



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 July contract fell 3.8 cents (1.7%) to \$2.169 on a 16.4 cent range.

Price Outlook: Natural gas continued to follow historical norms with the now expired June contracting posting a new low before expiring on Thursday. Despite a sharp contraction in the storage surpluses, moderate weather in Texas and a lack of early summer heat has weighed on the market. Thus, a slight bias to lower prices is held until weather forecasts suggest higher absolute temperatures. Each day high absolute temperatures are not forecast will be bearish. CFTC data indicated the managed money net long position switched to a net short position for the 1st time since March 22. Total open interest rose to 3.500 million as of May 24. Aggregated CME futures open interest fell to 1.077 million as of May 27.

Weekly Storage: US working gas storage for the week ending May 20 indicated a net injection of +71 bcf to 2,825 bcf. Current inventories rise 723 bcf (34.4%) above last year while surpassing the 5 year average by 765 bcf (37.1%).

Storage Outlook: This week's storage change was again mathematically smaller than last year's +112 bcf build and also fell short of the 5 year average injection of +98 bcf. The upcoming storage change will compare against last year's enormous +131 bcf injection and a 5 year average injection of +99 bcf. Thus both the yearly and 5 year average storage surpluses should contract sharply this week.

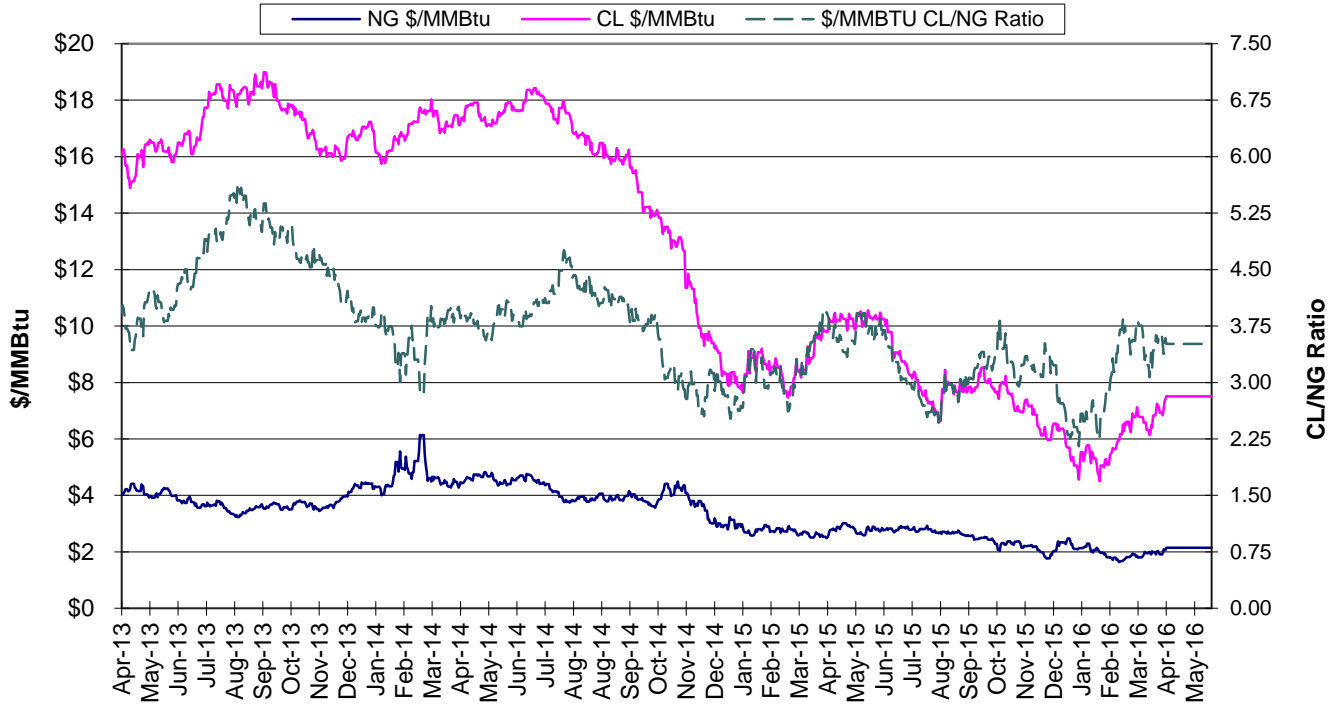
Supply Trends: Total supply rose 0.4 bcf/d to 74.5 bcf/d. US production and Canadian imports were higher. Mexican exports rose while LNG imports were unchanged. The US Baker Hughes rig count was unchanged as oil activity fell with natural gas higher. The total US rig count now stands at 404 The Canadian rig count fell 1 and now stands at 43. Thus, the total North American rig count fell 1 to 447 and now trails last year by 526, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. **The higher efficiency US horizontal rig count was unchanged at 314 and falls 360 below last year. A review of US E&P Q1 company reports highlights continued efficiency gains and exceptional performance compared to estimates. While guidance does suggest lower Q2 production, if realized output remains well above estimates as has been the case, actual levels may see only minimal declines.**

Demand Trends: Total demand fell 0.7 bcf/d to 62.2 bcf/d. All sectors were lower. Electricity demand fell 1,541 gigawatt-hrs to 68,783 which trails last year by 2,945 (4.1%) and the 5 year average by 3,277 (4.5%).

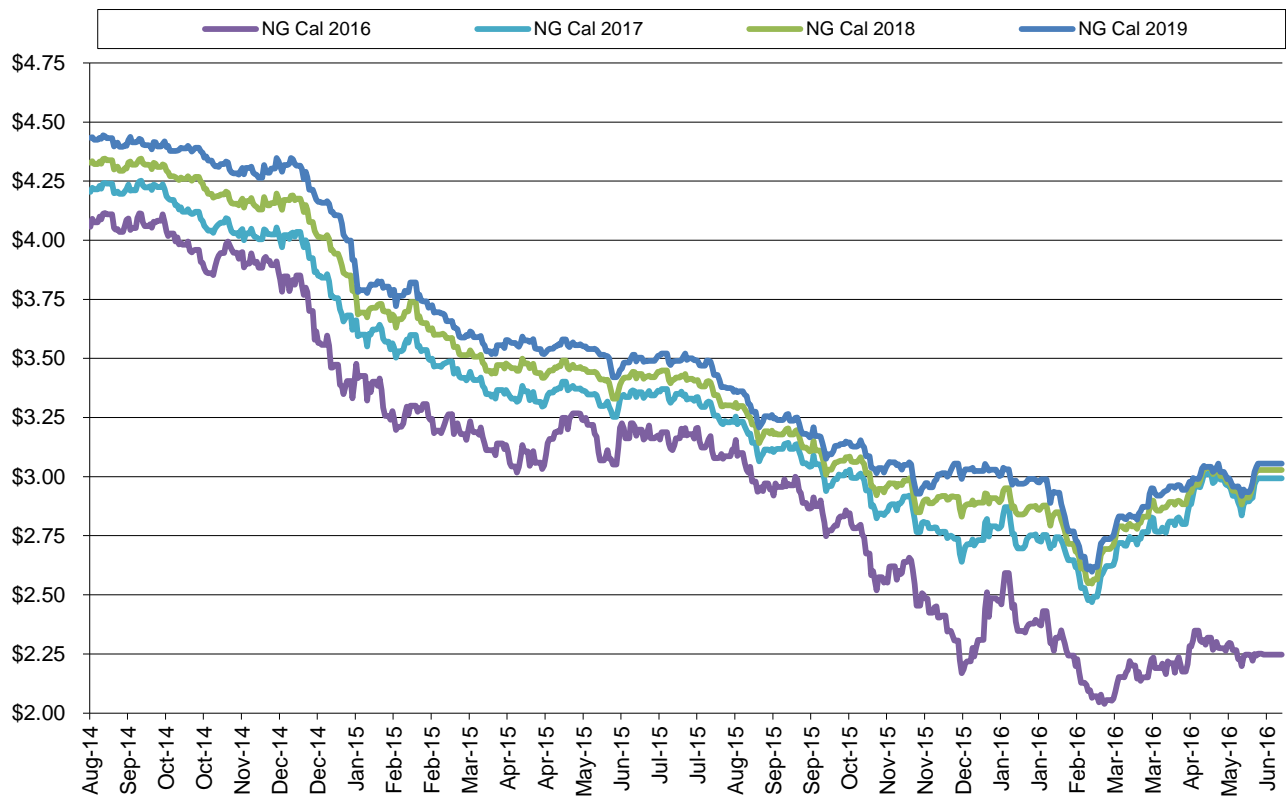
Other Factors: Nuclear generation rose 4,614 MW in the reference week to 87,039 MW. This is 407 MW lower than last year and 4,257 MW higher than the 5 year average. Recent output is just over 90,500 MW.

- The 2016 cooling season is beginning. With a forecast through June 10 the 2016 total cooling index is at 241 compared to 156 for 2015, 408 for 2014, 391 for 2013, 449 for 2012 and 597 for 2011.

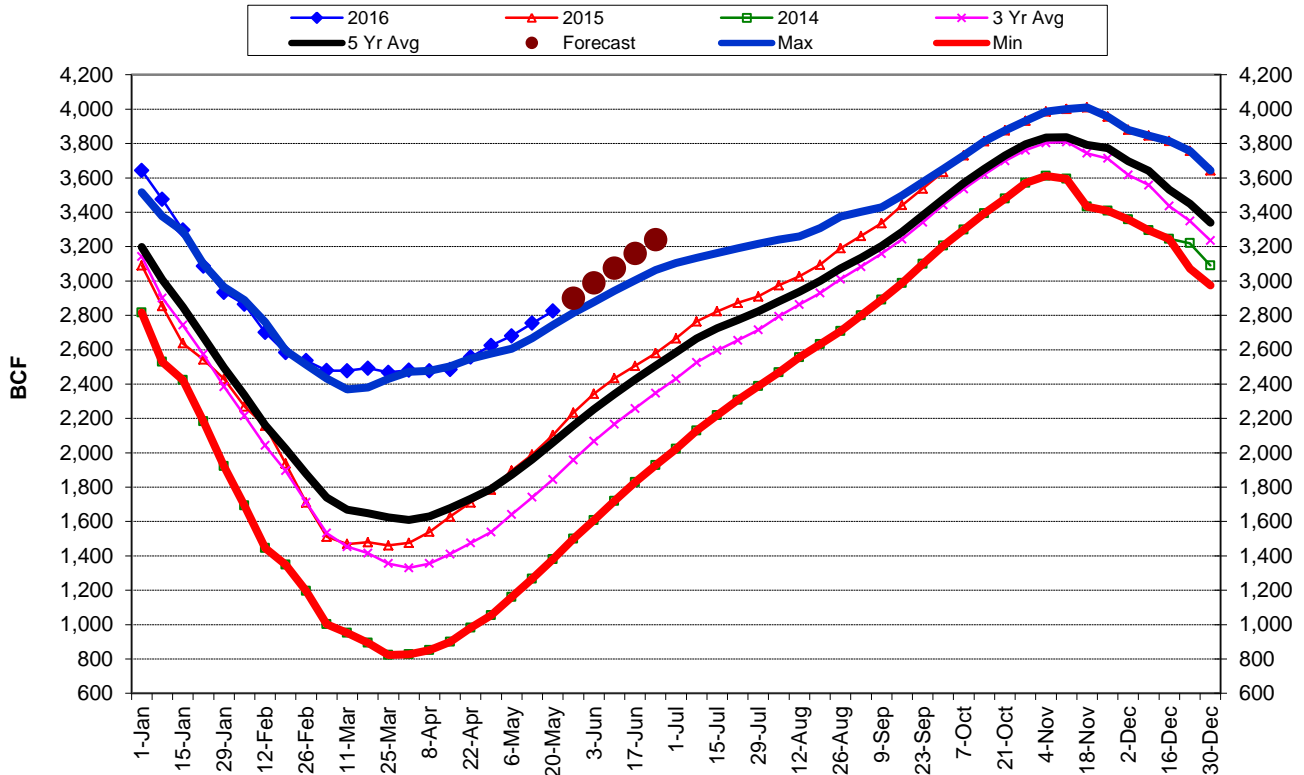
\$/MMBtu Ratio of NYMEX CL and NG



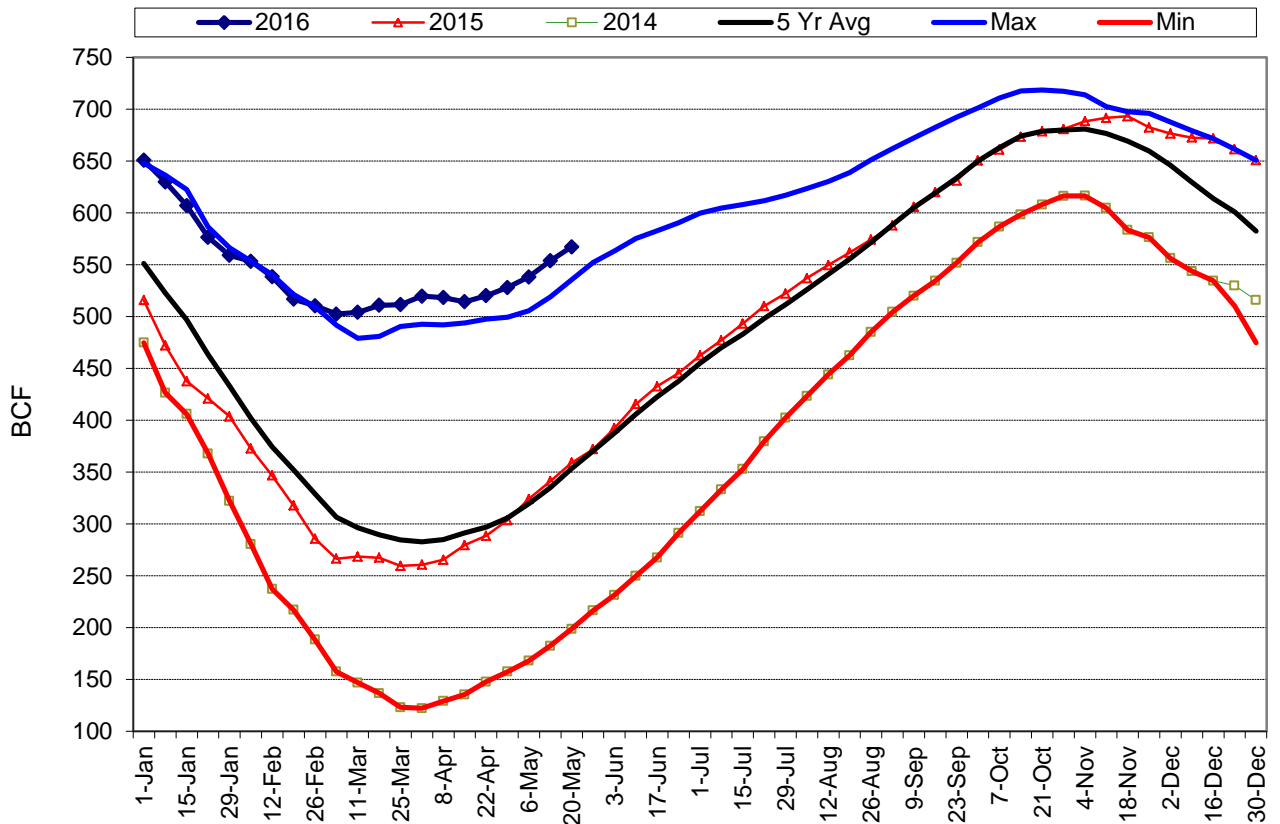
NYMEX Calendar Strips



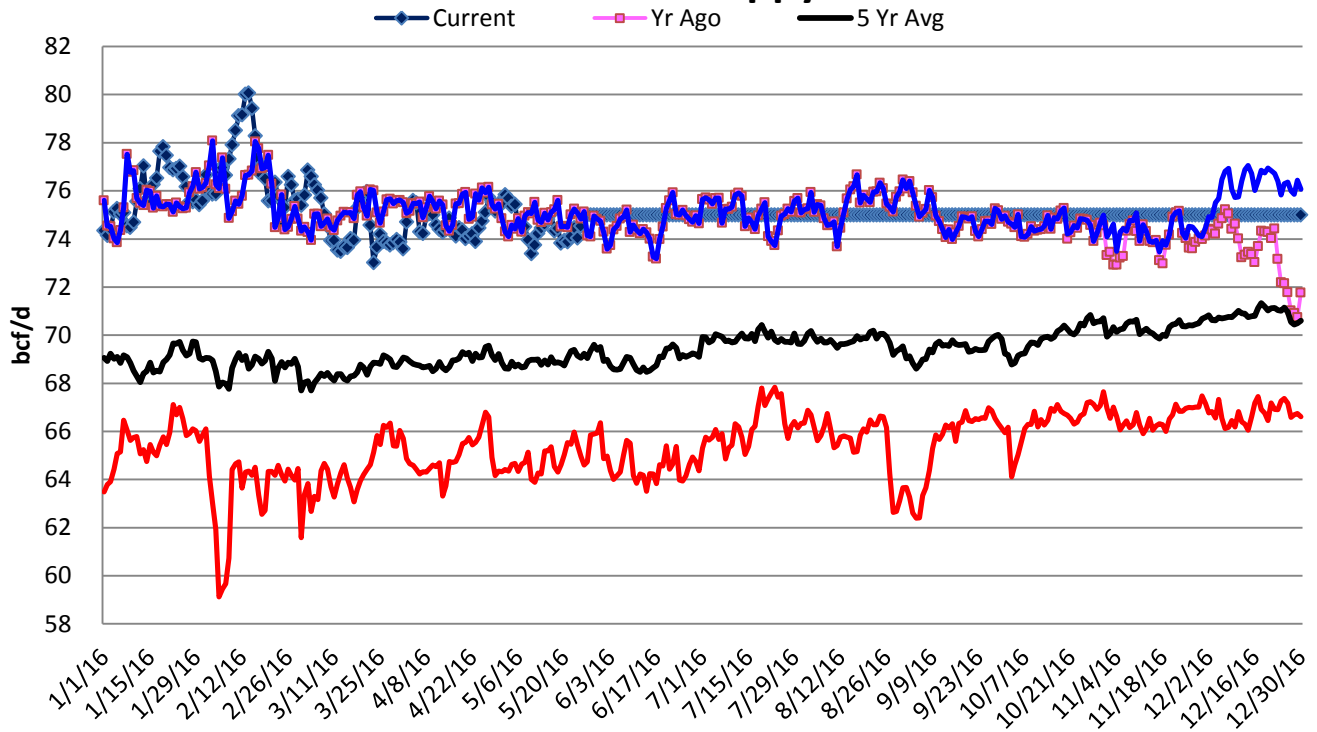
US Total Working Gas Storage - Source - EIA



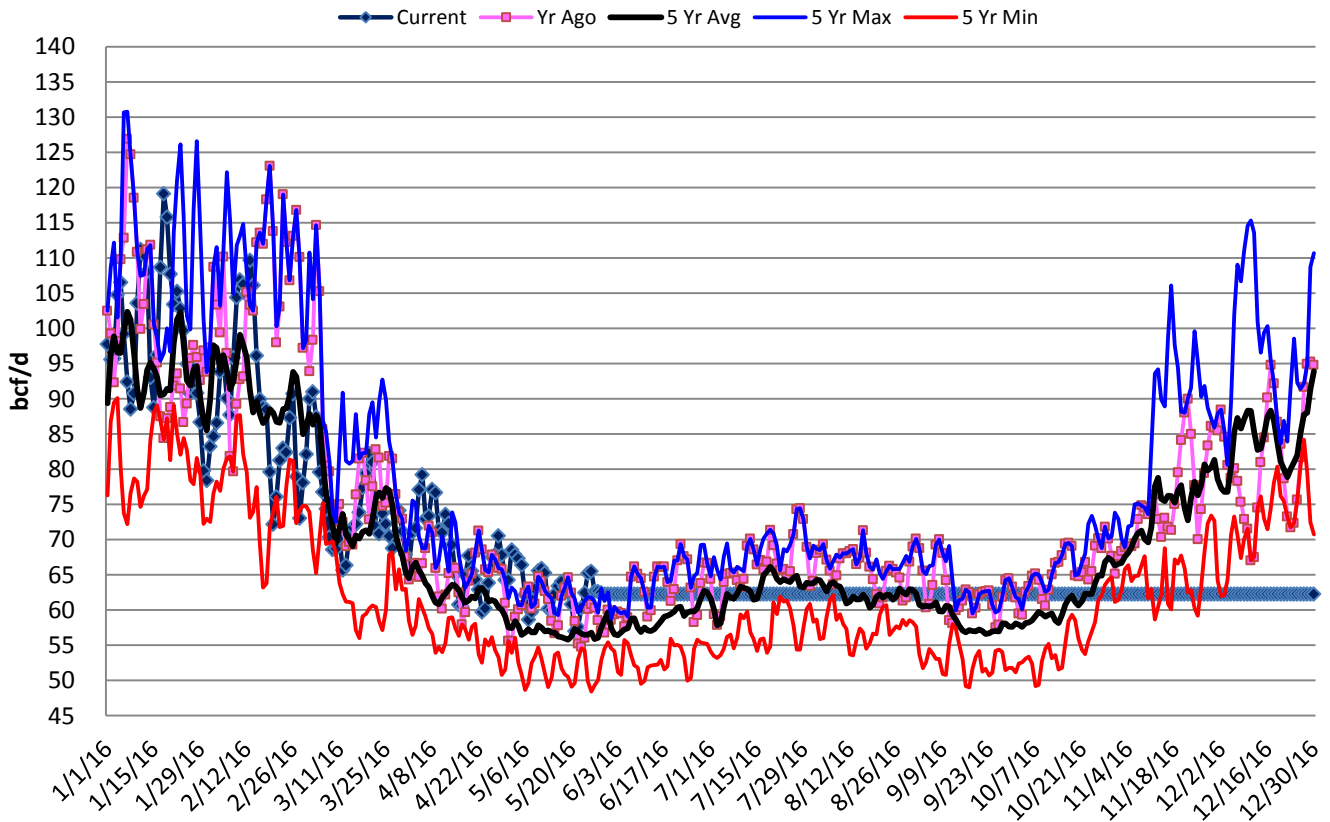
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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