



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 7.7 cents (3.5%) to \$2.101 on a 15.3 cent range.

Price Outlook: Natural gas posted a rare inside week on the spot month prices. The June contract did slightly dip below last week's June prices but not below the then spot month May prices. We calculate this metric on spot month prices, understanding the limitations of this approach. Of the 853 weeks in our analysis, only 78 have seen inside weeks with 98 recording both a new high and low. With only a 15.3 cent range last week, it seems unlikely to record another inside week, but balanced fundamentals do not yet suggest a strong directional bias. Prices could easily chop back and forth near current levels. CFTC data indicated a substantial drop in the managed money net long position. Total open interest fell to 3.434 million as of May 3. Aggregated CME futures open interest fell to 1.087 million as of May 3.

Weekly Storage: US working gas storage for the week ending April 29 indicated a net injection of +68 bcf to 2,625 bcf. Current inventories rise 840 bcf (47.1%) above last year while surpassing the 5 year average by 835 bcf (46.7%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 1 bcf smaller than reported by the EIA. This is back to within our tolerance range. The 5 week summation of our error contracted to (15) bcf as the EIA has reported net injections of +157 bcf compared to our estimated +142 bcf. For a 5 week period, this is still at the upper end of our tolerance range. Our current estimation for early November inventories is 4,296 bcf.

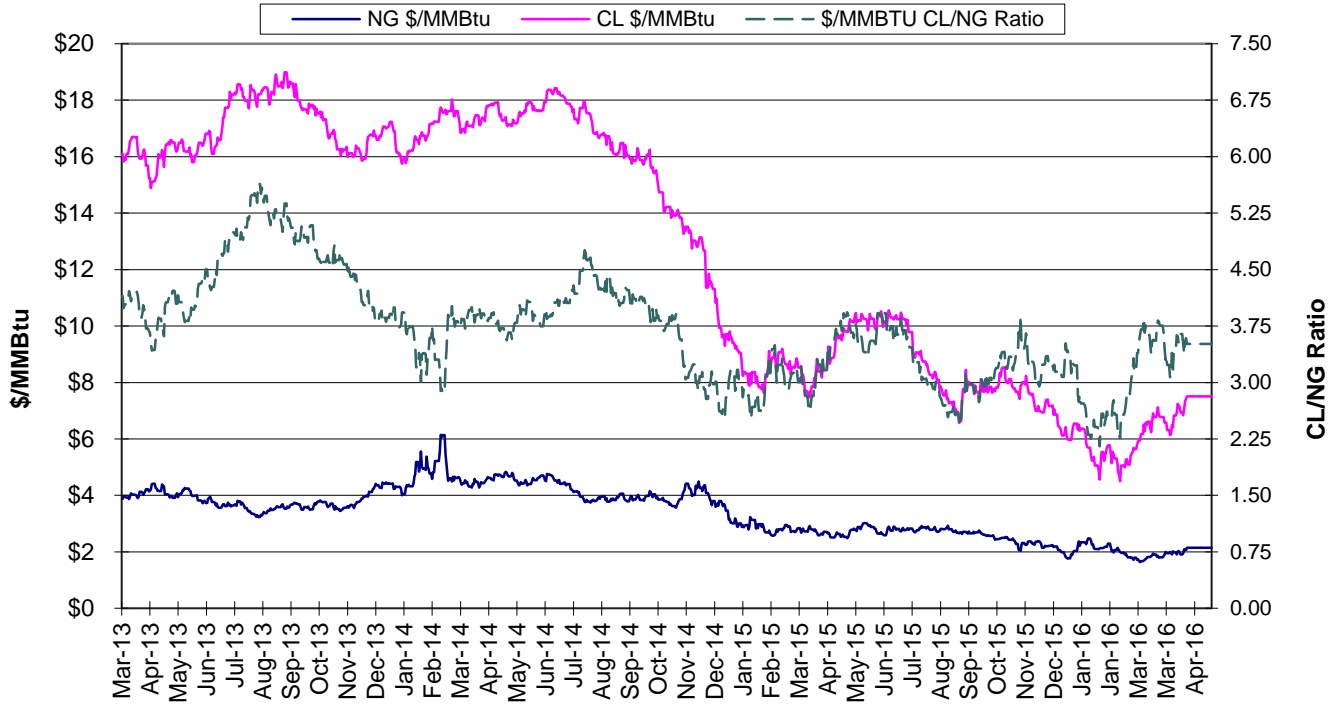
Supply Trends: Total supply rose 0.5 bcf/d to 74.7 bcf/d. US production was higher with Mexican exports lower. Canadian and LNG imports were unchanged. The US Baker Hughes rig count fell 5 as both oil and natural gas activity dropped. The total US rig count now stands at 415. The Canadian rig count fell 1 and now stands at 36. Thus, the total North American rig count fell 6 to 451 and now trails last year by 518, 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 318 and falls 374 below last year.

Demand Trends: Total demand rose 0.4 bcf/d to 64.4 bcf/d. R&C and industrial demand rose with power demand lower. Electricity demand rose 2,365 gigawatt-hrs to 69,488 which exceeds last year by 1,918 (2.8%) and the 5 year average by 881 (1.3%).

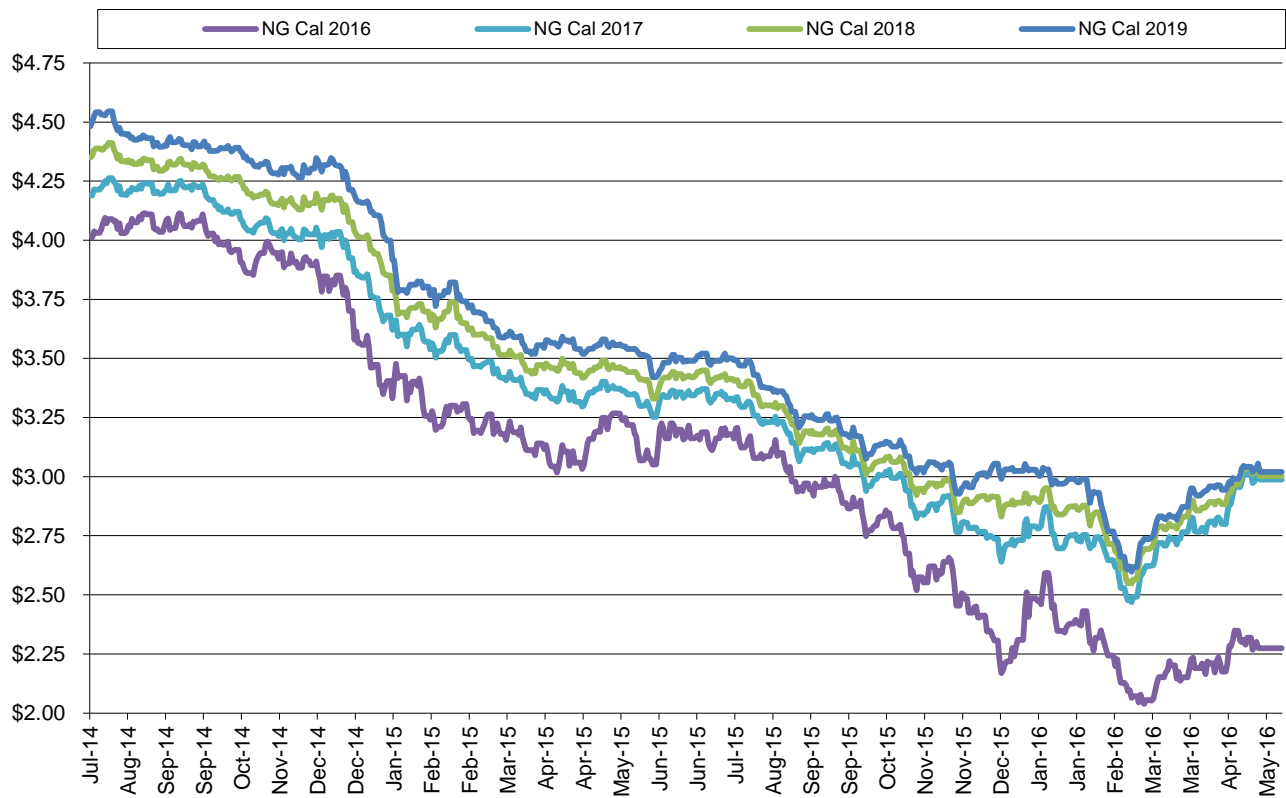
Other Factors: Nuclear generation fell 302 MW in the reference week to 82,543 MW. This is 2,967 MW higher than last year and 6,494 MW higher than the 5 year average. Recent output is now just below 80,000 MW.

- The 2016 cooling is beginning. With a forecast through May 20 the 2016 total cooling index is at 15 compared to 20 for 2015, 129 for 2014, 88 for 2013, 97 for 2012 and 26 for 2011.

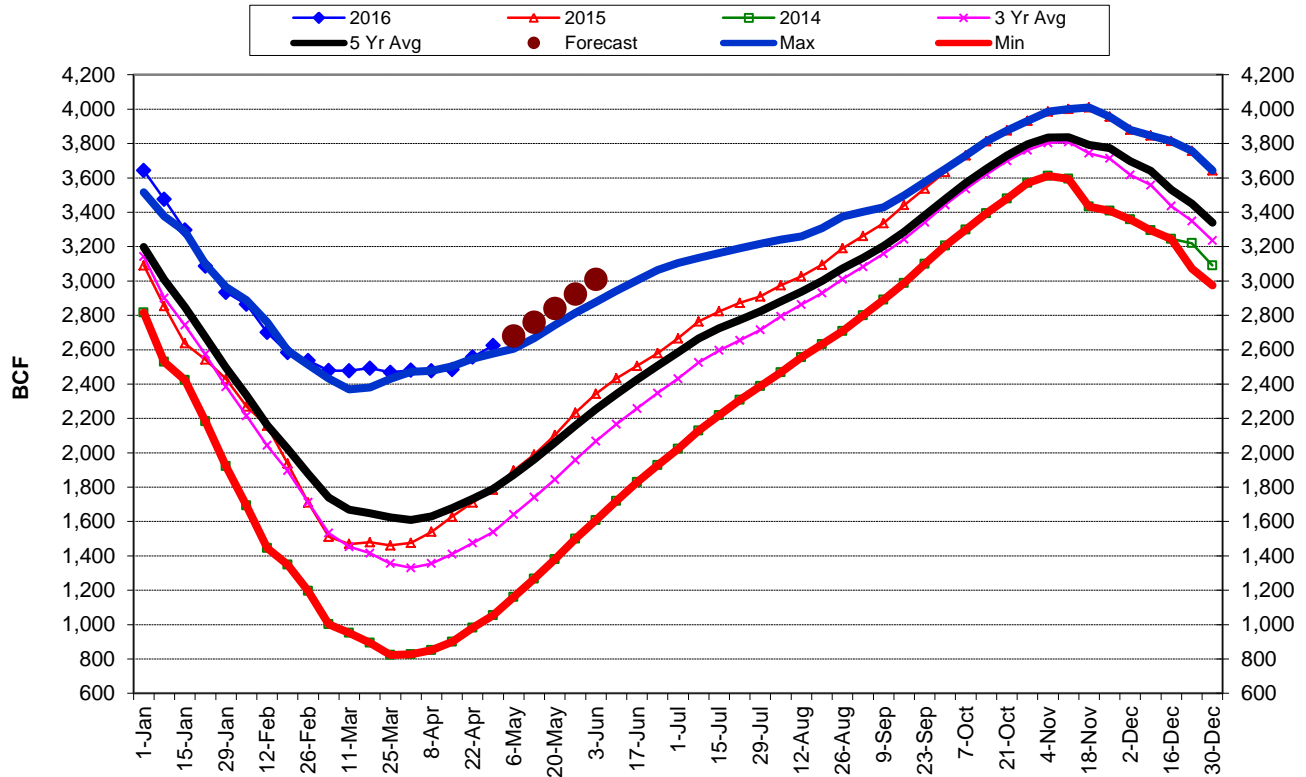
\$/MMBtu Ratio of NYMEX CL and NG



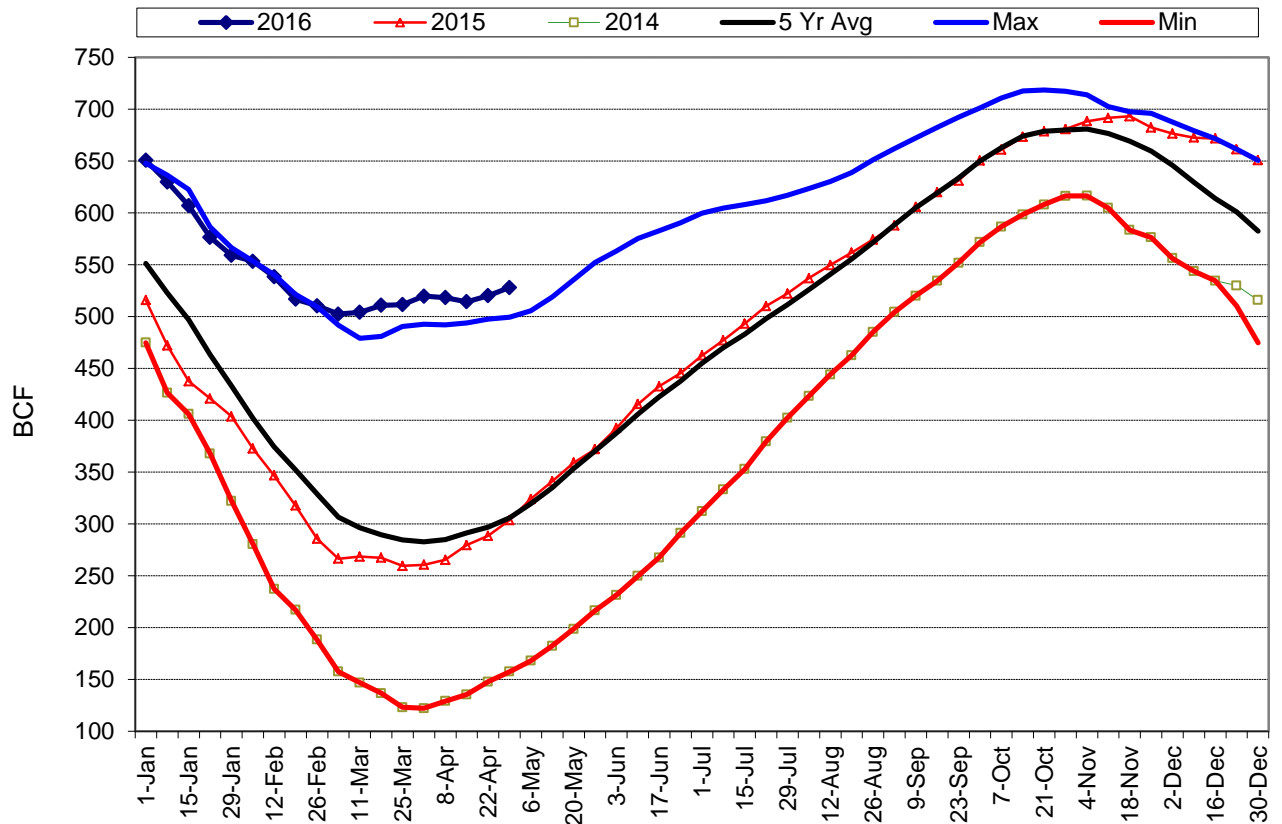
NYMEX Calendar Strips



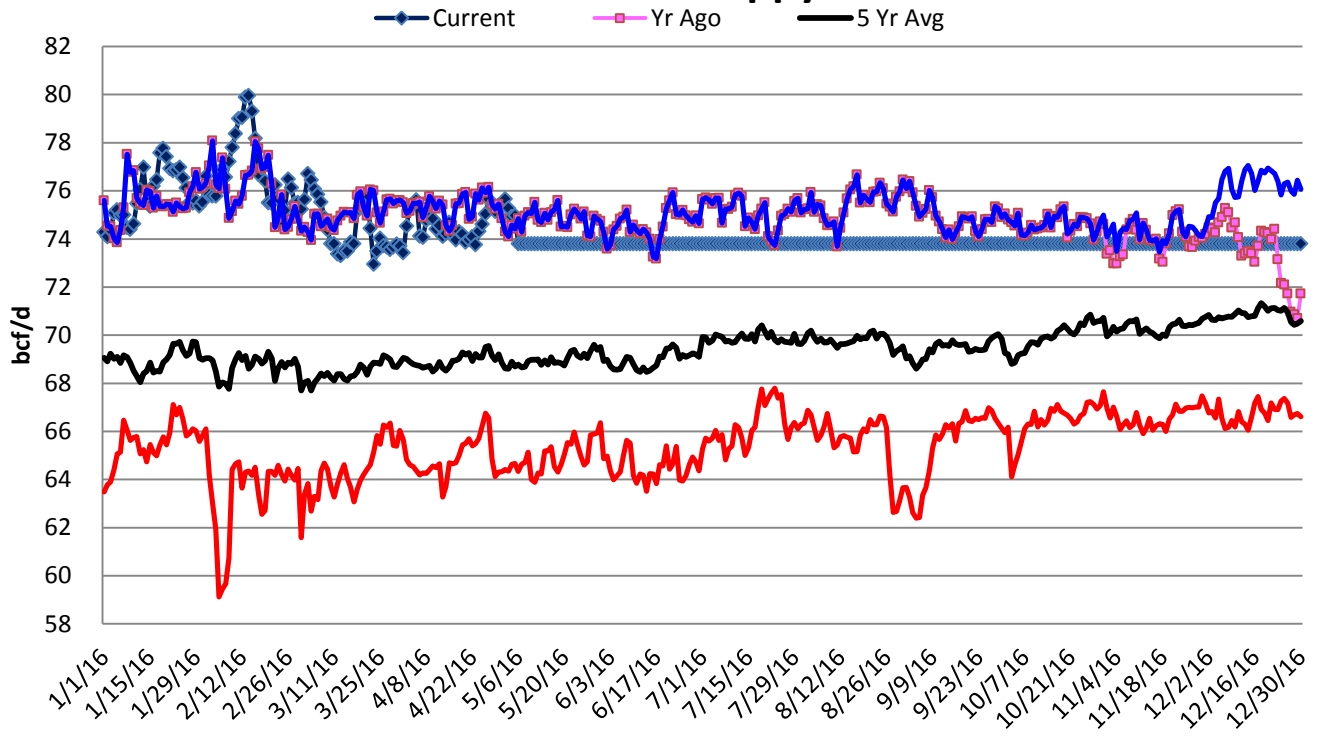
US Total Working Gas Storage - Source - EIA



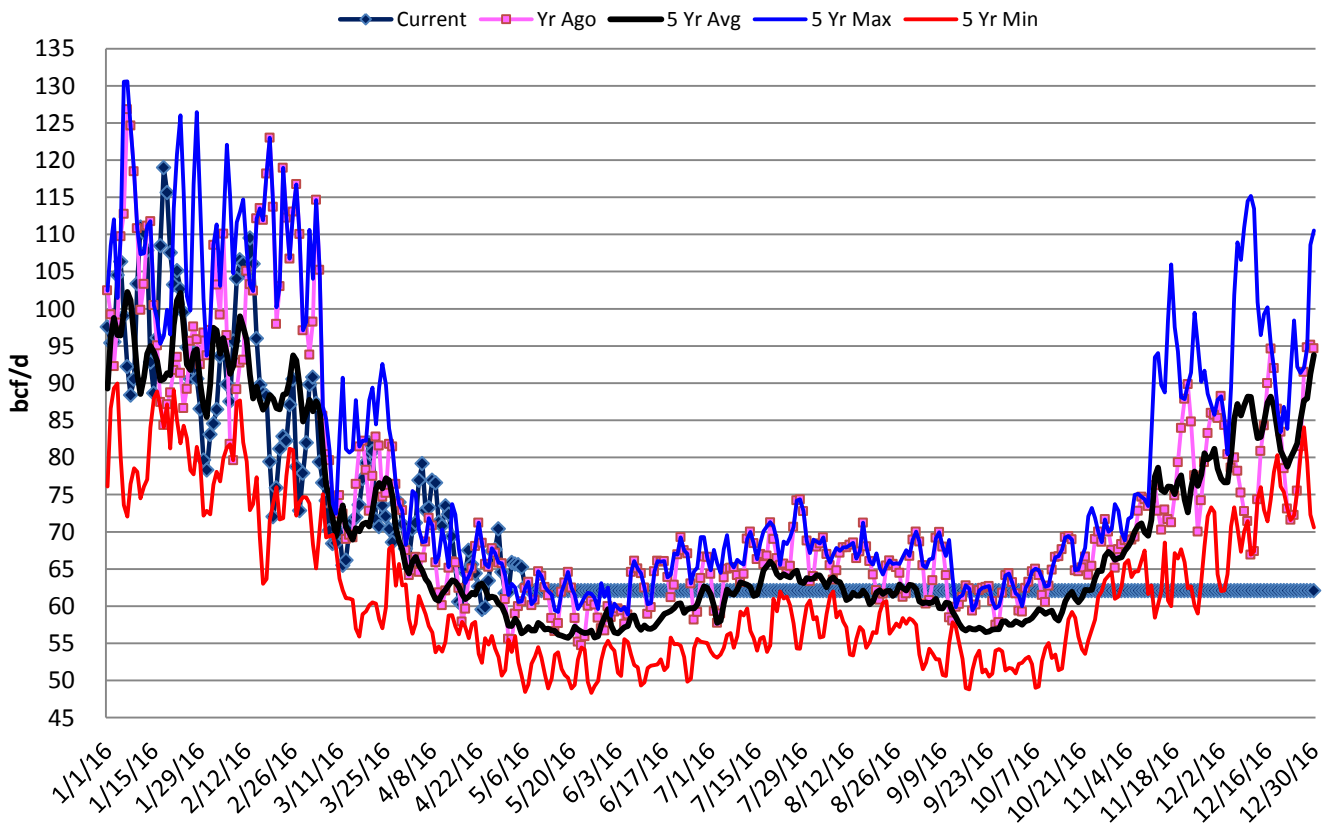
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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