



## 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 3.4 cents (1.6%) to \$2.062 on a 13.5 cent range.

**Price Outlook:** Natural gas continued to follow historical norms by posting either a new high or low. Last week posted a new low as recent strength lost momentum. While absolute injections are projected to rise in coming weeks, the injections are not expected to keep pace with last year or the 5 year and the still sizable surpluses are expected to contract in coming weeks. That has typically been price supportive and prices may exhibit a slight upward bias as summer nears. However, if temperatures are moderate, prices may exhibit significant weakness. CFTC data indicated the managed money net long position slipped slightly. Total open interest rose to 3.462 million as of May 17. Aggregated CME futures open interest rose to 1.078 million as of May 20.

**Weekly Storage:** US working gas storage for the week ending May 13 indicated a net injection of +73 bcf to 2,754 bcf. Current inventories rise 764 bcf (38.4%) above last year while surpassing the 5 year average by 792 bcf (40.4%).

**Storage Outlook:** Our EIA weekly storage estimate was mathematically 2 bcf larger than reported by the EIA. This remained within our tolerance range. The 5 week summation of our error remained at (10) bcf as the EIA has reported net injections of +277 bcf compared to our estimated +267 bcf. For a 5 week period, this is more in line with our acceptable tolerance range. Our current estimation for early November inventories is 4,294 bcf.

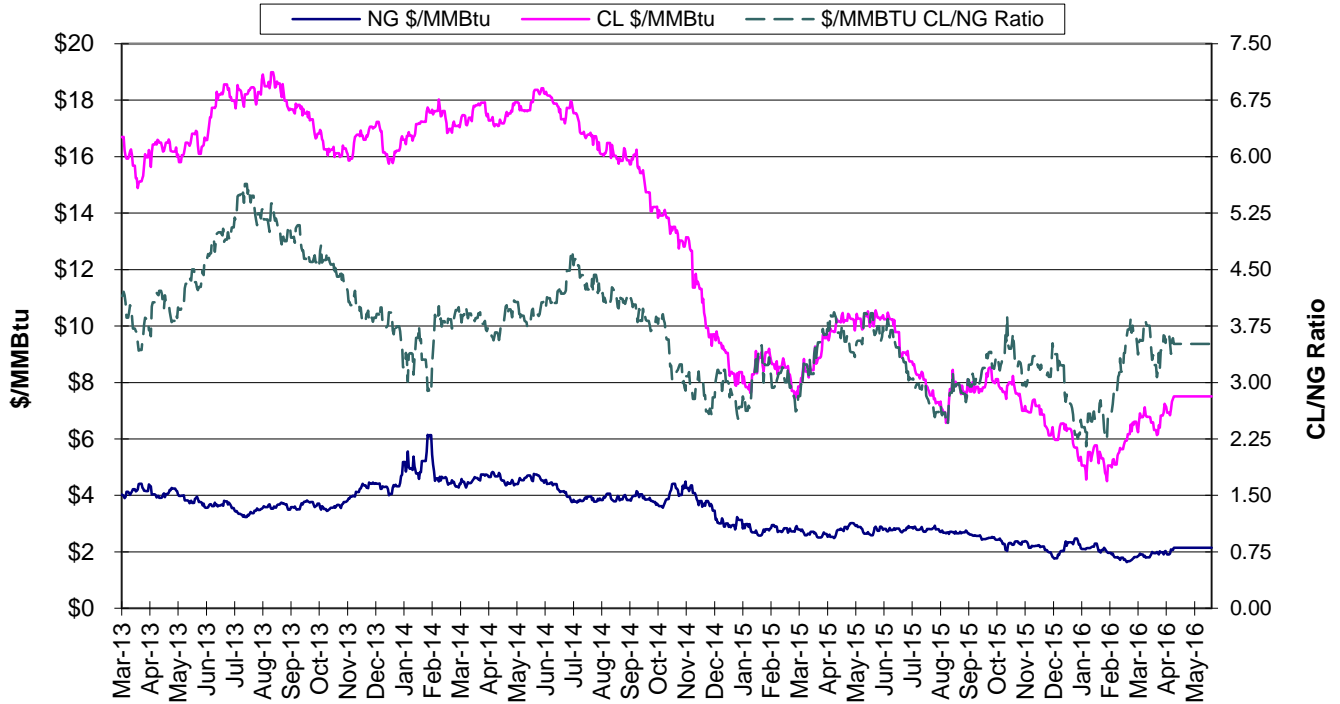
**Supply Trends:** Total supply fell 1.4 bcf/d to 74.1 bcf/d. US production and Canadian imports were lower. Mexican exports and LNG imports were unchanged. The US Baker Hughes rig count fell 2 as oil activity was unchanged while natural gas fell. The total US rig count now stands at 404 The Canadian rig count rose 1 and now stands at 44. Thus, the total North American rig count fell 1 to 448 and now trails last year by 509, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. The higher efficiency US horizontal rig count fell 1 to 314 and falls 369 below last year. The EIA Drilling Productivity Report was released and maintained the general trend of recent reports. Production estimates were increased while still showing an overall decline. Decline rates at existing wells are falling, requiring less new production needed to maintain current production while rig productivity continues to rise. Thus fewer rigs are necessary to maintain existing output.

**Demand Trends:** Total demand fell 3.7 bcf/d to 62.9 bcf/d. All sectors were lower. Electricity demand rose 2,581 gigawatt-hrs to 70,324 which trails last year by 1,455 (2.0%) and the 5 year average by 1,084 (1.5%).

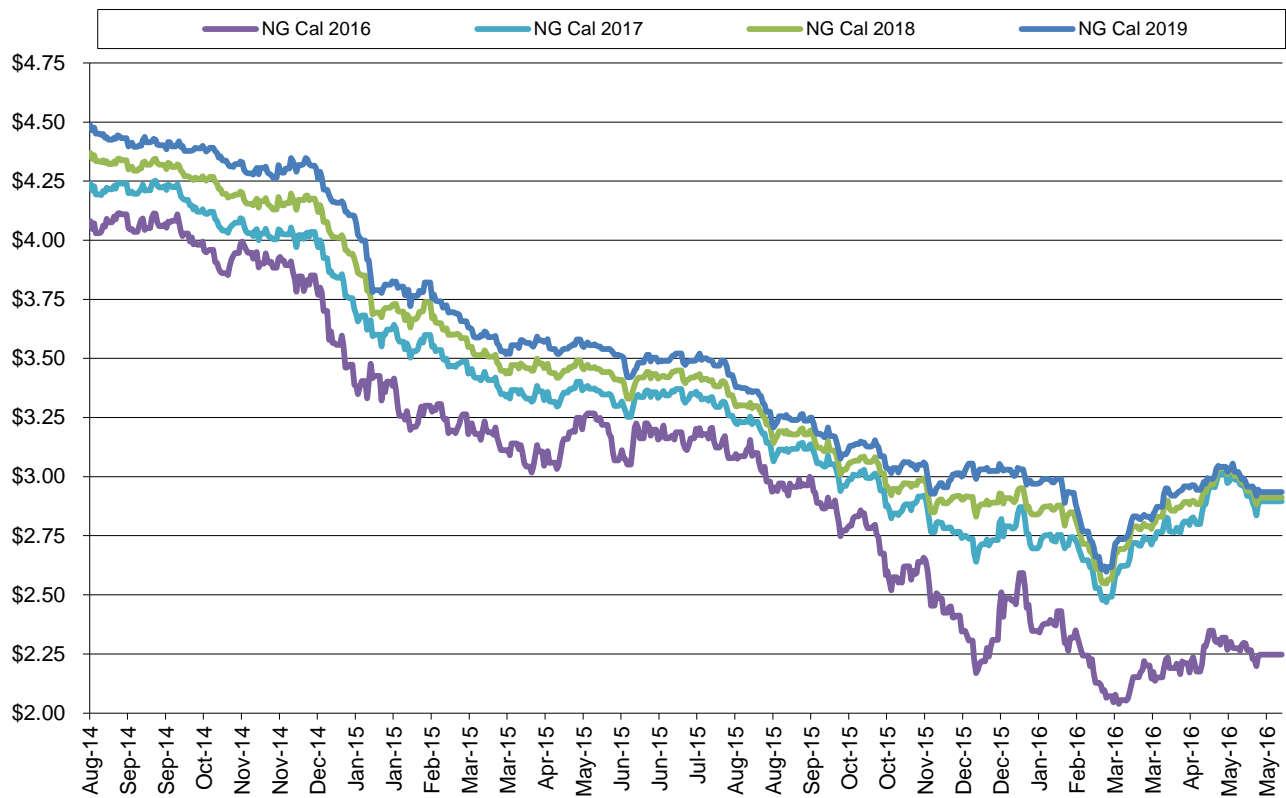
**Other Factors:** Nuclear generation rose 1,050 MW in the reference week to 82,425 MW. This is 403 MW lower than last year and 3,113 MW higher than the 5 year average. Recent output is now just over 91,000 MW.

- The 2016 cooling season is beginning. With a forecast through June 3 the 2016 total cooling index is at 50 compared to 80 for 2015, 249 for 2014, 198 for 2013, 334 for 2012 and 236 for 2011.

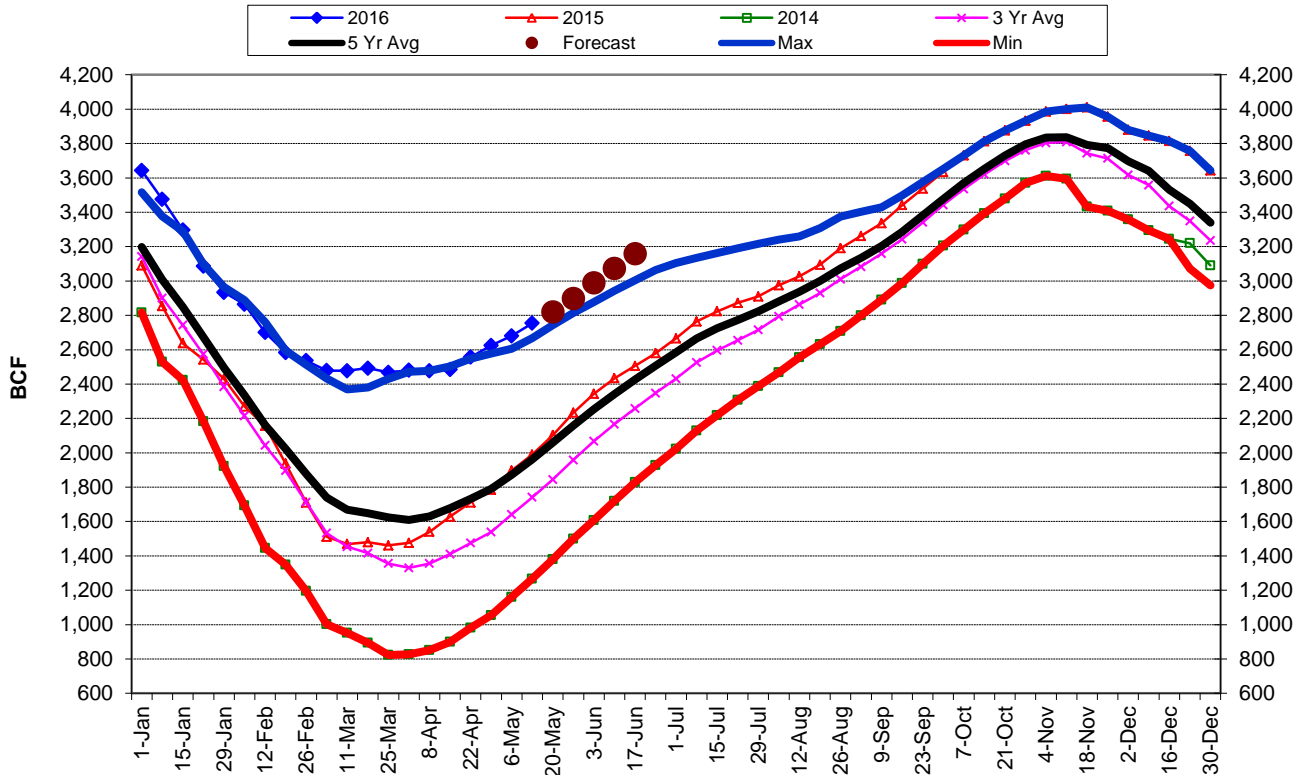
## \$/MMBtu Ratio of NYMEX CL and NG



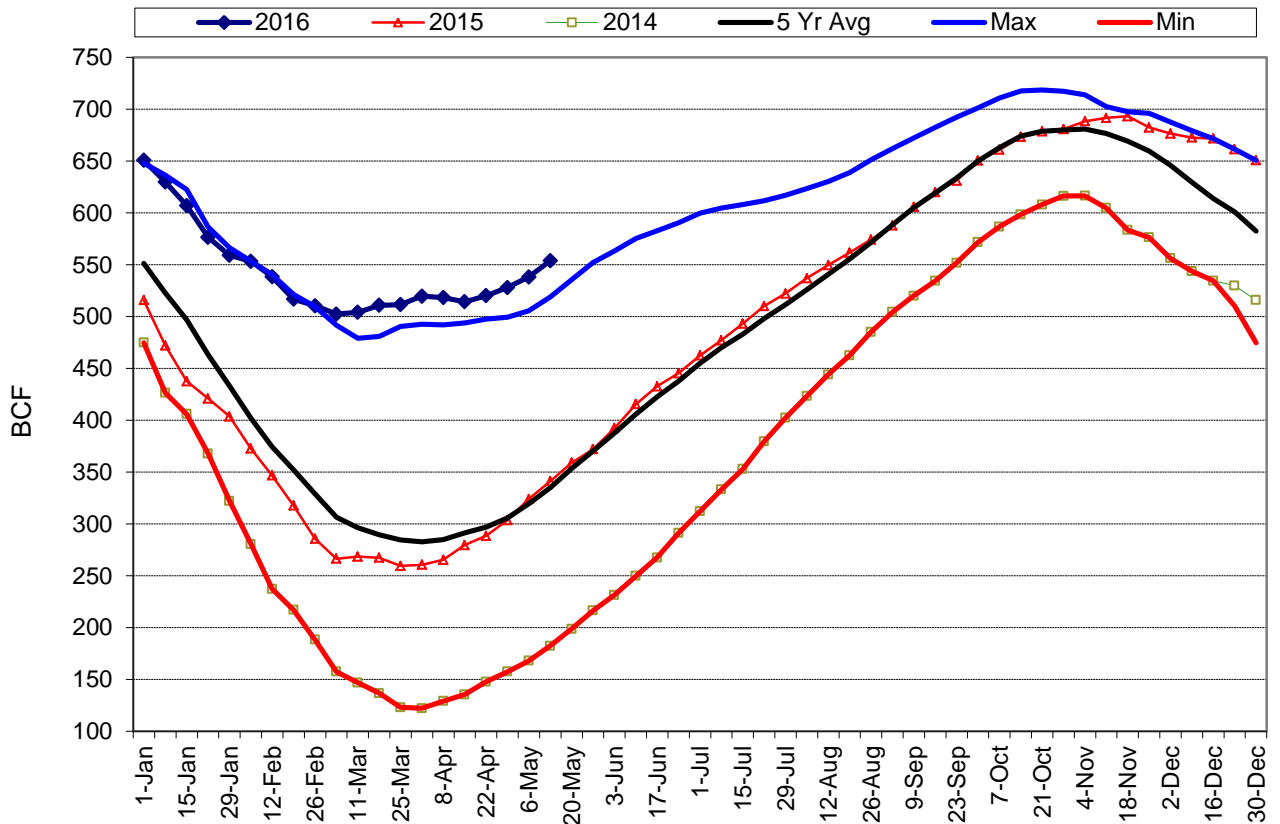
## NYMEX Calendar Strips



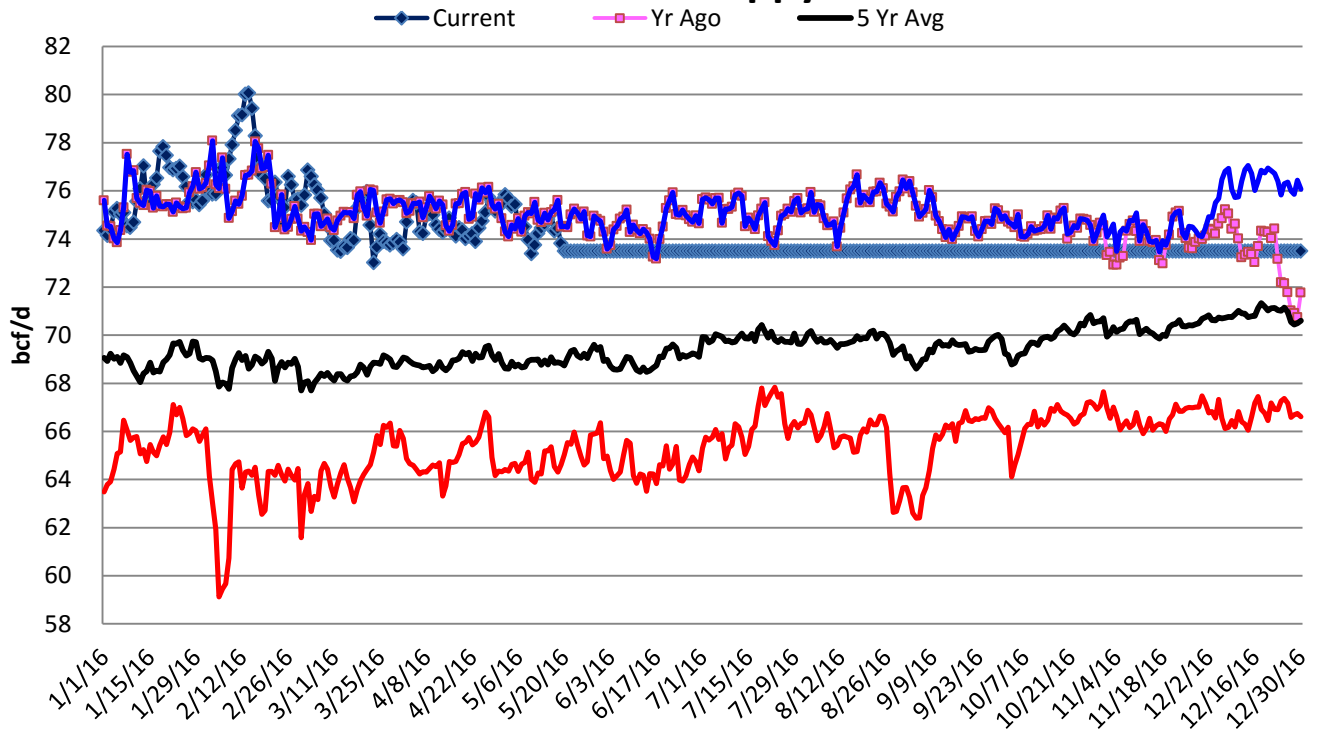
## US Total Working Gas Storage - Source - EIA



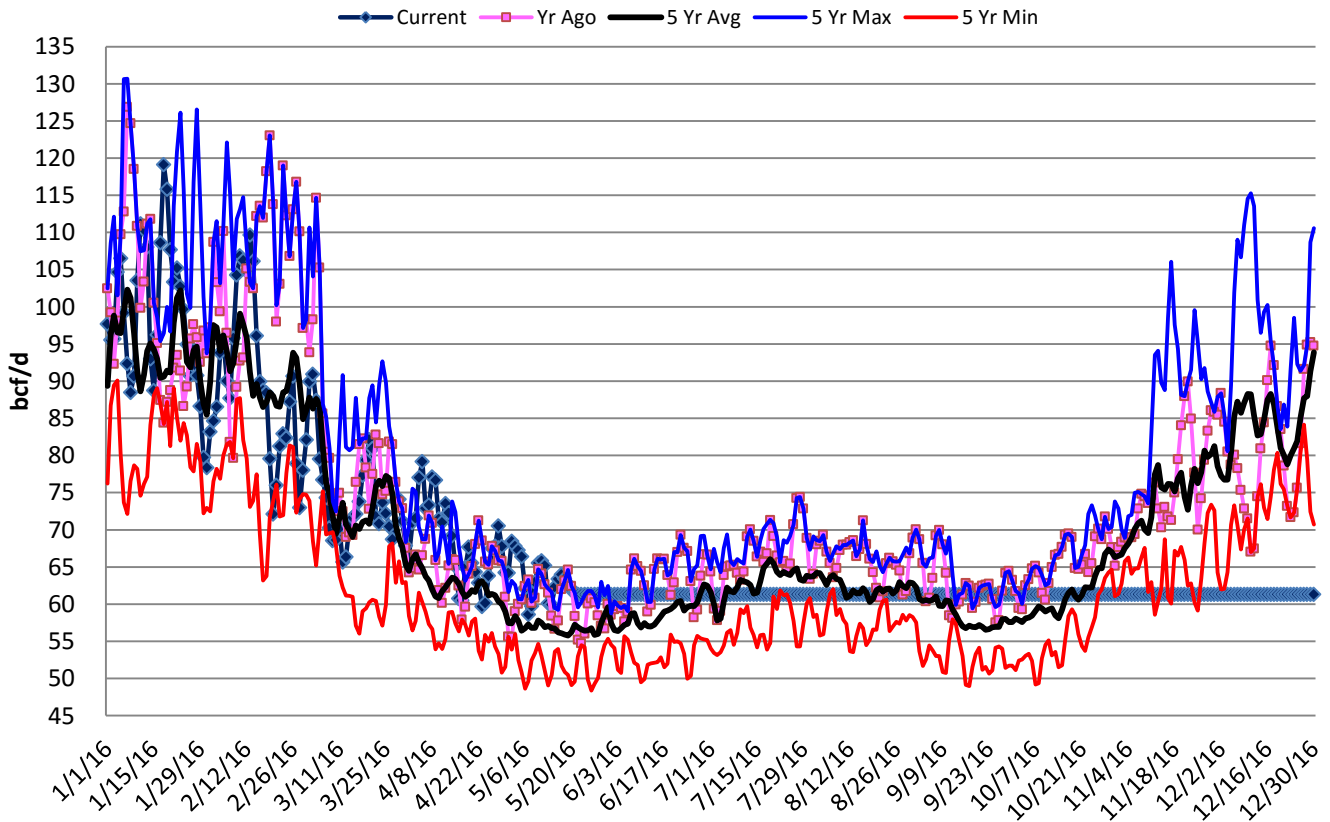
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



## **ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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