



## 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 0.5 cents (0.2%) to \$2.096 on an 11.0 cent range.

**Price Outlook:** Natural gas returned to historical form and after last week's rare inside week. The market posted a new high before ending on a weak note. With larger absolute injections projected in coming weeks, a new low seems the most likely path. However, injections are not expected to keep pace with last year or even the 5 year average and that reduction in the storage surpluses is expected to provide some support. Thus, prices could easily chop back and forth near current levels. CFTC data indicated the managed money net long position increased almost as much as it fell last week. Total open interest rose to 3.435 million as of May 10. Aggregated CME futures open interest fell to 1.075 million as of May 13.

**Weekly Storage:** US working gas storage for the week ending May 6 indicated a net injection of +56 bcf to 2,681 bcf. Current inventories rise 784 bcf (41.3%) above last year while surpassing the 5 year average by 810 bcf (43.3%).

**Storage Outlook:** Our EIA weekly storage estimate was mathematically 1 bcf larger than reported by the EIA. This remained within our tolerance range. The 5 week summation of our error contracted to (10) bcf as the EIA has reported net injections of +201 bcf compared to our estimated +191 bcf. Our current estimation for early November inventories is 4,293 bcf. This assumes 30 year normal weather and a warm summer could easily reduce this estimate by 200-250 bcf.

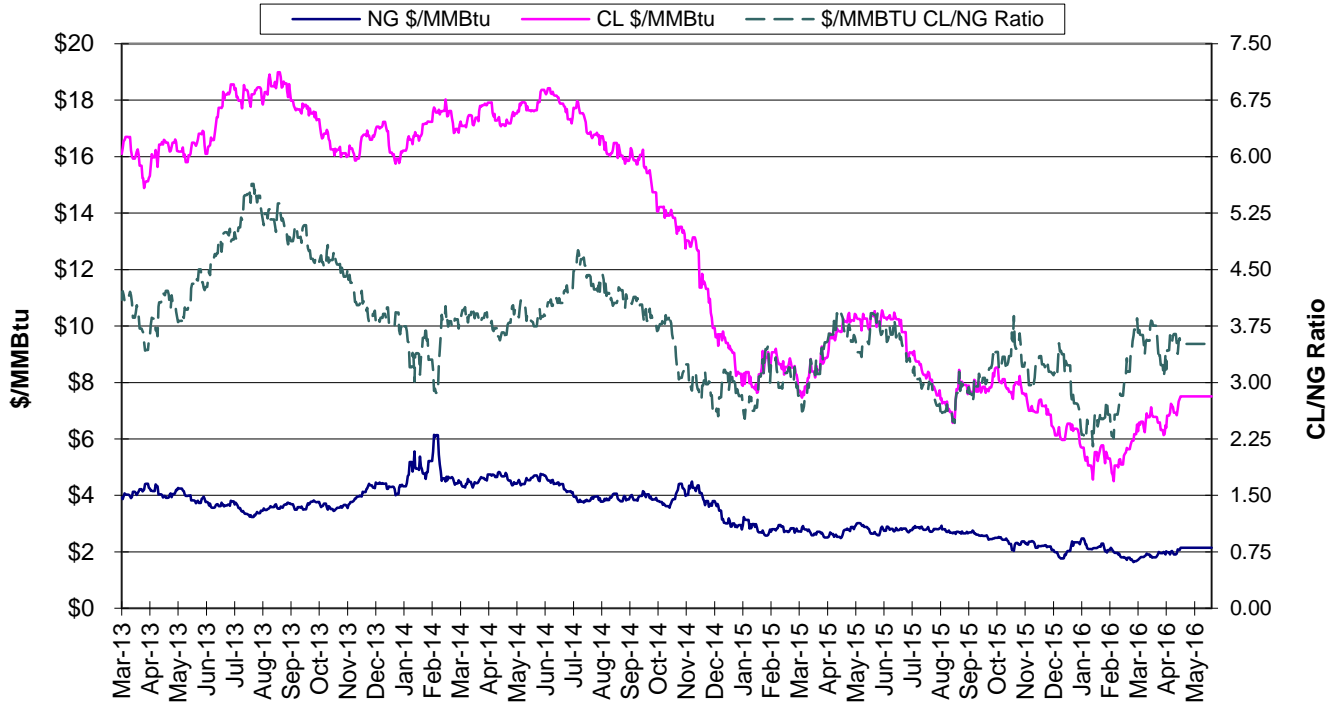
**Supply Trends:** Total supply rose 0.7 bcf/d to 75.5 bcf/d. US production, Canadian imports and Mexican exports were higher. LNG imports were unchanged. The US Baker Hughes rig count fell 9 as oil activity fell but natural gas rose. The total US rig count now stands at 406. The Canadian rig count rose 7 and now stands at 43. Thus, the total North American rig count fell 2 to 449 and now trails last year by 516, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. The higher efficiency US horizontal rig count fell 3 to 315 and falls 370 below last year.

**Demand Trends:** Total demand fell 0.3 bcf/d to 64.3 bcf/d. R&C fell as power and industrial demand rose. Electricity demand fell 1,745 gigawatt-hrs to 67,743 which trails last year by 2,891 (4.1%) and the 5 year average by 2,296 (3.3%).

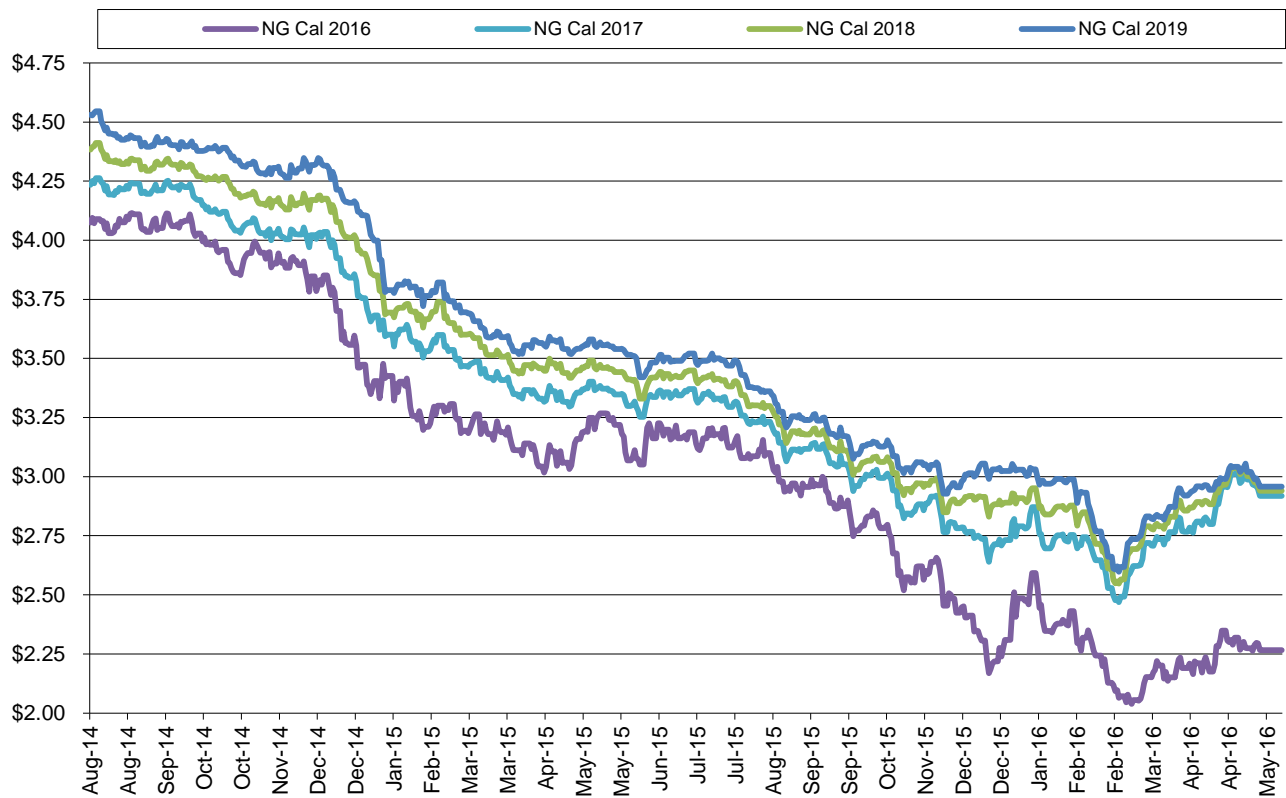
**Other Factors:** Nuclear generation fell 1,168 MW in the reference week to 81,375 MW. This is 219 MW higher than last year and 3,649 MW higher than the 5 year average. Recent output is now just below 84,000 MW.

- The 2016 cooling season is beginning. With a forecast through May 27 the 2016 total cooling index is at 27 compared to 22 for 2015, 179 for 2014, 96 for 2013, 194 for 2012 and 69 for 2011.

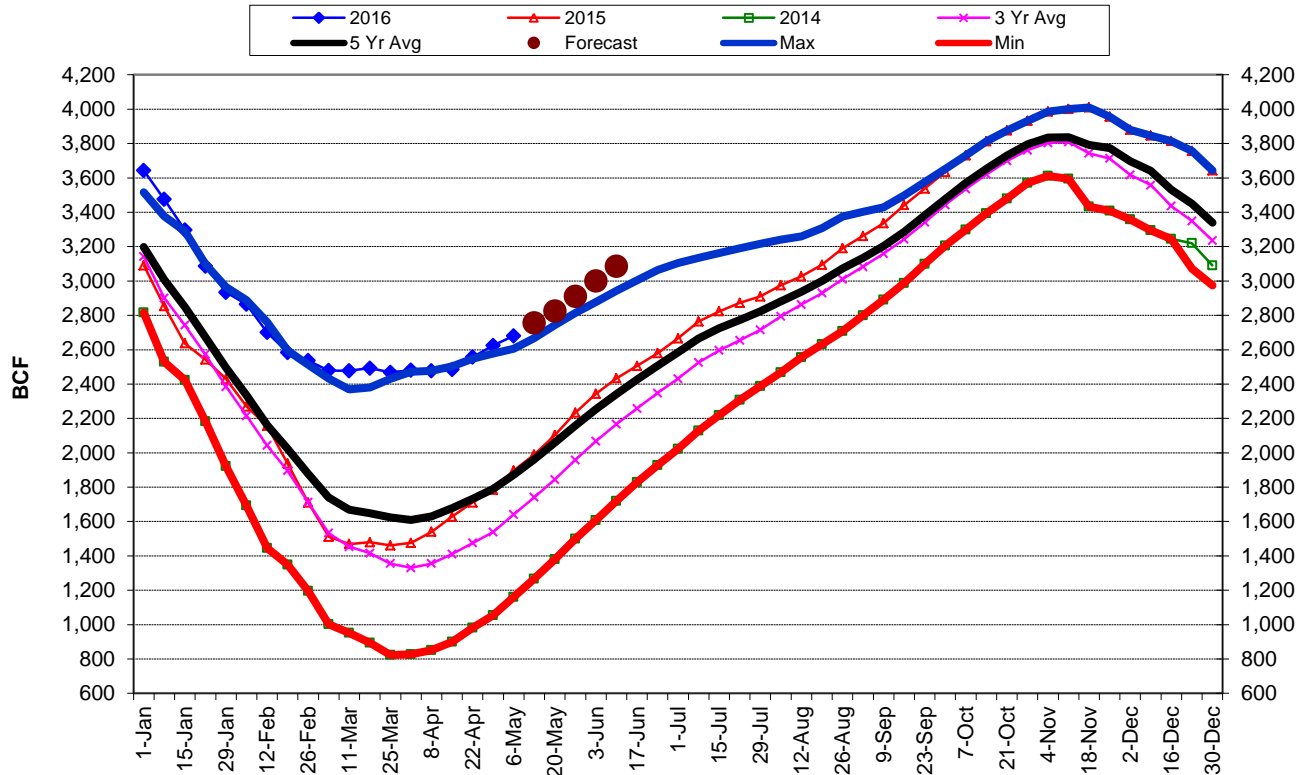
## \$/MMBtu Ratio of NYMEX CL and NG



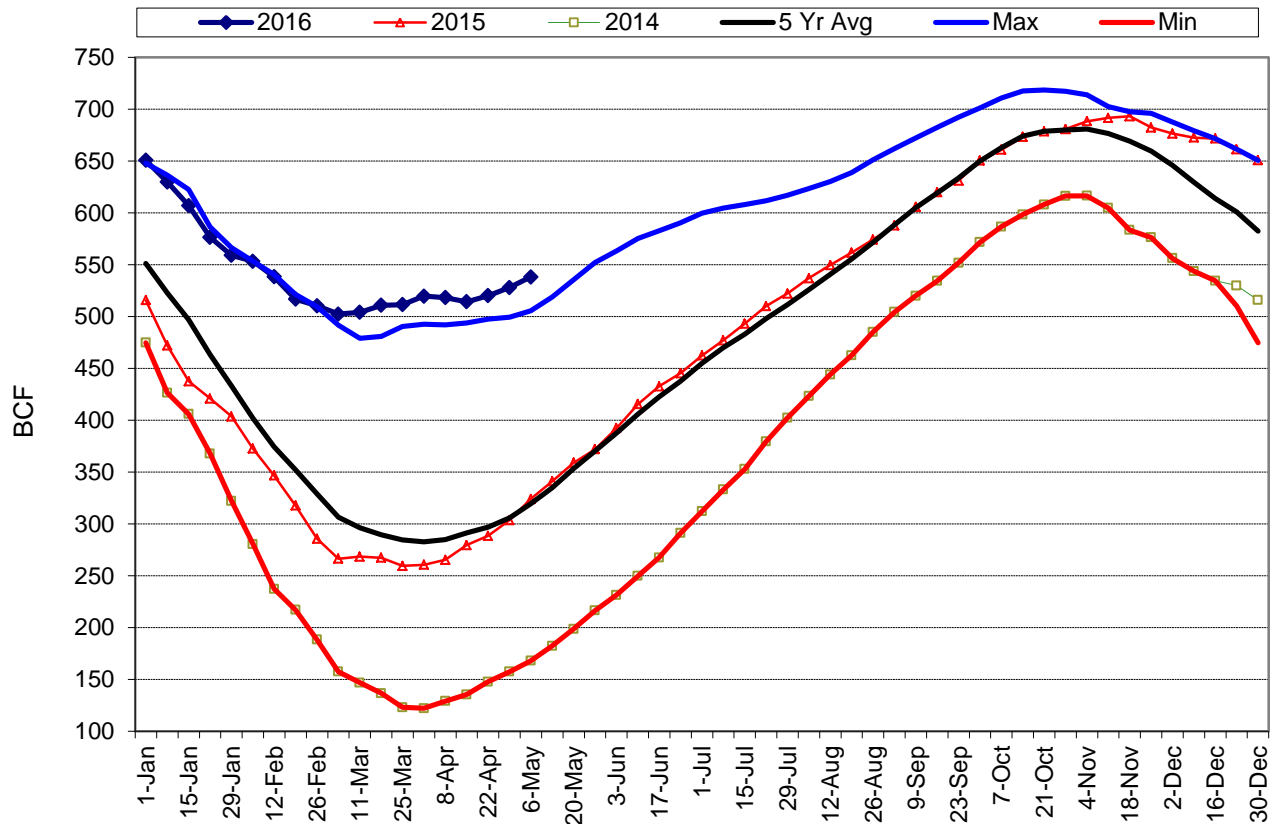
## NYMEX Calendar Strips



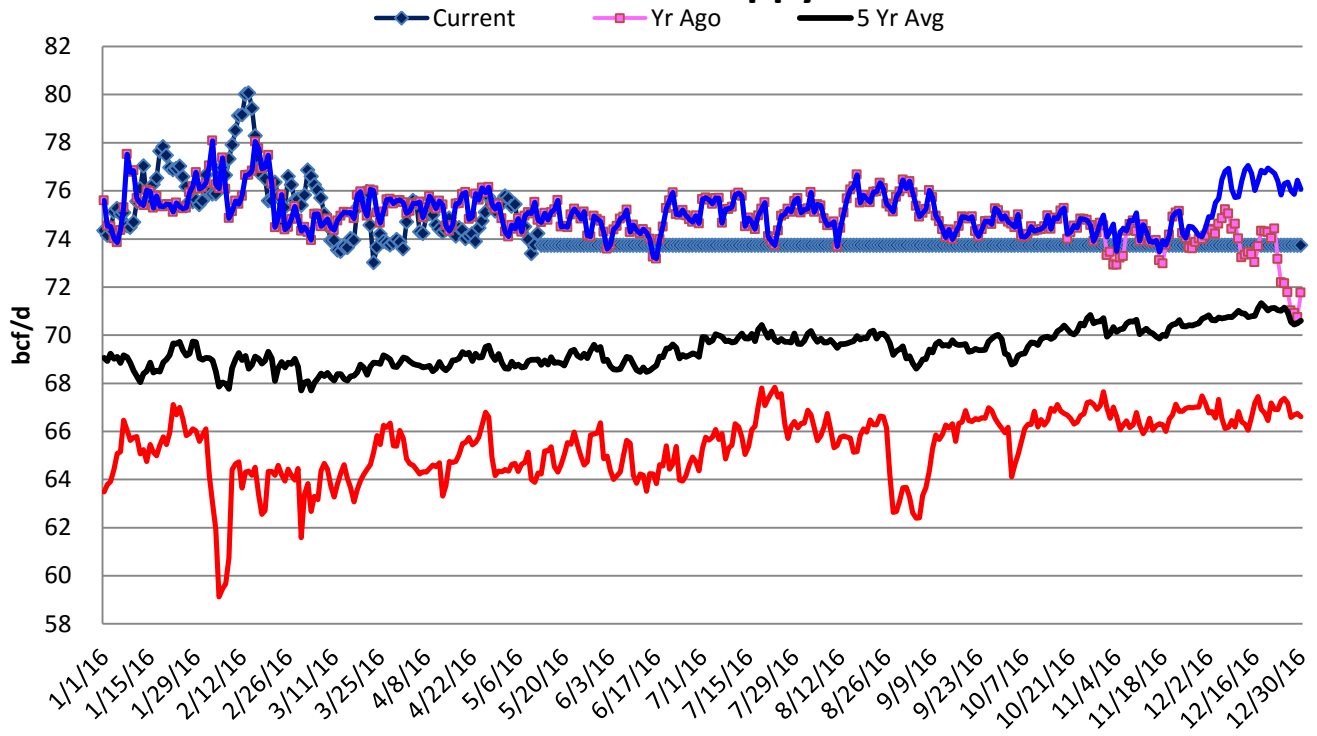
## US Total Working Gas Storage - Source - EIA



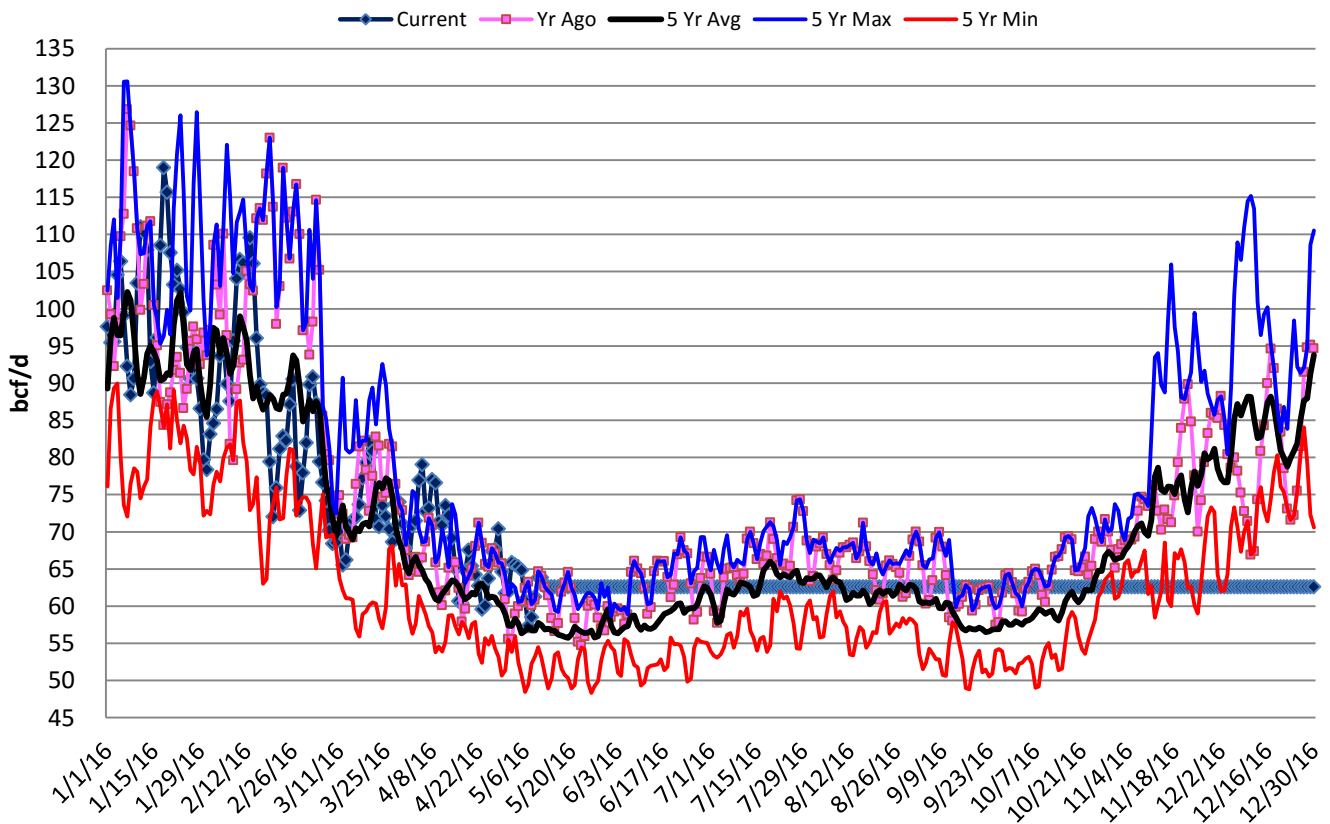
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



## **ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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