



Energy Market Outlook

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

July 8, 2016

Please contact me if you wish to review a joint RBN Energy daily publication detailing natural gas fundamental factors.

Price Action: The August contract fell 4.5 cents (1.6%) to \$2.756 on a 20.2 cent range.

Price Outlook: Although it had been suggested that a 2nd consecutive inside week could occur, an incredibly rare occurrence, natural gas held true to historical form and posted a new low. However, with extremely bullish weather forecasts supporting prices while still record absolute storage levels and evidence coal has regained power generation market share restrain price surges, prices may simply remain choppy and range bound in the near term. CFTC data indicated the managed money net long position fell as more shorts were added compared to new longs. Total open interest fell to 3.464 million as of July 12. Aggregated CME futures open interest fell to 1.030 million as of July 15.

Weekly Storage: US working gas storage for the week ending July 8 indicated a net injection of +64 bcf that lifted total working gas inventories to 3,243 bcf. Current inventories rise 479 bcf (17.3%) above last year while surpassing the 5 year average by 578 bcf (21.7%).

Storage Outlook: Since mid-April, weather forecasts have subtracted a net (188) bcf from storage forecasts compared to 30 year normal temperatures and highlight the extreme influence of weather. In comparison, from mid-September to mid-April 1,154 bcf was added to storage projections. Since this was over the winter, this reduced projected storage withdrawals compared to a 30 year normal.

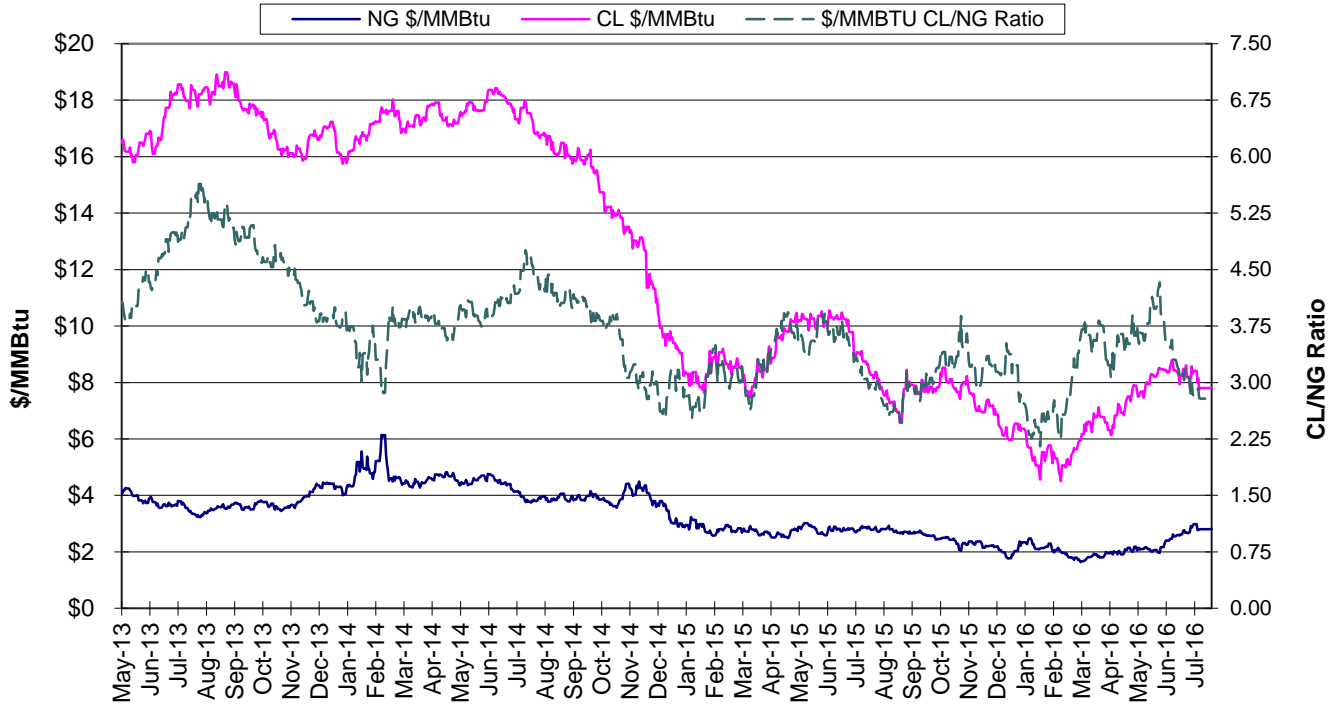
Supply Trends: Total supply rose +1.1 bcf/d to 74.8 bcf/d. US production and LNG imports were higher. Canadian imports and Mexican exports were unchanged. The US Baker Hughes rig count rose 7 as both oil and natural gas activity increased. The total US rig count now stands at 447. The Canadian rig count rose 14 to 95. Thus, the total North American rig count rose 21 to 542 and now trails last year by 507, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. The higher efficiency US horizontal rig count rose 1 to 344 and falls 306 below last year.

Demand Trends: Total demand fell (2.2) bcf/d to 63.1 bcf/d. Power and industrial demand fell while R&C rose. Electricity demand rose 1,925 gigawatt-hrs to 88,147 which exceeds last year by 3,101 (3.6%) but trails the 5 year average by 385 (0.4%).

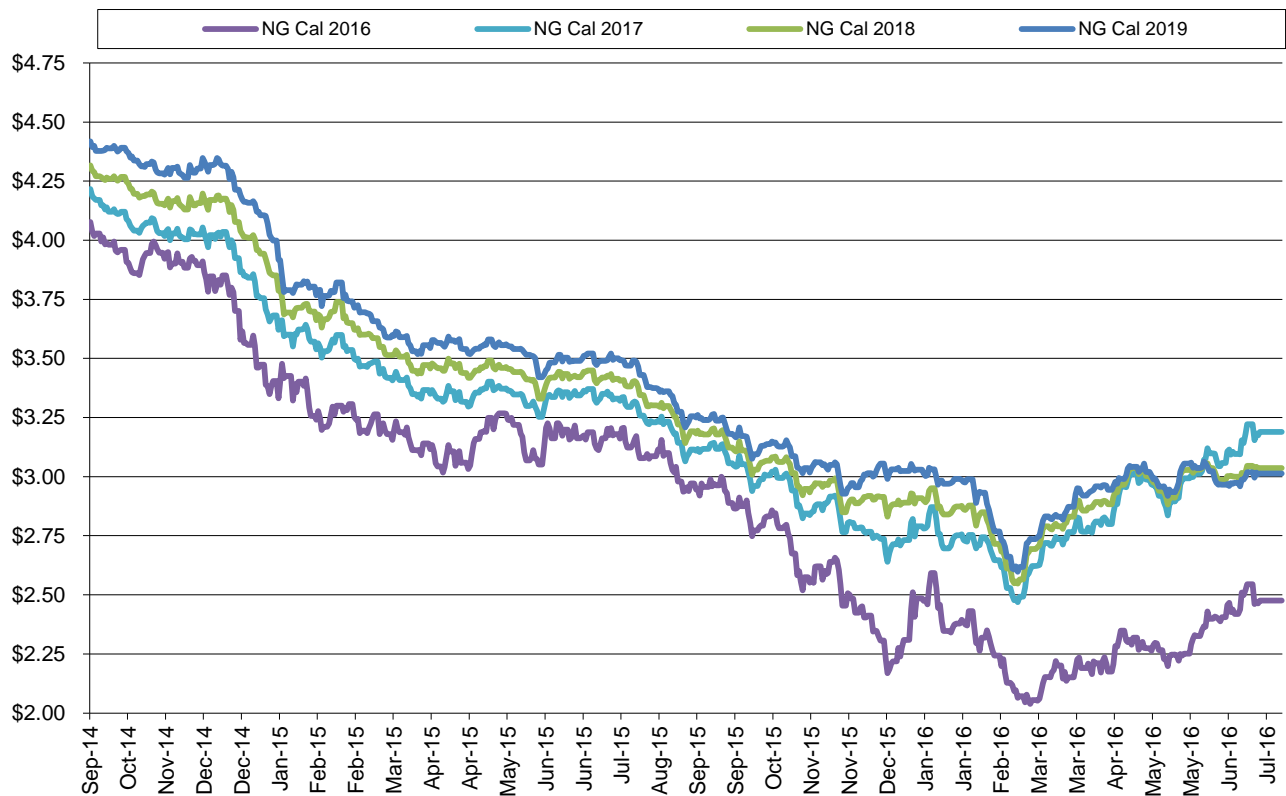
Other Factors: Nuclear generation rose 2,388 MW in the reference week to 92,224 MW. This is 3,327 MW lower than last year and 2,408 MW lower than the 5 year average. Recent output is near 93,500 MW.

- The 2016 cooling season is approaching its mid-point. With a forecast through July 29 the 2016 total cooling index is at 3,261 compared to 2,171 for 2015, 1,984 for 2014, 2,754 for 2013, 4,840 for 2012 and 3,555 for 2011. The heat is primarily concentrated in the West.

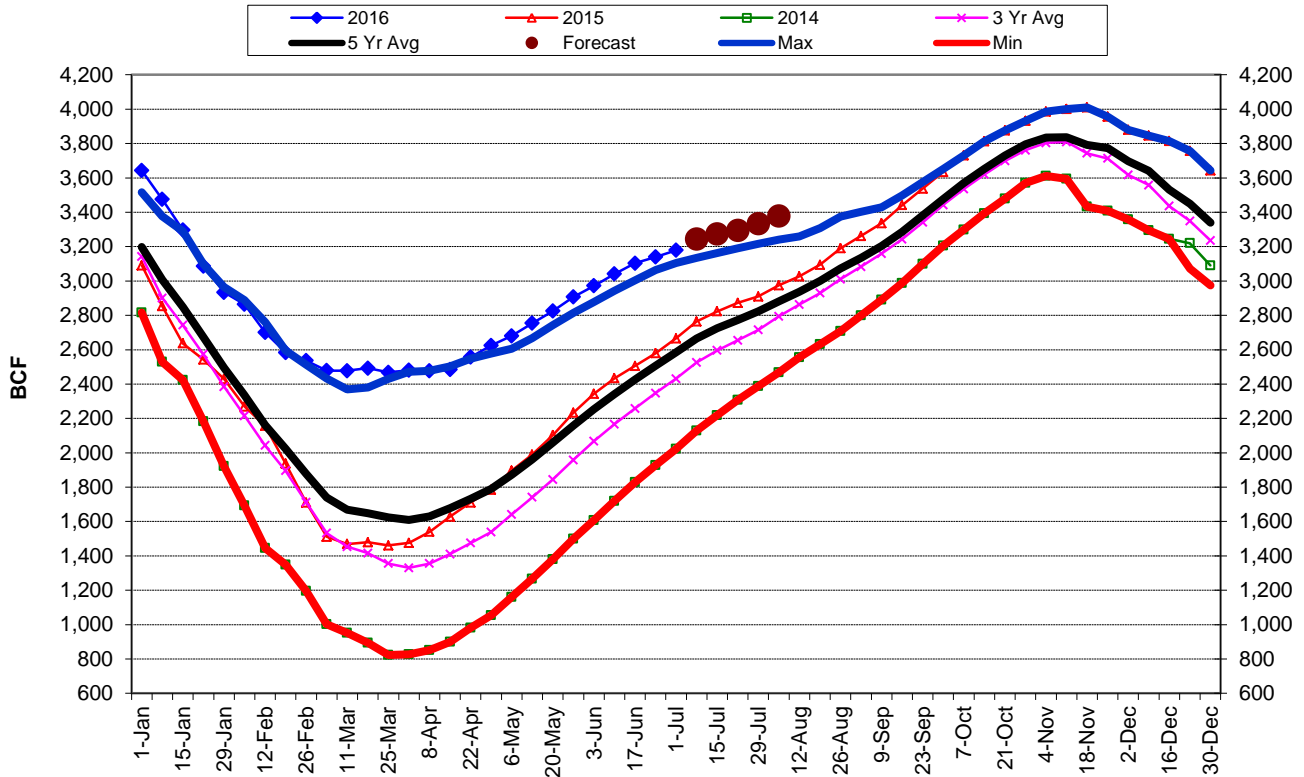
\$/MMBtu Ratio of NYMEX CL and NG



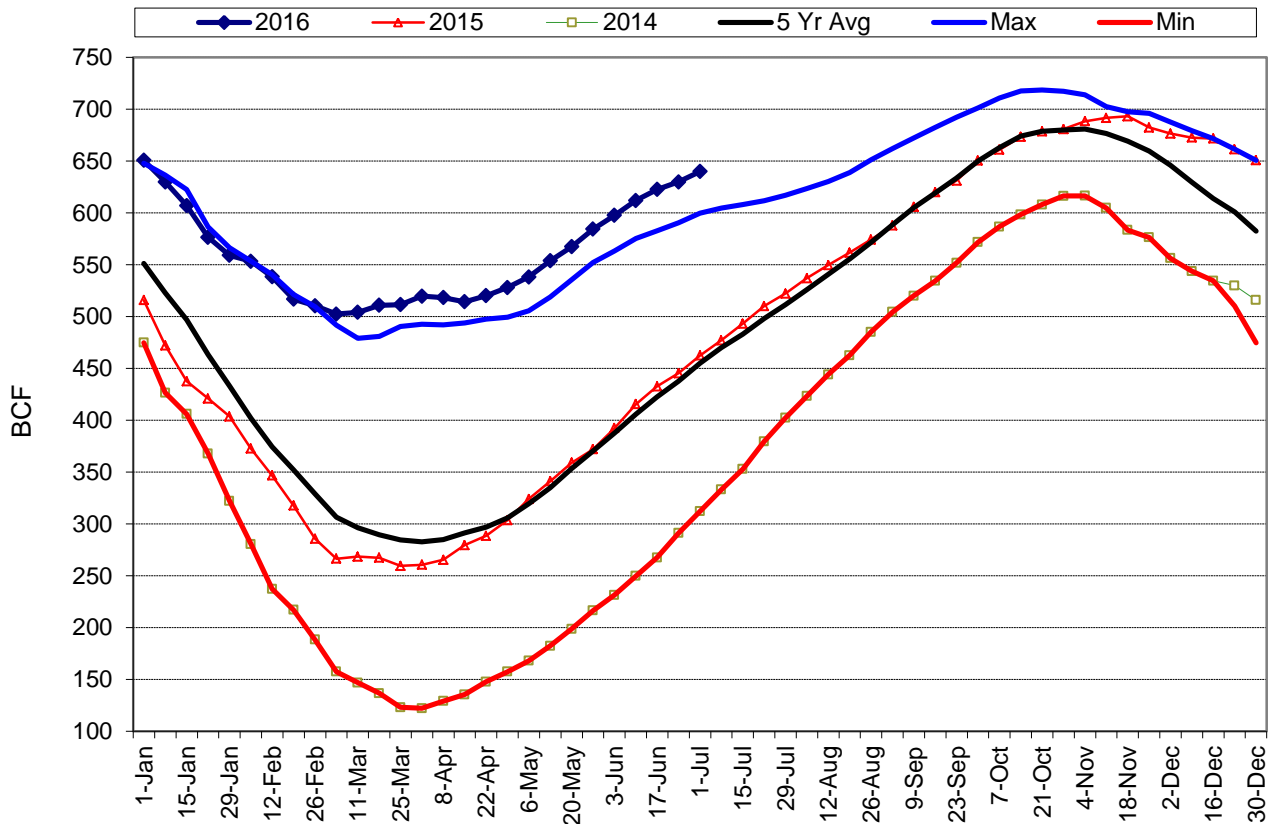
NYMEX Calendar Strips



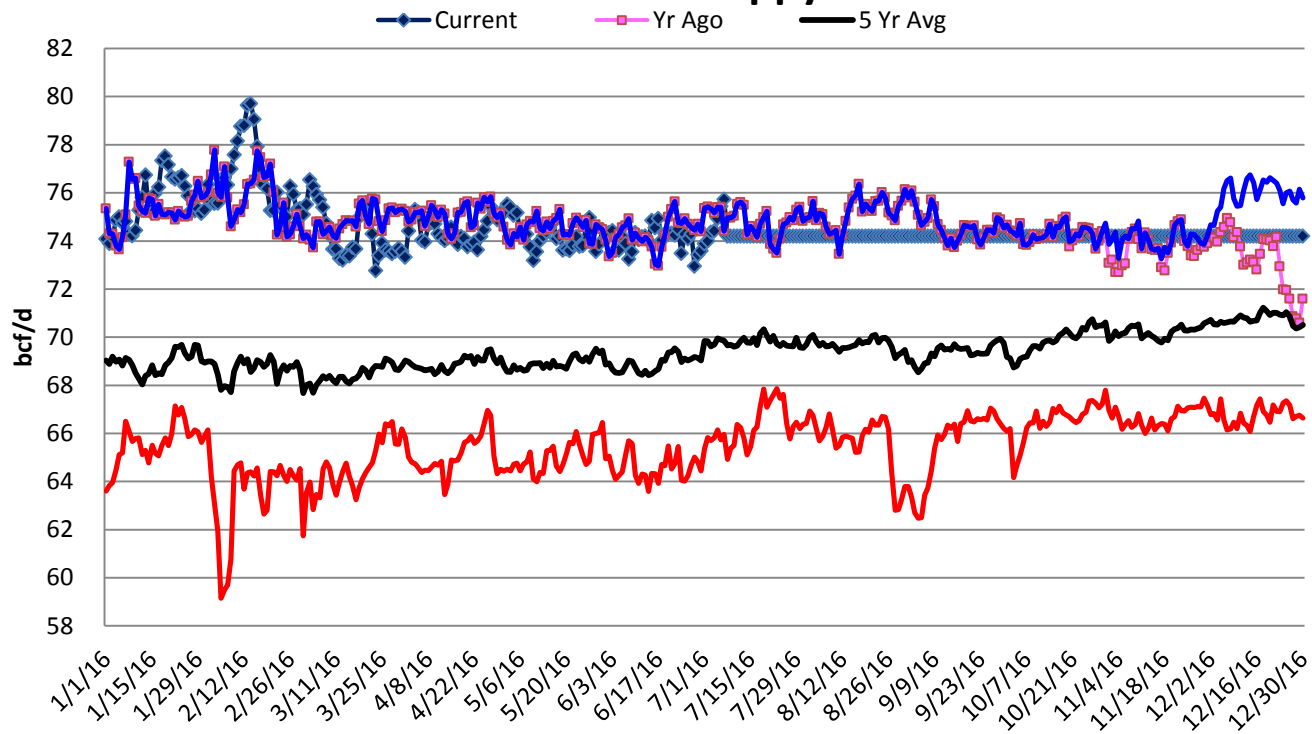
US Total Working Gas Storage - Source - EIA



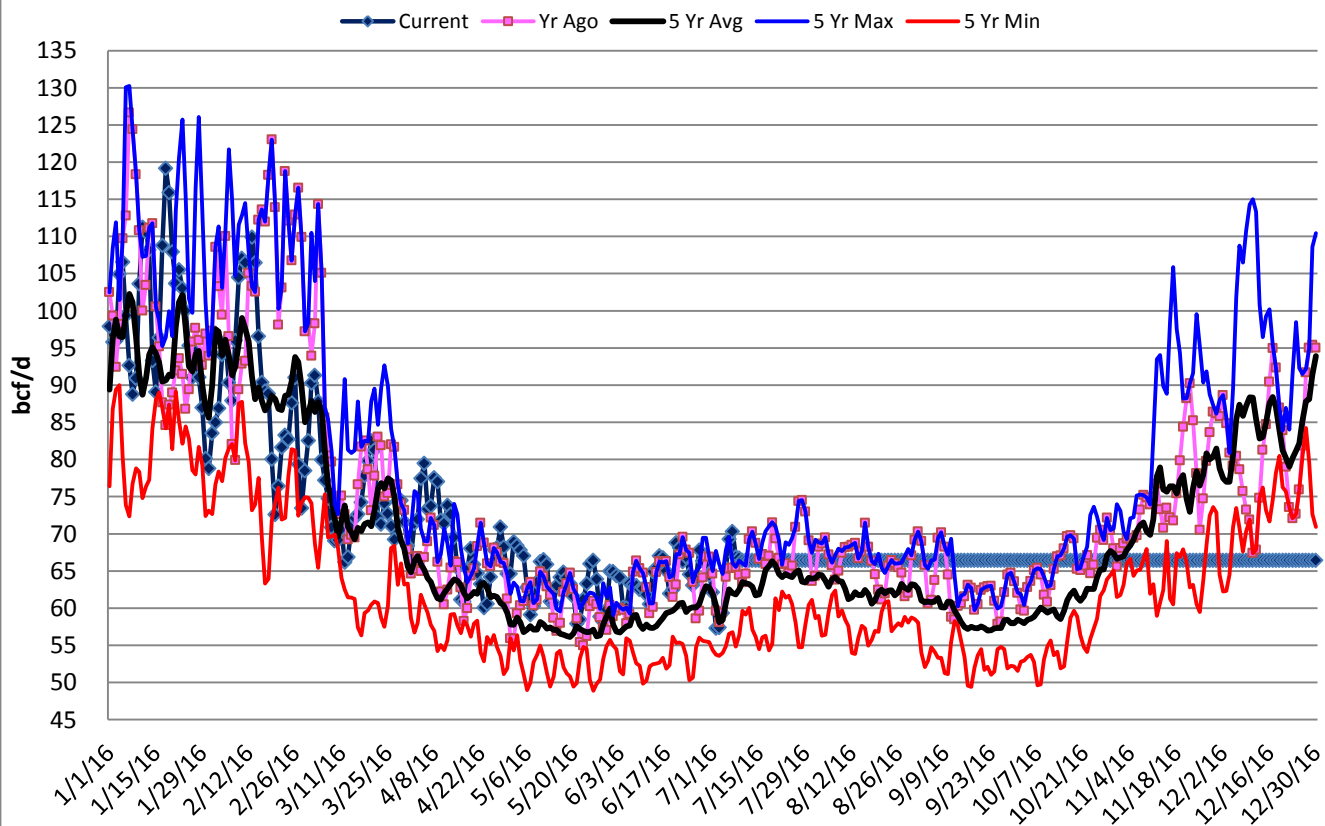
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any commodity, futures contract, equity, bond or option contract on any other financial asset. IAF Advisors does not provide investment, financial, tax, or other advice, nor does it operate as a broker-dealer. IAF Advisors does not recommend the purchase or sale of any particular security or securities. Although any statements of fact in this report have been obtained from and are based upon sources that IAF Advisors believes to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. IAF Advisors, its officers and/or employees, may at any time have a long and/or short position in any commodity, futures contract, equity, bond or option contract on any other financial asset mentioned in this report. All opinions and estimates included in this report constitute IAF Advisors judgment as of the date of this report and are subject to change without notice.

© 2016 IAF Advisors.