



## 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 rose 15.8 cents (6.6%) to \$2.556 on a 23.1 cent range.

**Price Outlook:** Natural gas continued to follow historical norms with the July contract reaching the highest level for a spot contract since September 2015. The advance was the 3rd consecutive week with higher prices and while the price advance may have important power burn implications, 3 weeks is not considered extended. Thus, with upward momentum still likely in place and lower absolute storage injections projected in coming weeks, prices may remain well supported. CFTC data indicated the managed money net short position switched to the largest net long position since December 16, 2014 as the short covering was rampant. Total open interest rose to 3.425 million as of June 7. Aggregated CME futures open interest rose to 1.068 million as of June 10.

**Weekly Storage:** US working gas storage for the week ending June 3 indicated a net injection of +65 bcf to 2,972 bcf. Current inventories rise 628 bcf (36.8%) above last year while surpassing the 5 year average by 718 bcf (31.9%).

**Storage Outlook:** Our EIA weekly storage estimate was mathematically 8 bcf larger than the actual EIA report. This is above our acceptable tolerance range. The 5 week summation of our error rose to +5 bcf as the EIA has reported net injections of +347 bcf compared to our estimated +352 bcf. For a 5 week period, this is still well within our acceptable tolerance range. Our current estimation for early November inventories is 4,172 bcf. This assumes 30 year normal weather and a warm summer could easily reduce this estimate by 200-250 bcf.

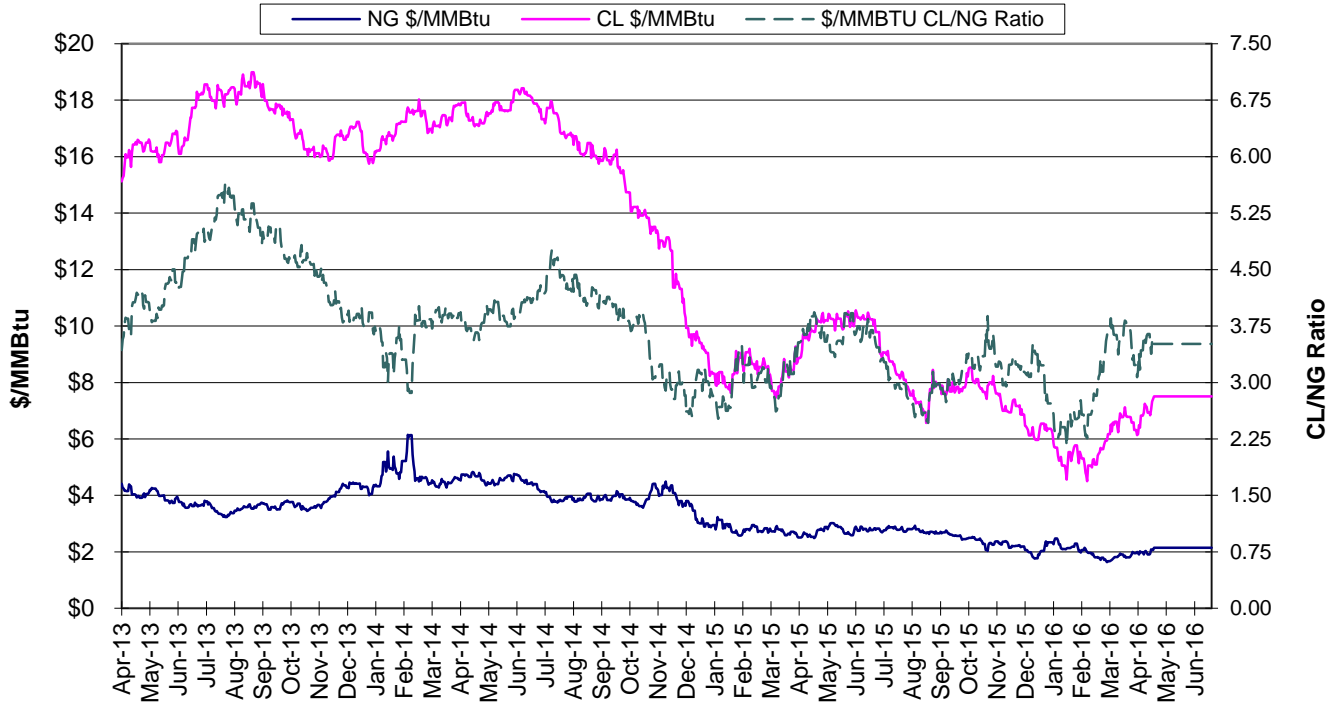
**Supply Trends:** Total supply rose 0.3 bcf/d to 74.2 bcf/d. US production was higher. Mexican exports were lower. Canadian and LNG imports were unchanged. The US Baker Hughes rig count rose 6 as both oil and natural gas activity increased. The total US rig count now stands at 414. The Canadian rig count rose 24 and now stands at 65. Thus, the total North American rig count rose 30 to 479 and now trails last year by 507, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. **The higher efficiency US horizontal rig count rose 4 to 323 and falls 340 below last year.**

**Demand Trends:** Total demand rose +0.7 bcf/d to 62.1 bcf/d. Power demand was higher while other sectors were lower. Electricity demand rose 2,486 gigawatt-hrs to 78,248 which exceeds last year by 3,484 (4.7%) and the 5 year average by 292 (0.4%). **The recent price surge has potential demand implications in the power sector as coal generation is likely now more economical than natural gas at some facilities compared to recent weeks. This could undermine what has been a very bullish market factor and will be watched closely in coming weeks.**

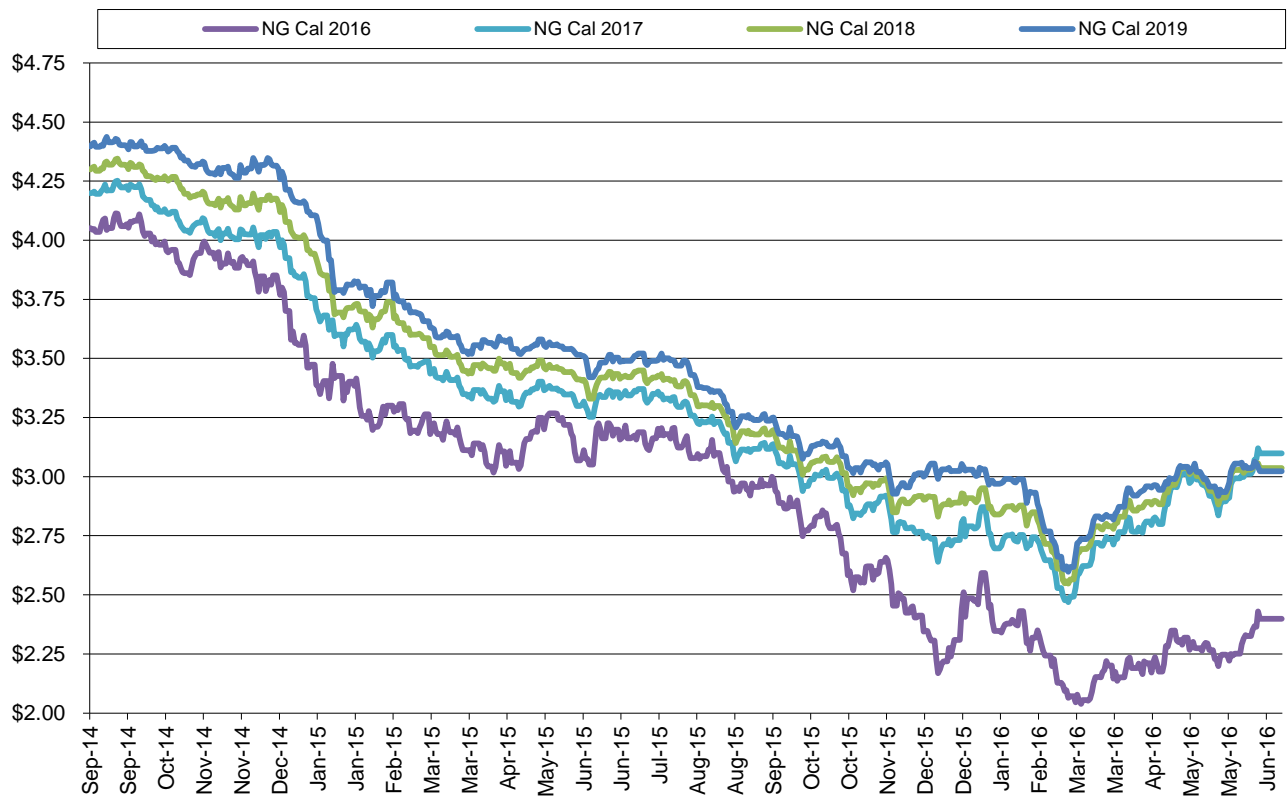
**Other Factors:** Nuclear generation rose 2,118 MW in the reference week to 91,897 MW. This is 601 MW higher than last year and 5,406 MW higher than the 5 year average. Recent output is just over 93,000 MW.

- The 2016 cooling season is beginning. With a forecast through June 24 the 2016 total cooling index is at 780 compared to 741 for 2015, 655 for 2014, 722 for 2013, 1,166 for 2012 and 1,096 for 2011.

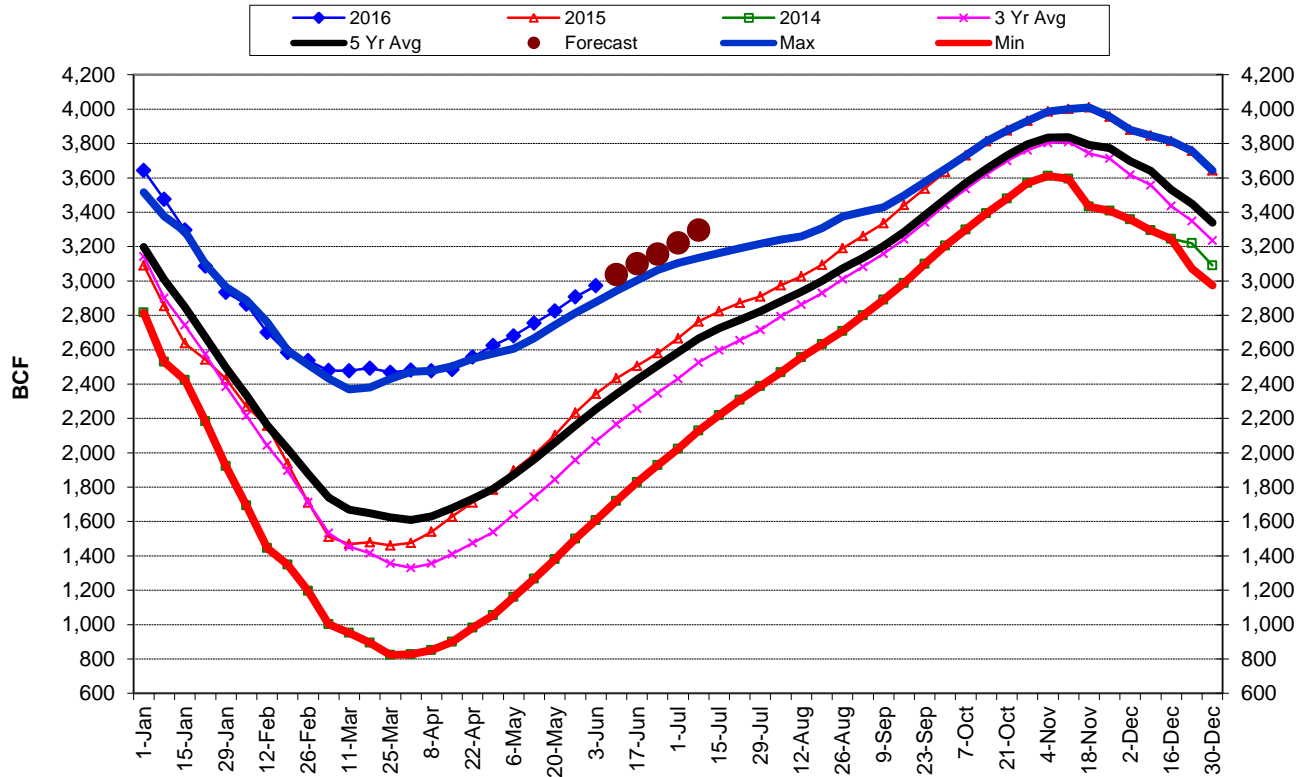
## \$/MMBtu Ratio of NYMEX CL and NG



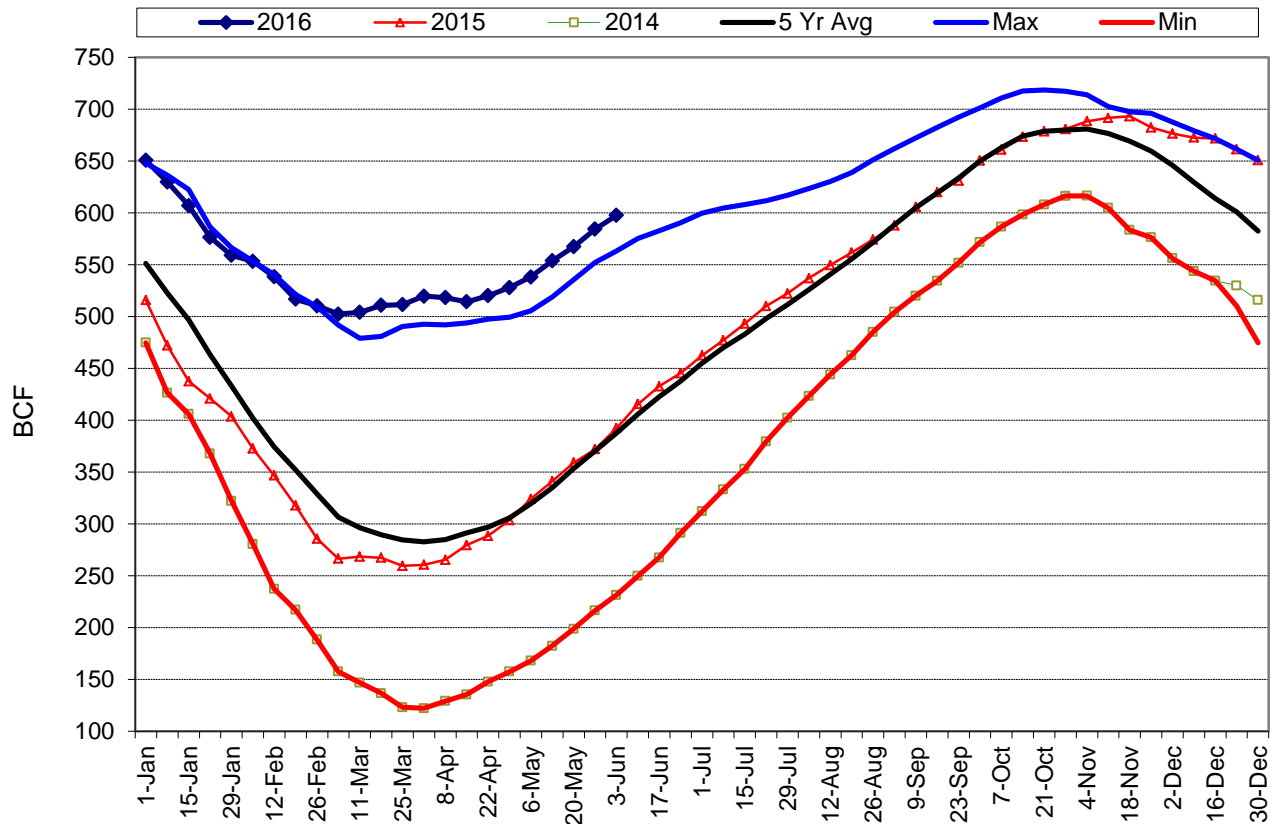
## NYMEX Calendar Strips



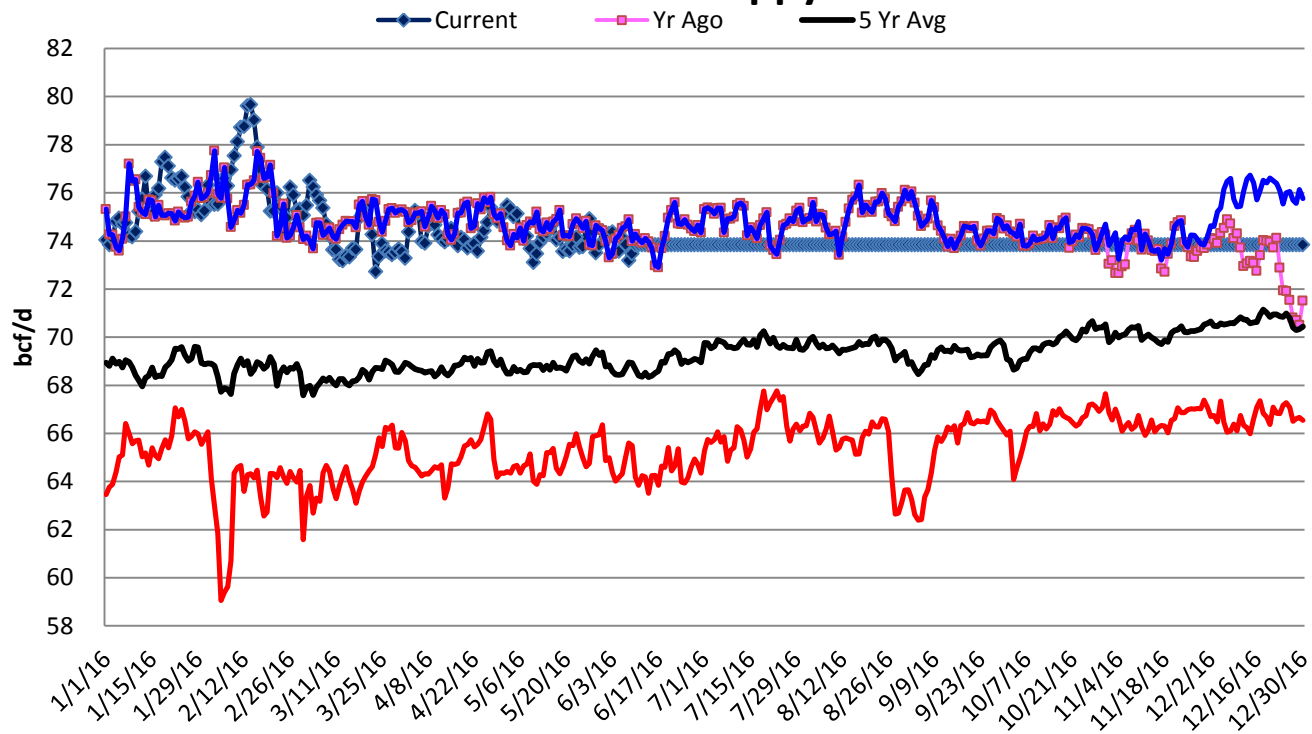
## US Total Working Gas Storage - Source - EIA



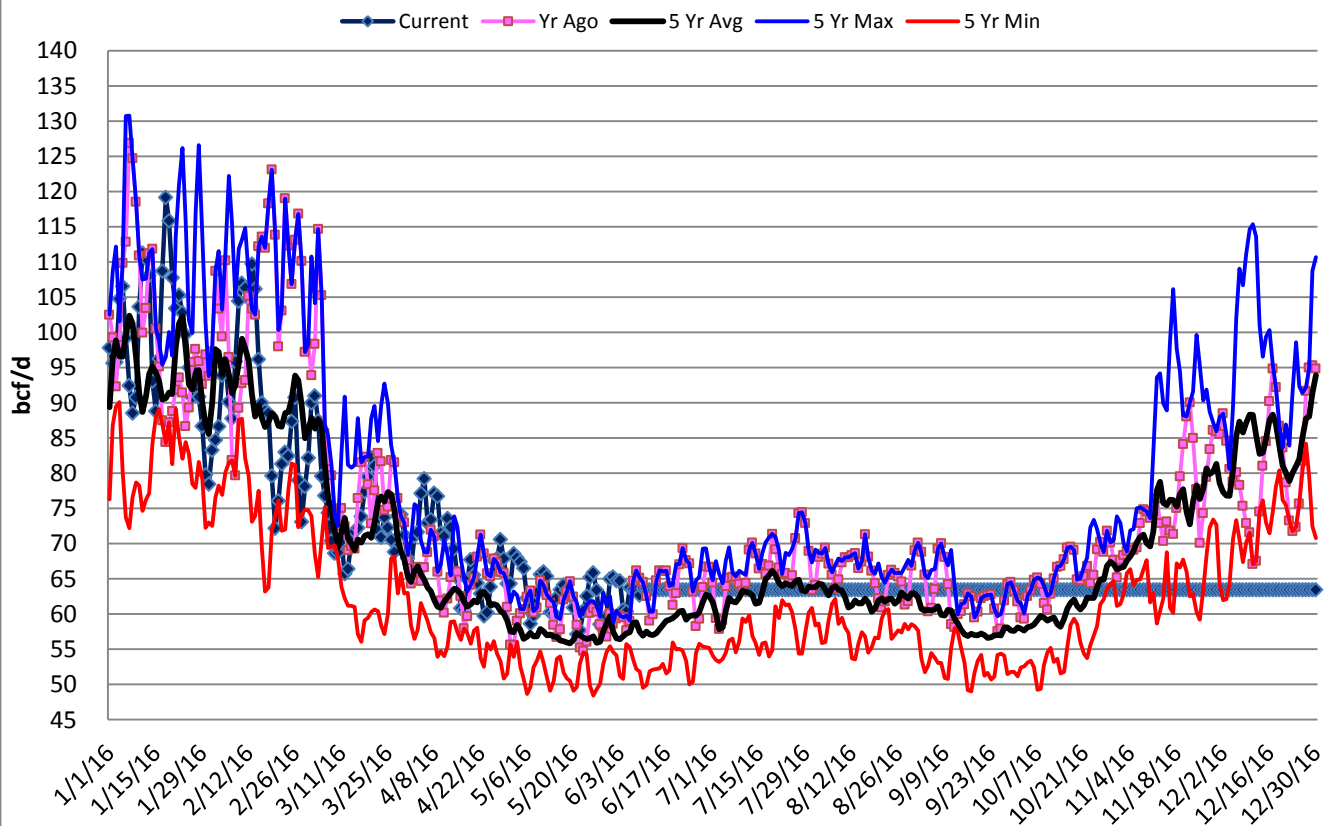
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



## **ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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