



Energy Market Outlook

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Please contact me to review a joint RBN Energy daily publication detailing natural gas fundamentals.

Price Action: The October contract rose 0.7 cents (0.2%) to \$2.955 on a 20.8 cent range.

Price Outlook: Prices reached a new weekly high, the 2nd in a row on continued bullish storage reports. The yearly storage surplus has contracted for an astounding 26 weeks in a row. However, prices did slip to end the week as above average temperatures now become bearish. At the same time, maintenance at Cheniere's LNG export facility did commence and added to US supply. Still with a very bullish supply/demand balance in place, a dramatic price drop is not expected with a generally range bound market expected until the arrival of winter temperatures. CFTC data indicated another increase in the managed money net long position as longs added slightly more than the shorts. The net long position is the largest since July 15, 2014. Total open interest rose to 3.497 million as of September 20. Aggregated CME futures open interest rose to 1.070 million as of September 23.

Weekly Storage: US working gas storage for the week ending September 16 indicated a net injection of +52 bcf that lifted total working gas inventories to 3,551 bcf. Current inventories rise 110 bcf (3.2%) above last year while surpassing the 5 year average by 266 bcf (8.1%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 6 bcf lower than the actual EIA report and that is slightly above the upper end of our tolerance range. The 5 week summation of our error rose to 7 bcf as the EIA has reported a net implied flow of +212 bcf compared to our estimated +205 bcf. Our current estimation for early November inventories is 3,886 bcf. Although the weekly EIA storage report is a well-known headline, a recap of the impressive reduction of a 1,014 bcf surplus on March 18 to a projected deficit by mid-October is noteworthy. However, Canadian storage levels remain well above year ago levels and have already established a new record peak maximum.

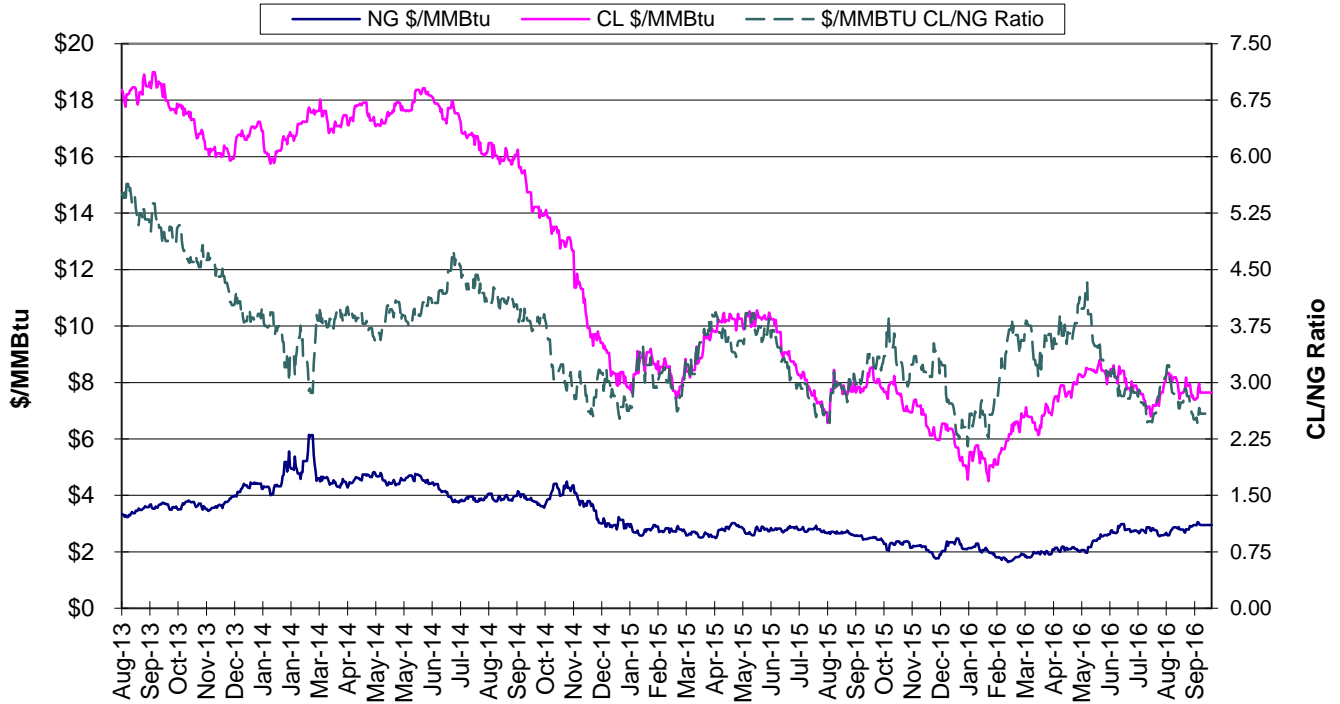
Supply Trends: Total supply fell 0.2 bcf/d to 73.7 bcf/d. US production rose. Canadian imports fell. LNG imports and. Mexican exports were unchanged. The US Baker Hughes rig count rose 5 as both oil and natural gas activity increased. The total US rig count now stands at 511. The Canadian rig count rose 6 to 138. Thus, the total North American rig count rose 11 to 649 and now trails last year by 365, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. **The higher efficiency US horizontal rig count rose 8 to 402 and falls 227 below last year.**

Demand Trends: Total demand rose 1.8 bcf/d to 65.3 bcf/d. Higher power and industrial demand more than offset lower R&C demand. Electricity demand fell 4,799 gigawatt-hrs to 80,570 which exceeds last year by 3,239 (4.2%) and the 5 year average by 4,088 (5.3%).

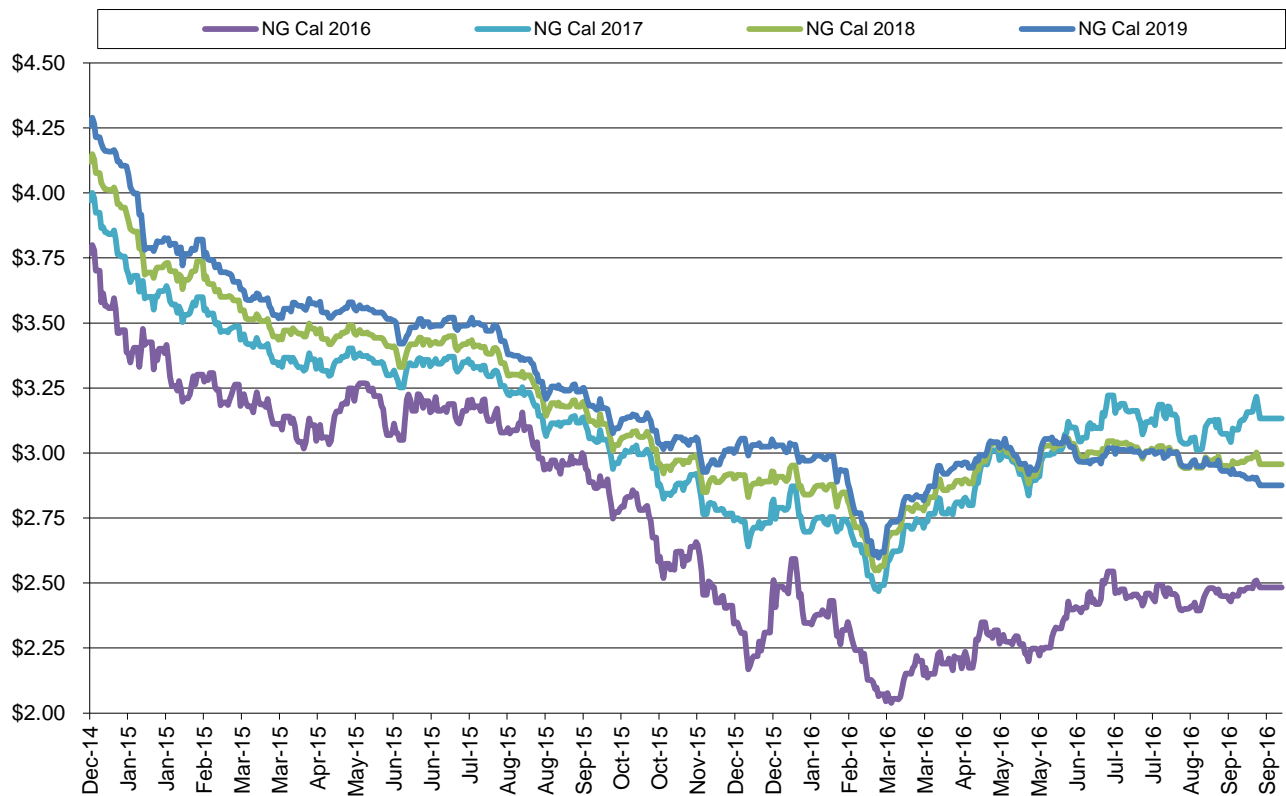
Other Factors: Nuclear generation fell 3,498 MW in the reference week to 89,099 MW. This is 2,102 MW lower than last year and 2,101 MW lower than the 5 year average. Recent output is near 89,000 MW.

- The 2016 cooling season is winding down. With a forecast through October 7, the 2016 total cooling index is at 5,512 compared to 4,322 for 2015, 3,439 for 2014, 4,811 for 2013, 7,205 for 2012 and 6,706 for 2011. The heat is primarily concentrated in the West.

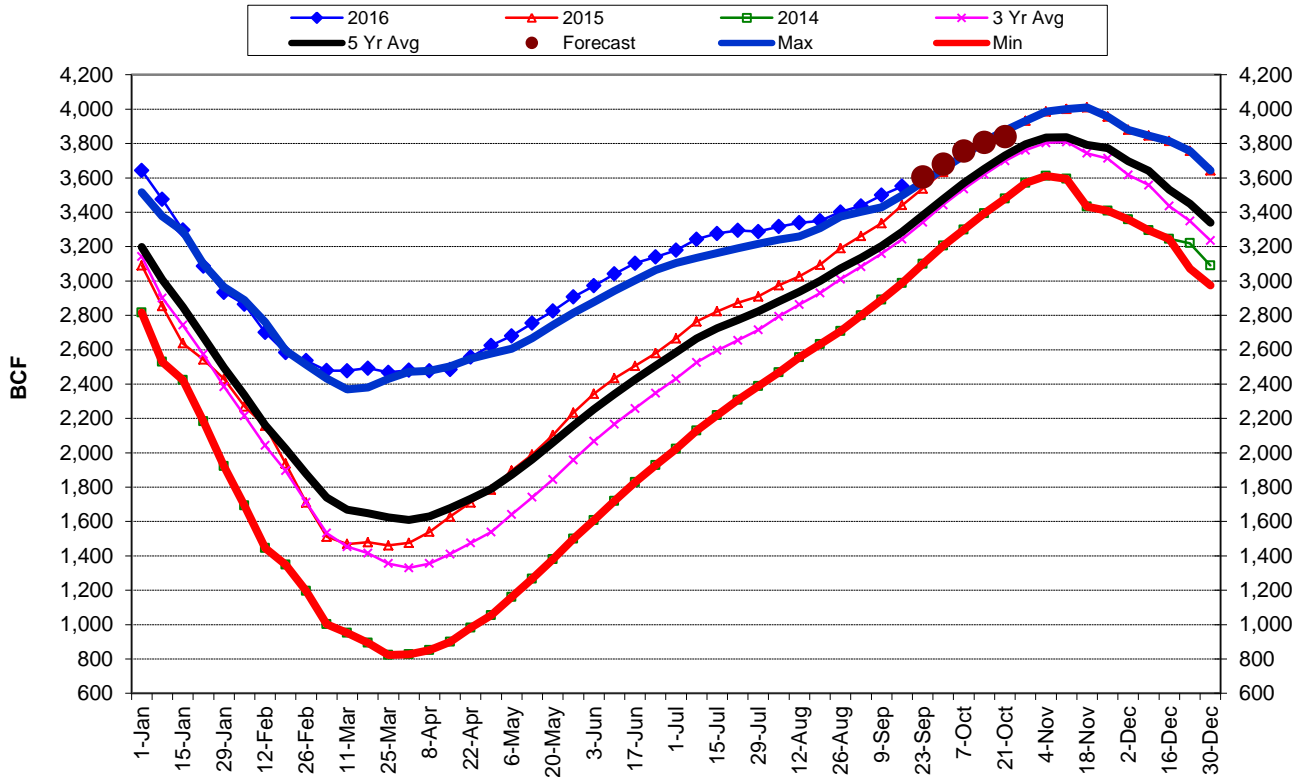
\$/MMBtu Ratio of NYMEX CL and NG



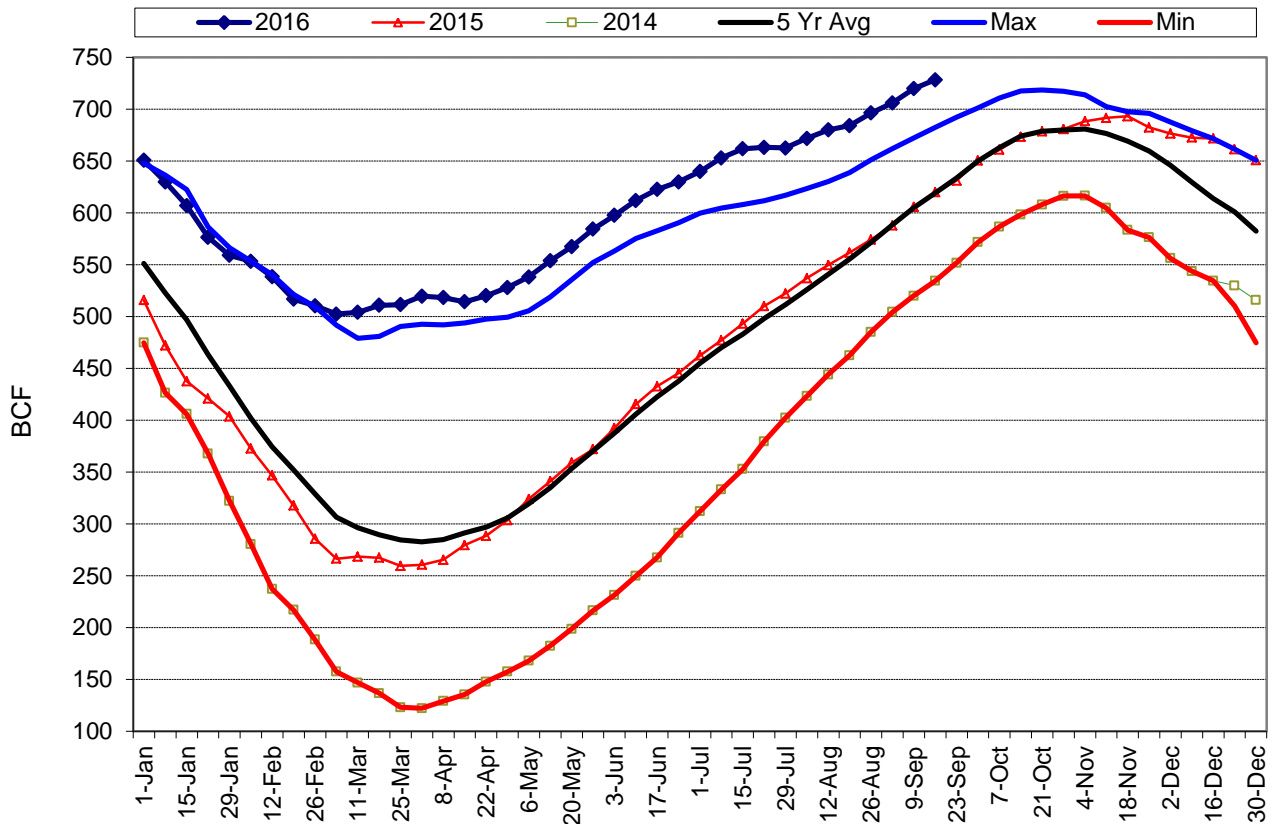
NYMEX Calendar Strips



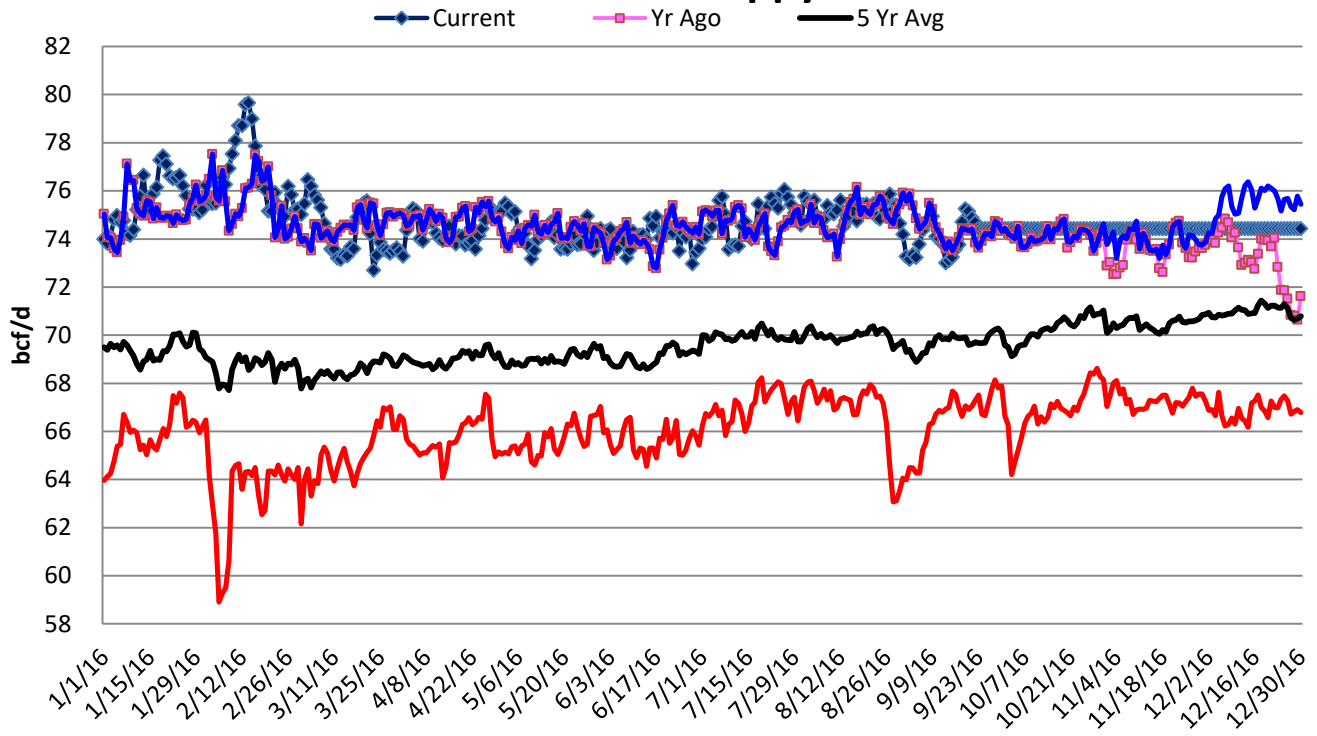
US Total Working Gas Storage - Source - EIA



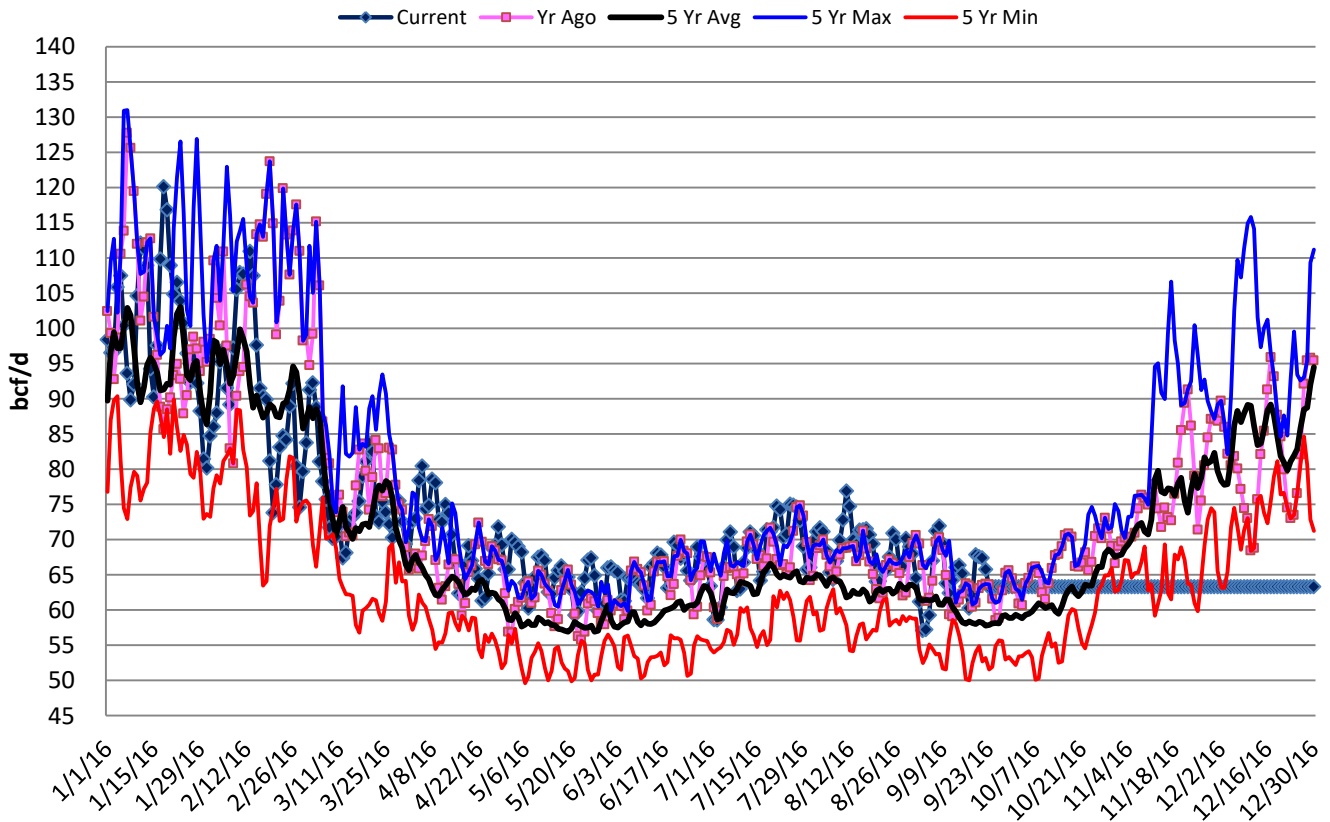
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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