



Energy Market Outlook

Kyle Cooper, (713) 248-3009 Kyle.Cooper@IAFAdvisors.com

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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 July contract rose 22.9 cents (10.6%) to \$2.398 on a 30.3 cent range.

Price Outlook: Natural gas continued to follow historical norms with the now prompt July contract surging as physical data was more bullish than expected. Despite still mild in Texas with additional flooding, prices shot higher as heat out west and other locations is fueling summer expectations. Power burns have been impressive and supportive while still absolute high storage levels remain bearish. While rare, this week could easily post an inside week. The underlying temperature adjusted supply/demand is bullish and has long term supportive implications that are well reflected in the forward curve. CFTC data indicated the managed money net short position established last week was reduced slightly. Total open interest fell to 3.361 million as of May 31. Aggregated CME futures open interest fell to 1.060 million as of June 3.

Weekly Storage: US working gas storage for the week ending May 27 indicated a net injection of +82 bcf to 2,907 bcf. Current inventories rise 723 bcf (34.4%) above last year while surpassing the 5 year average by 765 bcf (37.1%).

Storage Outlook: Our EIA weekly storage estimate was mathematically equal to the report by the EIA. The 5 week summation of our error fell to (4) bcf as the EIA has reported net injections of +350 bcf compared to our estimated +346 bcf. For a 5 week period, this is well within our acceptable tolerance range. Our current estimation for early November inventories is 4,229 bcf. This reduced estimate was partially the result of adjusting the June supply/demand balance to a more bullish outlook based on physical data.

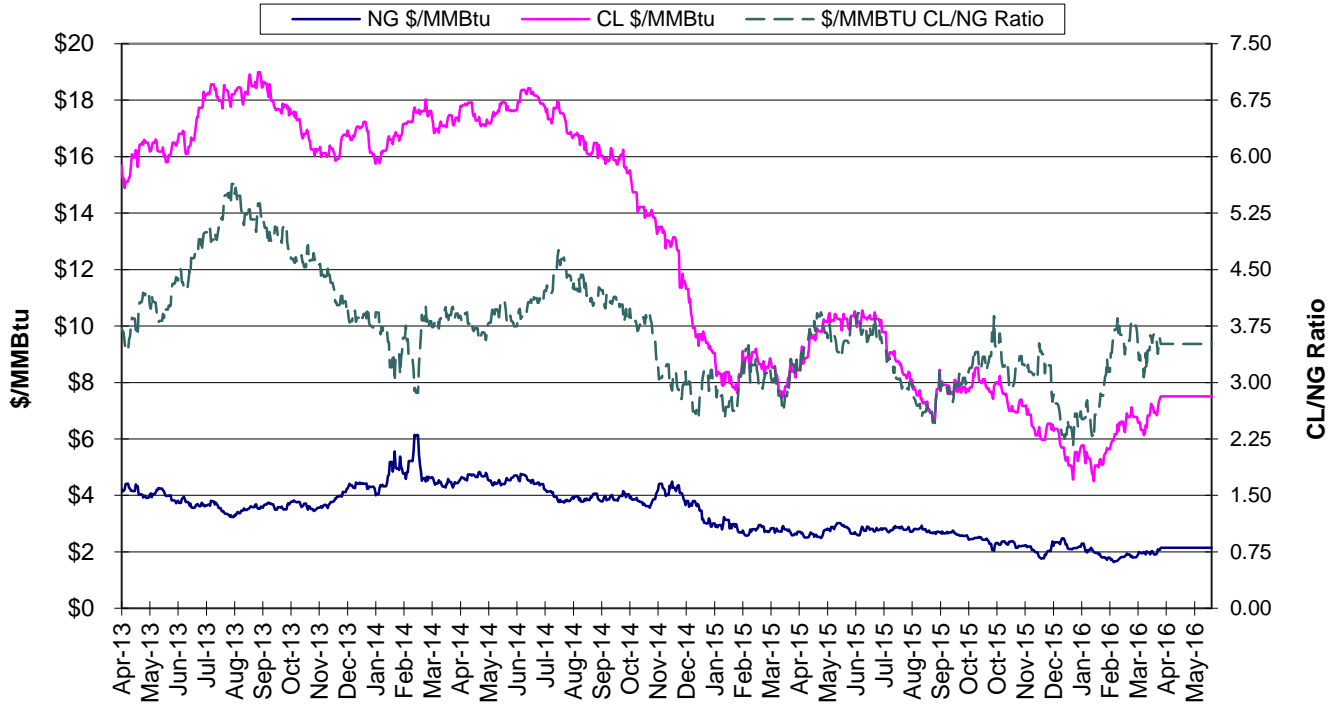
Supply Trends: Total supply fell 0.2 bcf/d to 73.9 bcf/d. US production, Canadian imports and Mexican exports were lower. LNG imports were unchanged. The US Baker Hughes rig count rose 4 as oil activity increased with natural gas lower. The total US rig count now stands at 408 The Canadian rig count fell 2 and now stands at 41. Thus, the total North American rig count rose 2 to 449 and now trails last year by 535, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. The higher efficiency US horizontal rig count rose 5 to 319 and falls 354 below last year. A review of the EIA Monthly Natural Gas Report indicated March production was slightly lower than expected.

Demand Trends: Total demand fell 1.0 bcf/d to 61.3 bcf/d. Power demand was higher while other sectors were lower. Electricity demand rose 6,979 gigawatt-hrs to 75,762 which exceeds last year by 480 (0.6%) while trailing the 5 year average by 434 (0.6%). A review of the EIA Monthly Natural Gas report indicated a drop in March demand as expected considering the 2nd warmest temperatures since 1970. However, March demand was over 3 bcf higher than any other March prior to 2013.

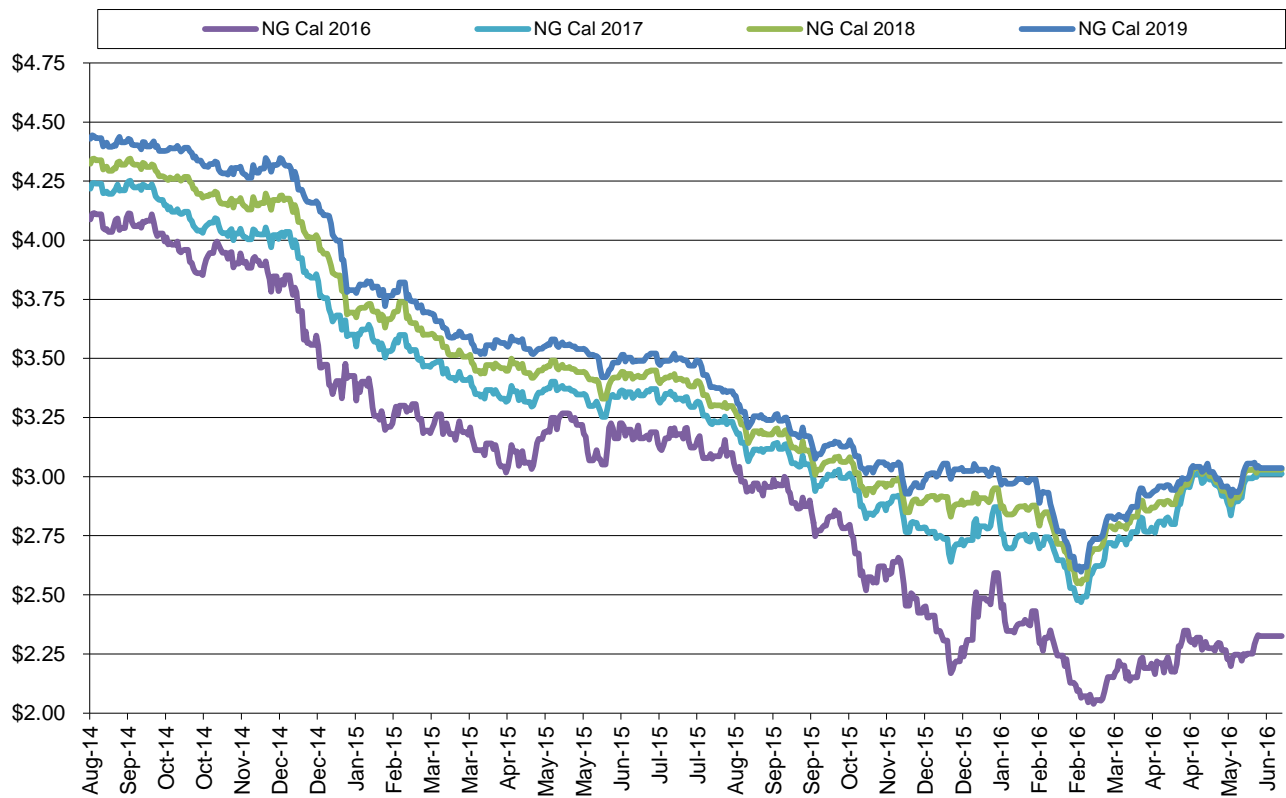
Other Factors: Nuclear generation rose 2,739 MW in the reference week to 89,779 MW. This is 705 MW lower than last year and 5,208 MW higher than the 5 year average. Recent output is almost 93,000 MW.

- The 2016 cooling season is beginning. With a forecast through June 17 the 2016 total cooling index is at 498 compared to 398 for 2015, 503 for 2014, 571 for 2013, 668 for 2012 and 843 for 2011.

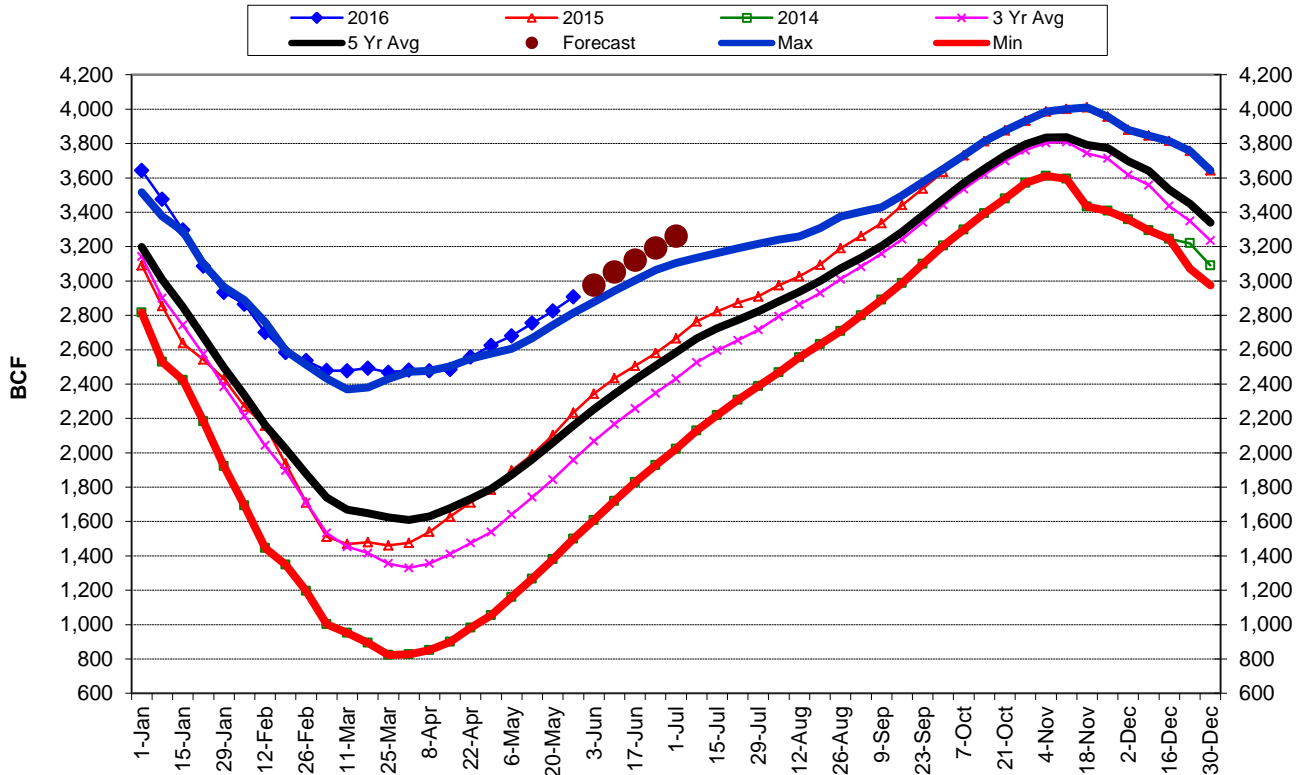
\$/MMBtu Ratio of NYMEX CL and NG



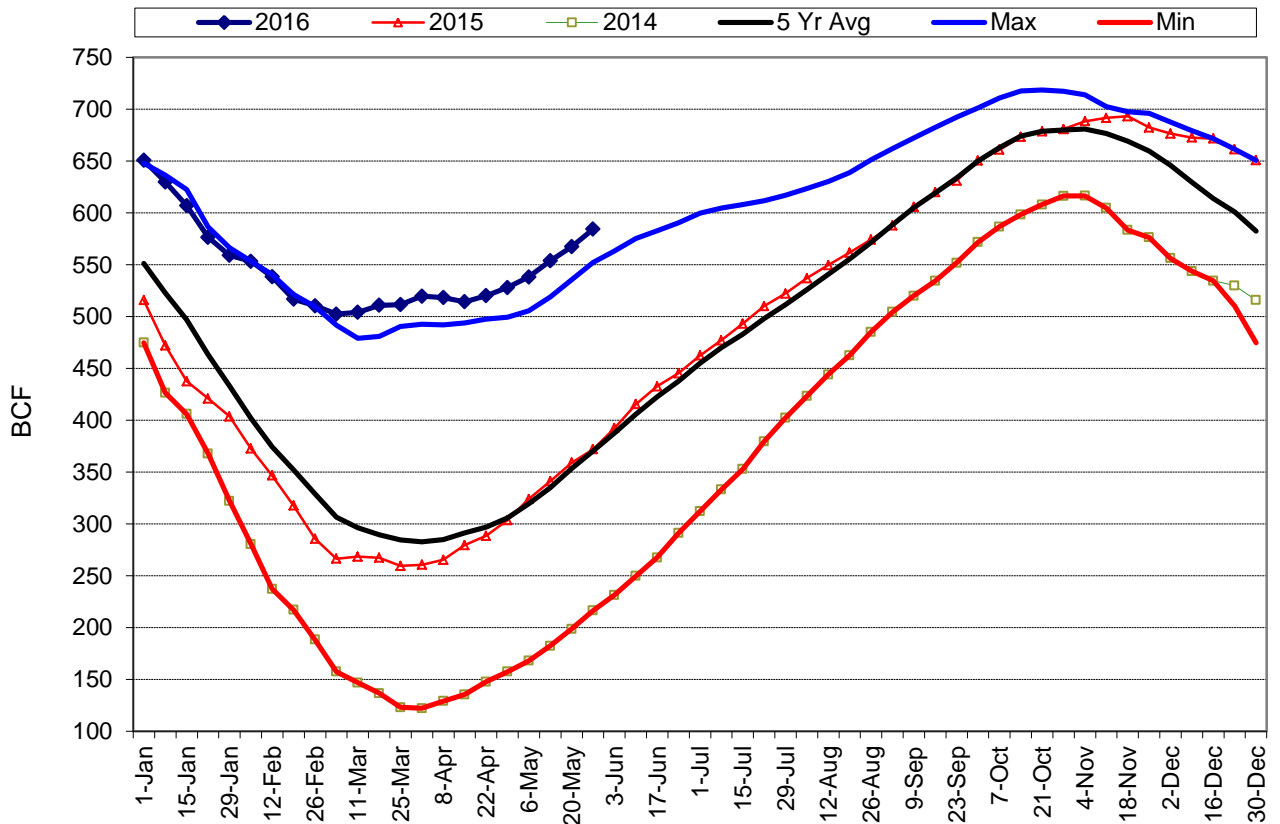
NYMEX Calendar Strips



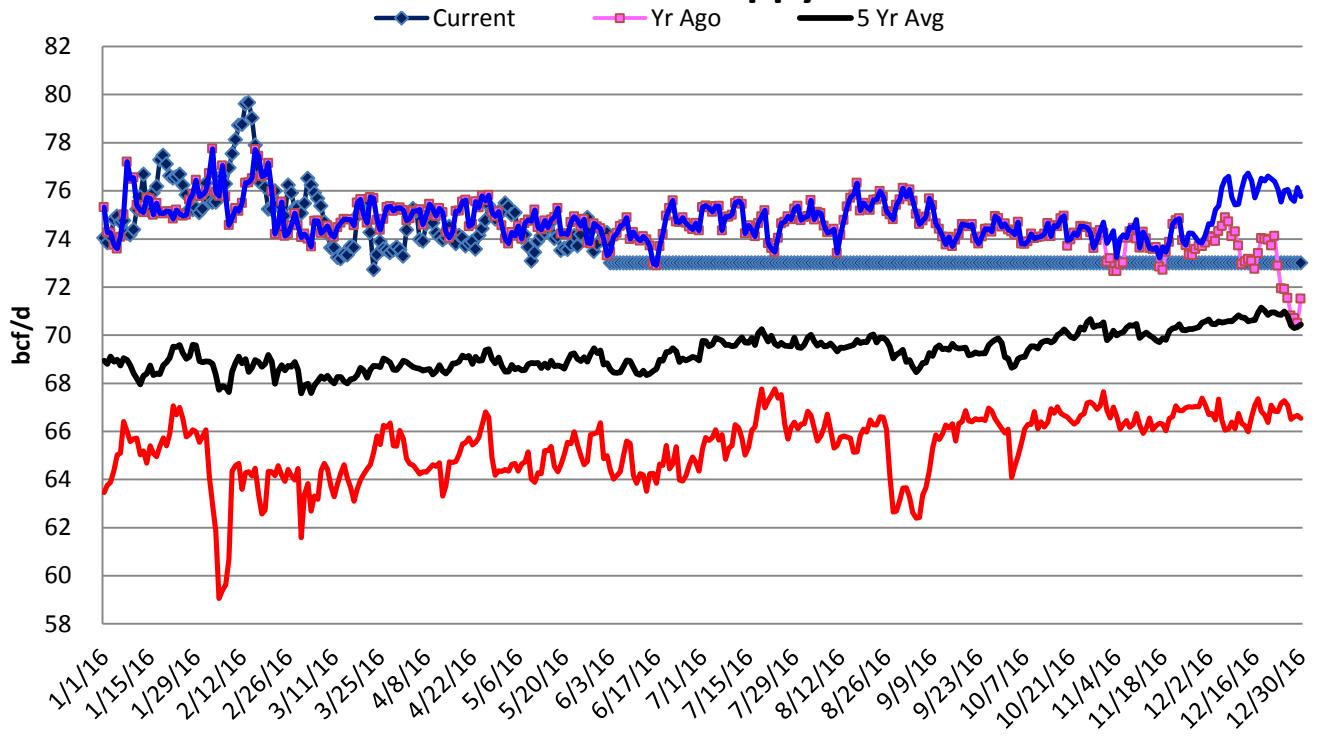
US Total Working Gas Storage - Source - EIA



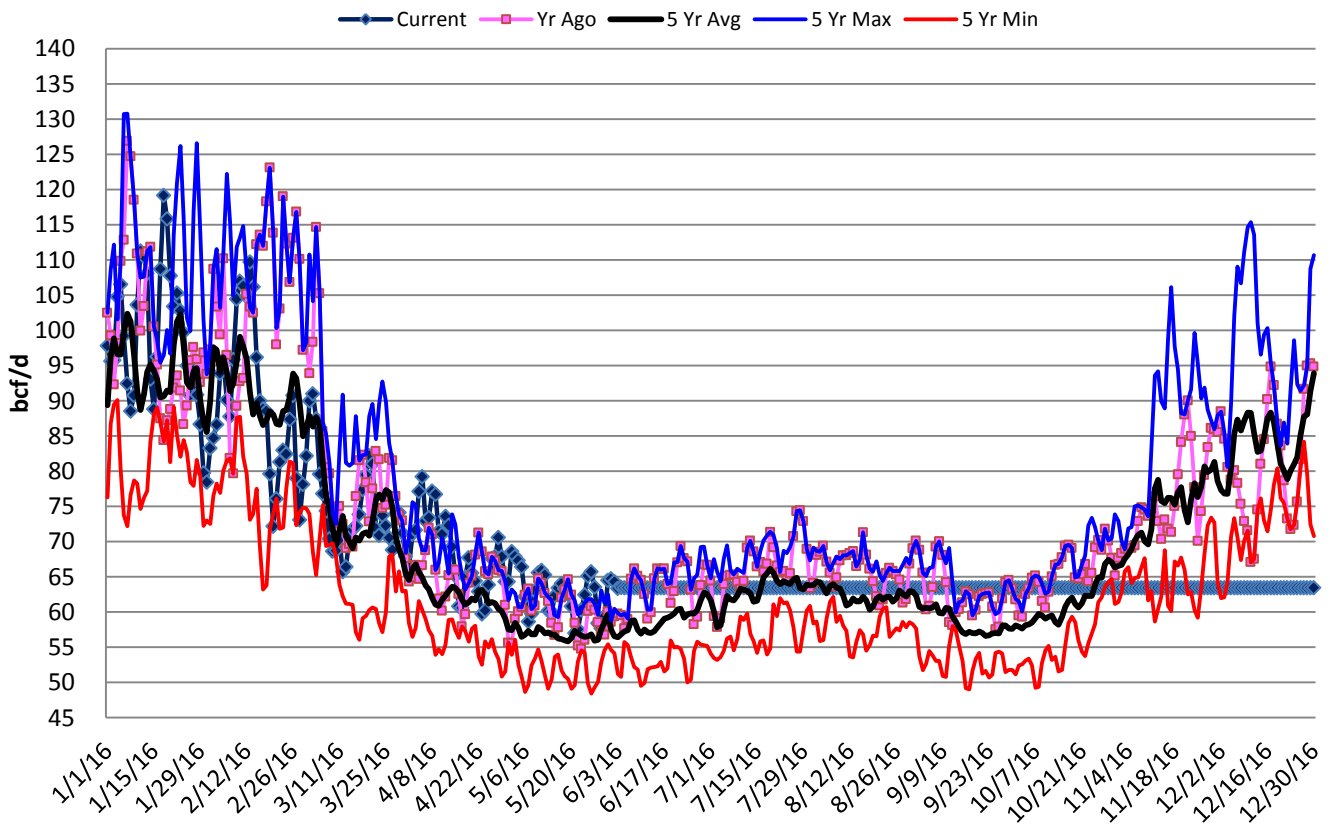
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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