratio of NYMEX CL and NG



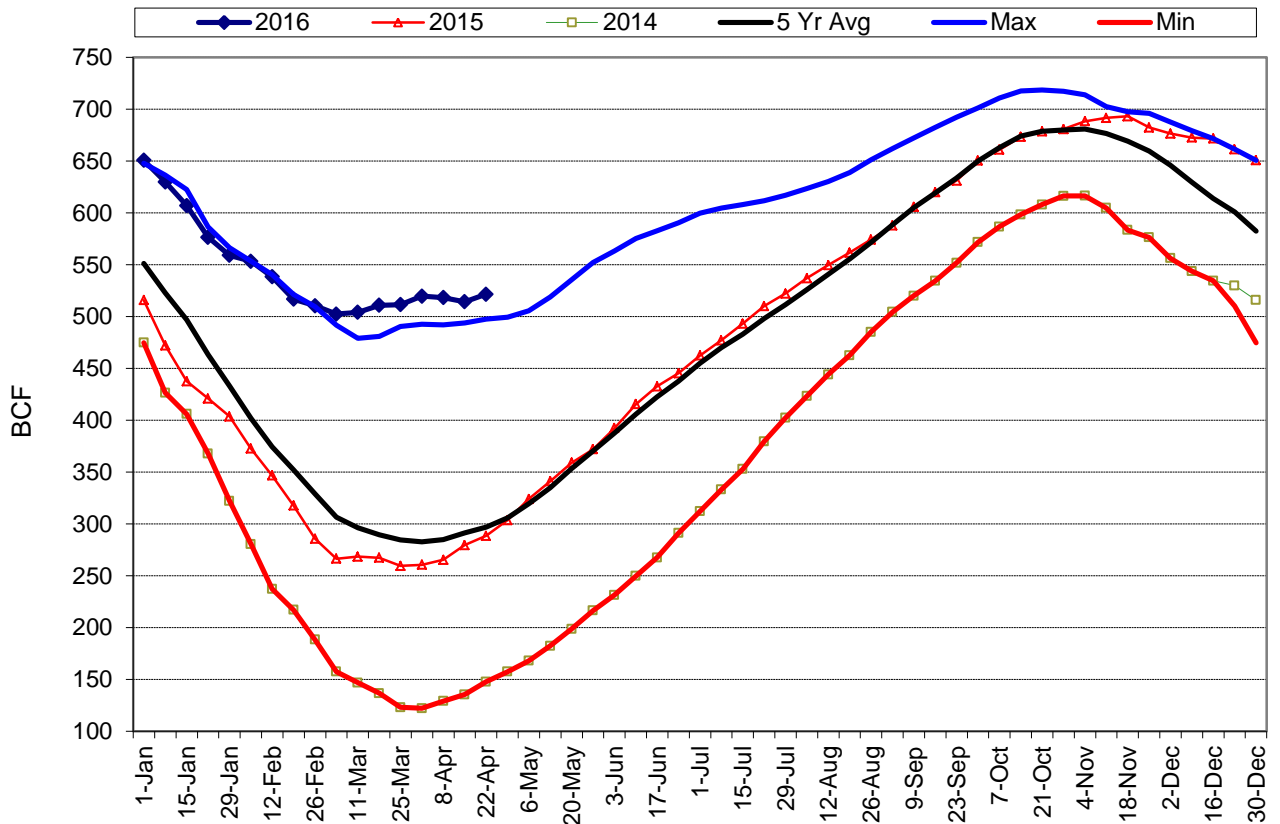
NYMEX Calendar Strips



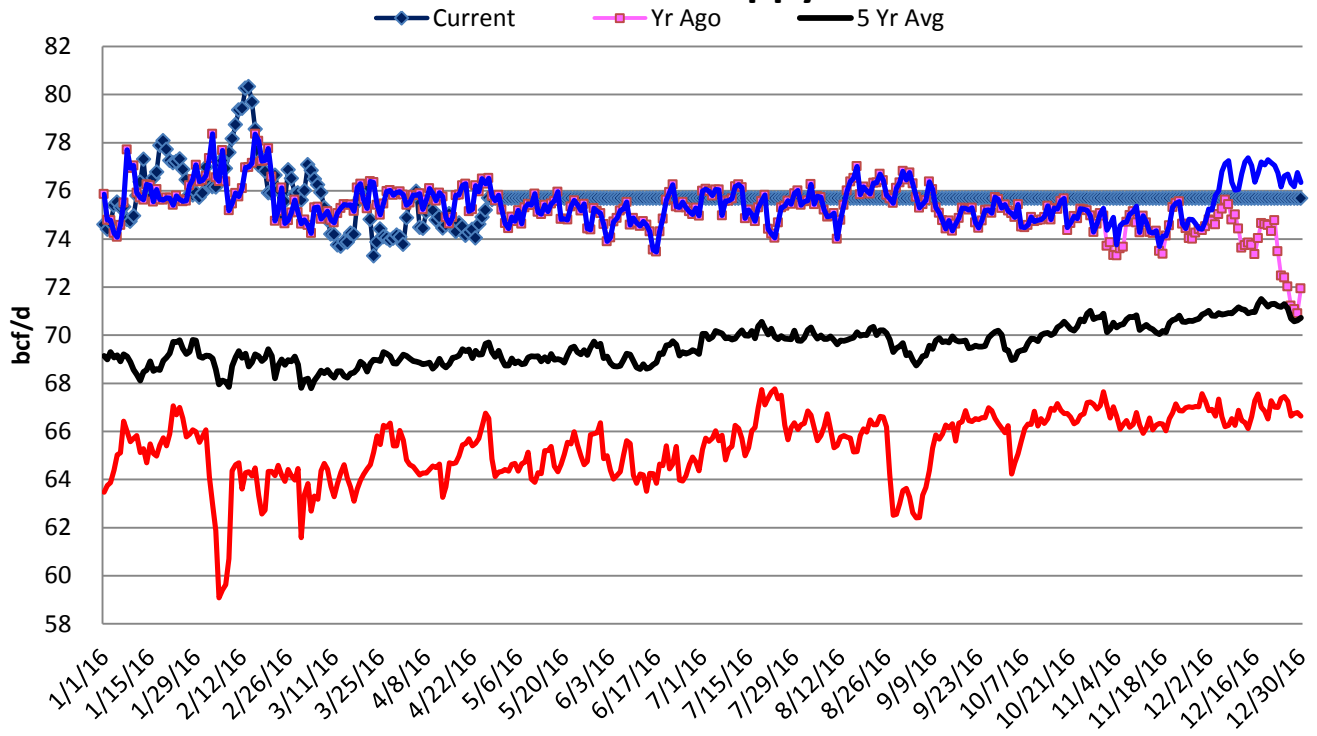
US Total Working Gas Storage - Source - EIA



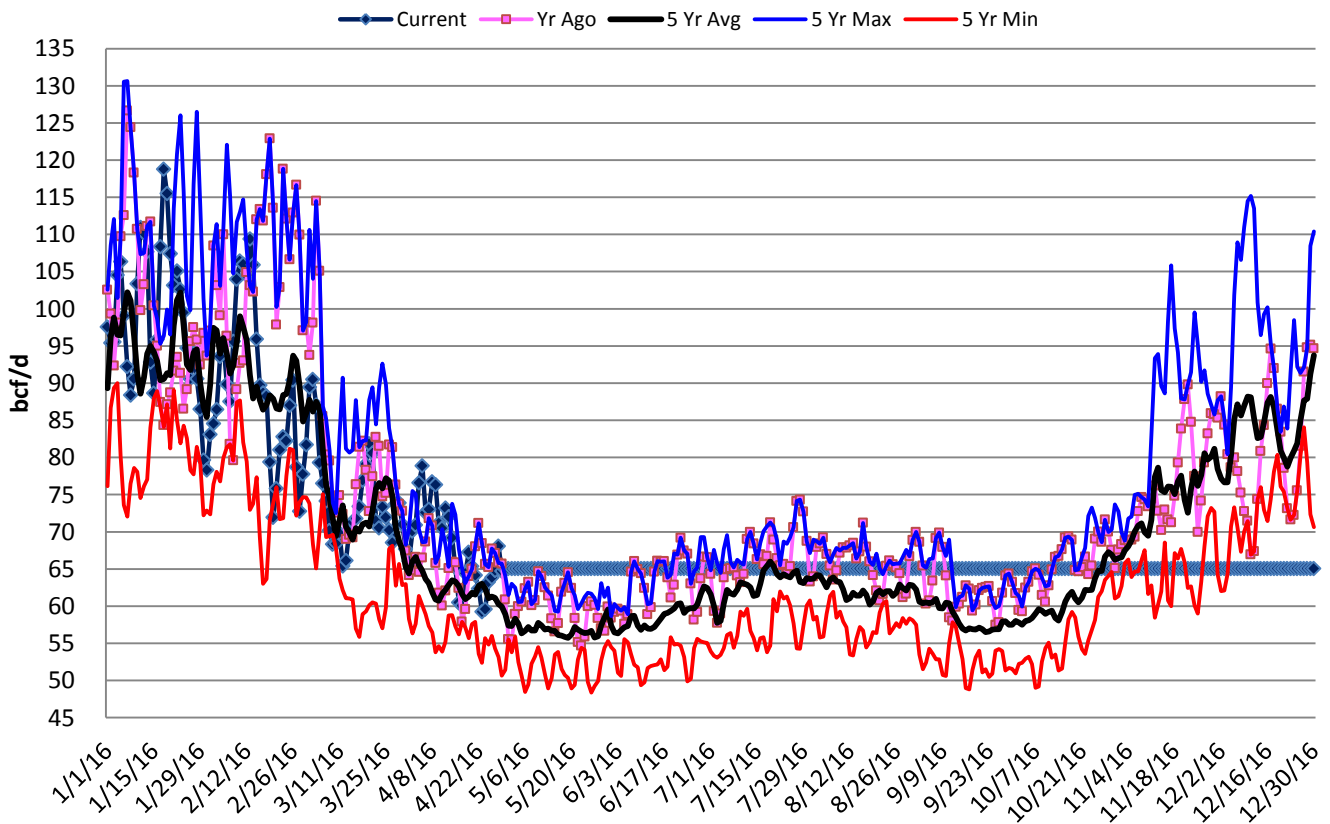
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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