



## 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 6.7 cents (2.6%) to \$2.623 on a 12.1 cent range.

**Price Outlook:** **Despite the small weekly range, prices eked out a new high with the historical tendency to post either a new high or low intact. Considering this week's narrow range, an inside week seems exceedingly unlikely. With extremely hot temperatures forecast this week, strong power burn and bullish weather forecasts will probably push the market to new highs. Conversely, even if power burns are strong, but do not meet market expectations or weather forecasts moderate, prices may slip. CFTC data indicated the managed money net long position increased to the largest net long position since December 2, 2014 as new buying added to the net length. The short position rose slightly. Total open interest rose to 3.552 million as of June 14. Aggregated CME futures open interest rose to 1.096 million as of June 17.**

**Weekly Storage:** US working gas storage for the week ending June 10 indicated a net injection of +69 bcf to 3,041 bcf. Current inventories rise 607 bcf (24.9%) above last year while surpassing the 5 year average by 701 bcf (29.9%). This week's storage change was again mathematically smaller than last year's +90 bcf build and also fell short of the 5 year average injection of +87 bcf.

**Storage Outlook:** **Our EIA weekly storage estimate was mathematically 4 bcf smaller than the actual EIA report. This is at the upper end of our acceptable tolerance range. The 5 week summation of our error fell to zero as the EIA has reported net injections of +360 bcf, exactly equal to our estimated +360 bcf. For a 5 week period, this is very satisfying. Our current estimation for early November inventories is 4,102 bcf.**

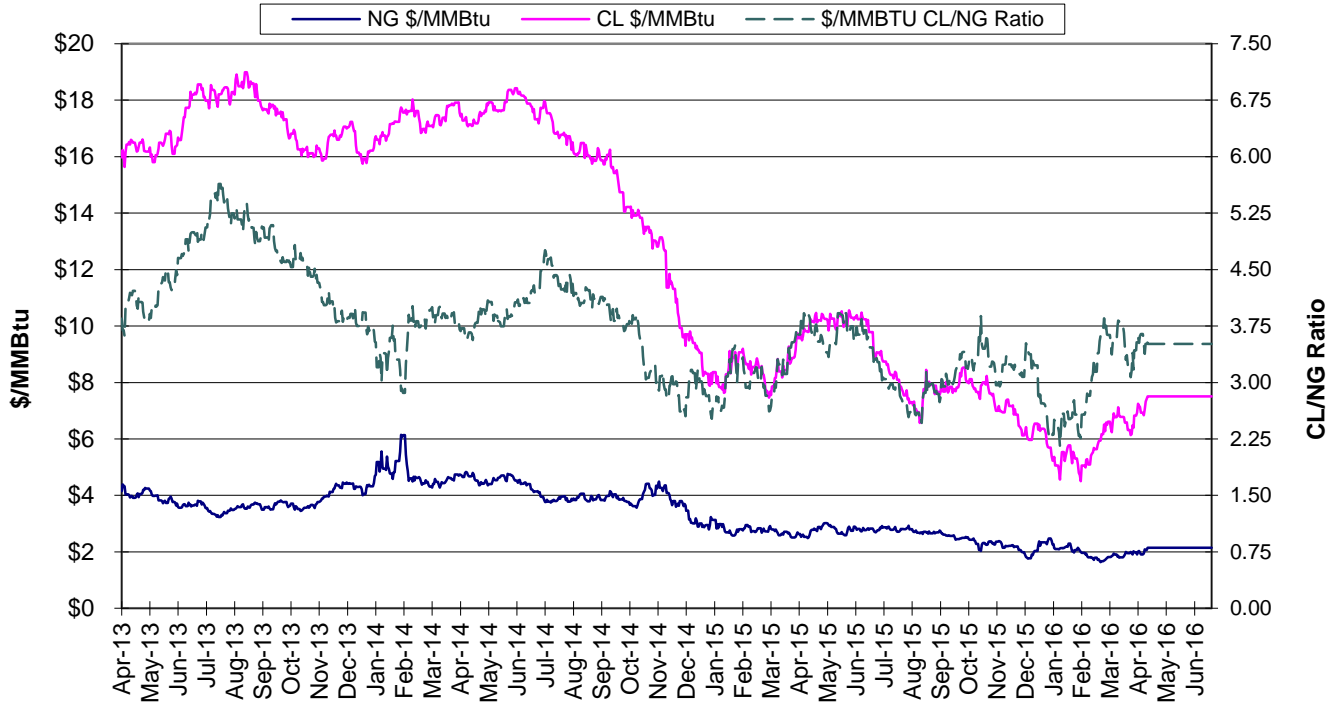
**Supply Trends:** Total supply fell 0.4 bcf/d to 73.8 bcf/d. Canadian imports and Mexican exports rose. US production fell. LNG imports were unchanged. The US Baker Hughes rig count rose 10 as both oil and natural gas activity increased. The total US rig count now stands at 424. The Canadian rig count rose 3 and now stands at 68. Thus, the total North American rig count rose 13 to 492 and now trails last year by 501, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. **The higher efficiency US horizontal rig count rose 3 to 326 and falls 336 below last year. The EIA drilling productivity report again revised its production estimation higher, resulting in a smaller decline than originally expected in June as has been the case in 11 of the last 14 months. Declines rates continue to fall while rig efficiencies continue to rise.**

**Demand Trends:** Total demand rose +0.2 bcf/d to 62.1 bcf/d. R&C and industrial demand rose while power fell. Electricity demand rose 2,829 gigawatt-hrs to 81,077 which trails last year by 2,791 (3.3%) and the 5 year average by 143 (0.2%).

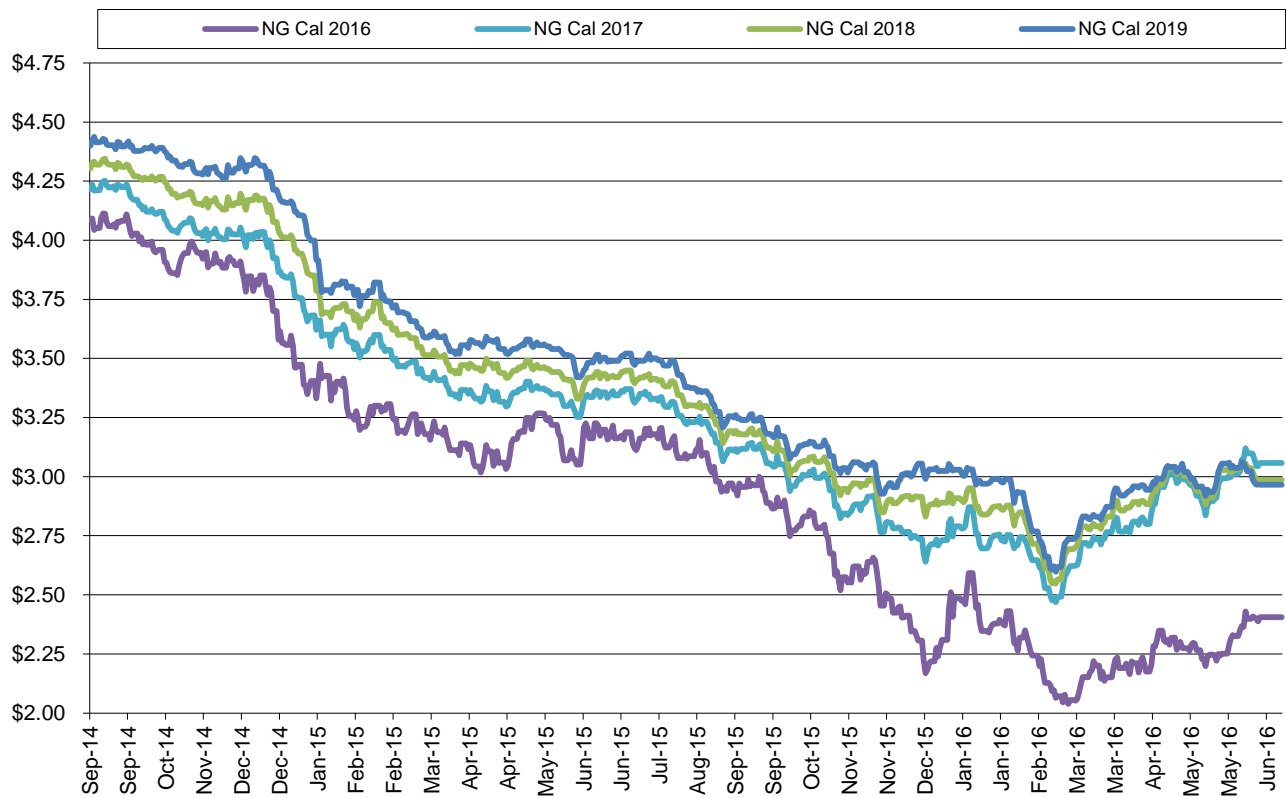
**Other Factors:** Nuclear generation rose 957 MW in the reference week to 92,854 MW. This is 1,028 MW higher than last year and 3,830 MW higher than the 5 year average. Recent output has fallen to just over 87,500 MW.

- The 2016 cooling season is beginning. With a forecast through July 1 the 2016 total cooling index is at 1,399 compared to 1,094 for 2015, 857 for 2014, 1,243 for 2013, 2,018 for 2012 and 1,386 for 2011. The heat is concentrated in the West.

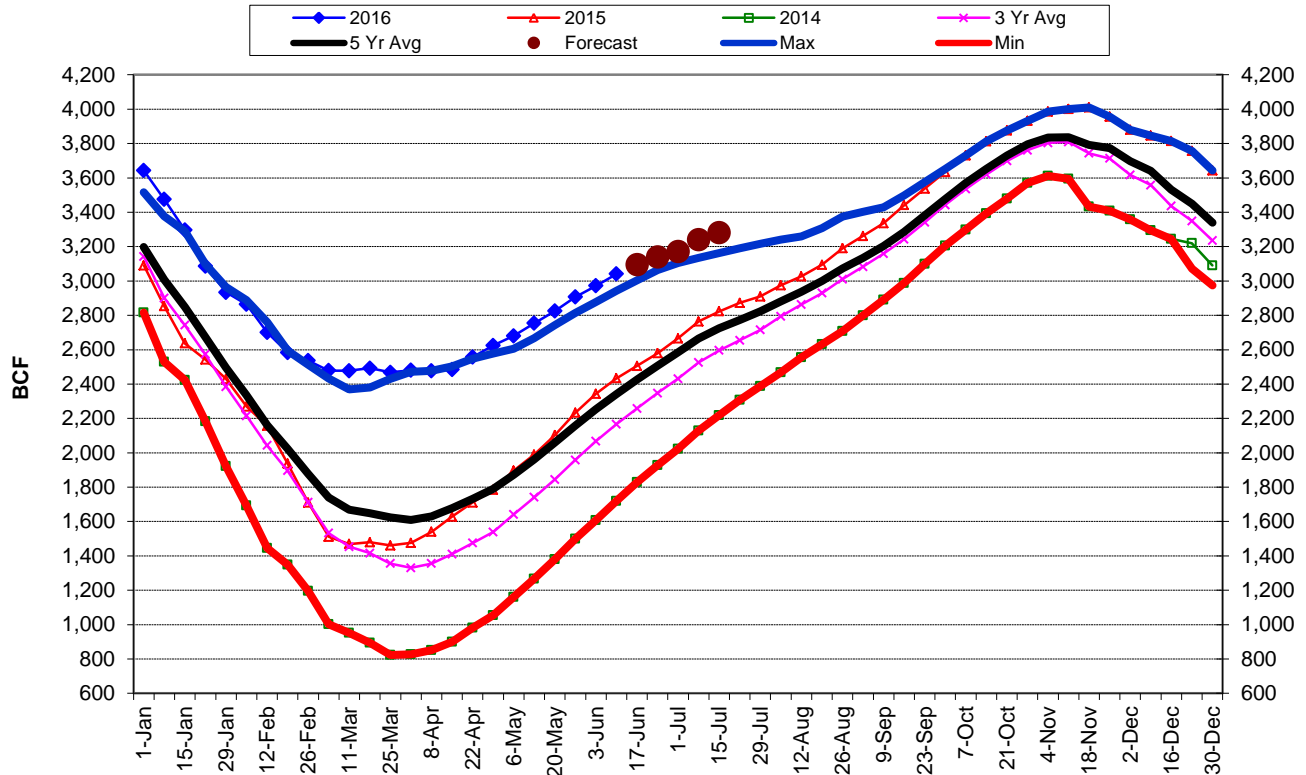
## \$/MMBtu Ratio of NYMEX CL and NG



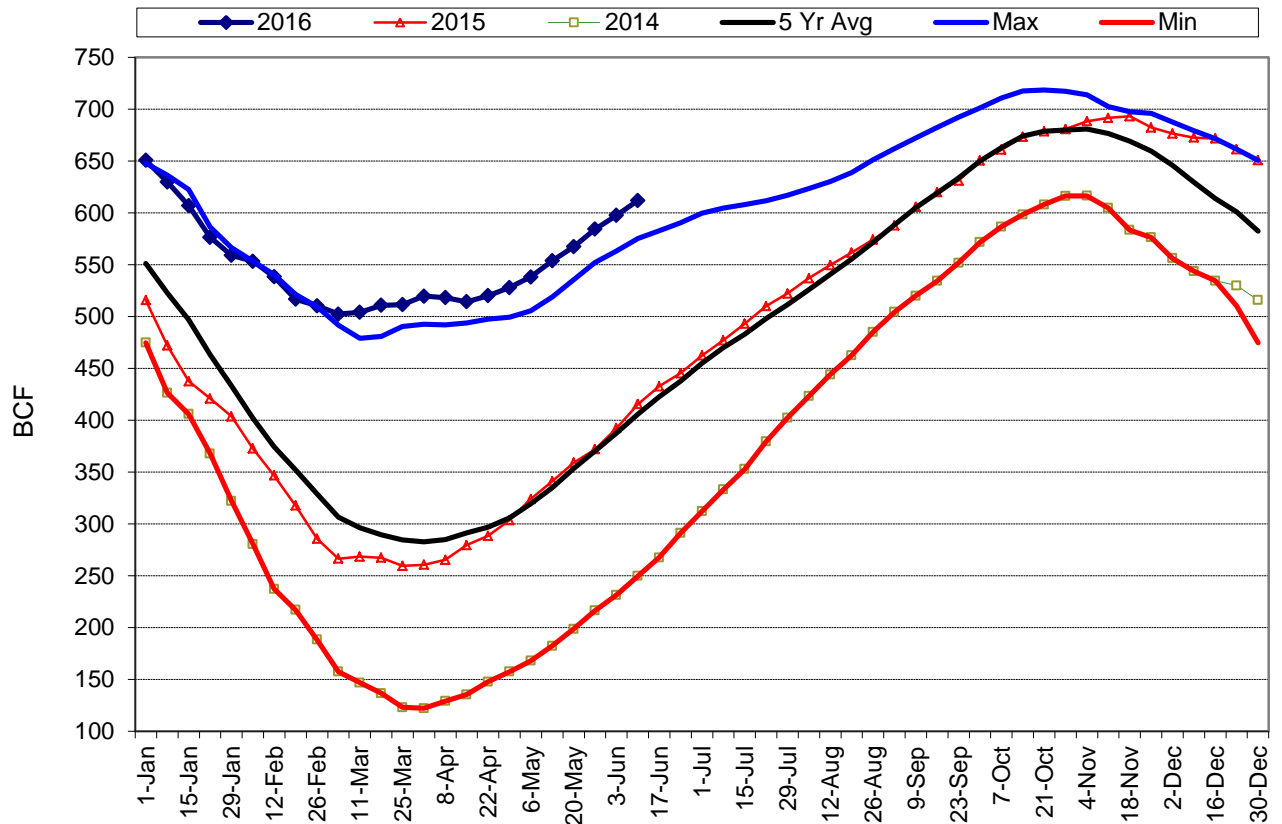
## NYMEX Calendar Strips



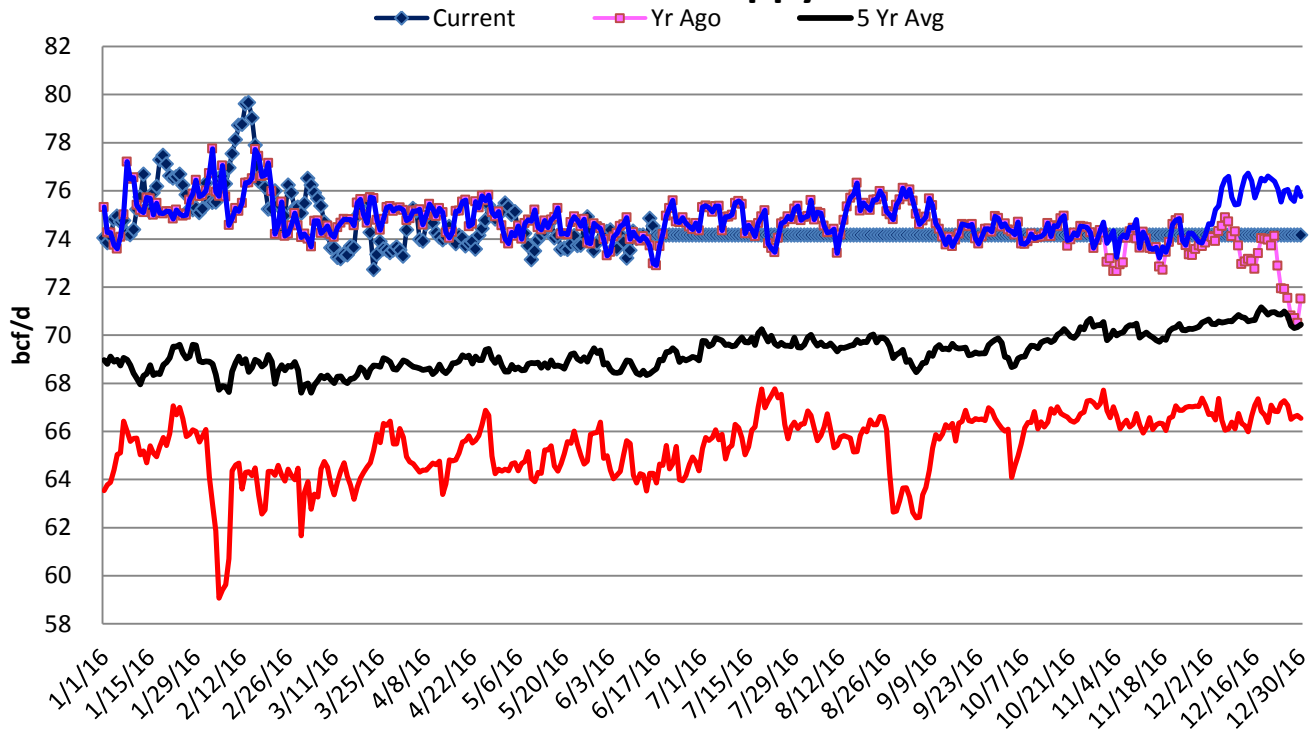
## US Total Working Gas Storage - Source - EIA



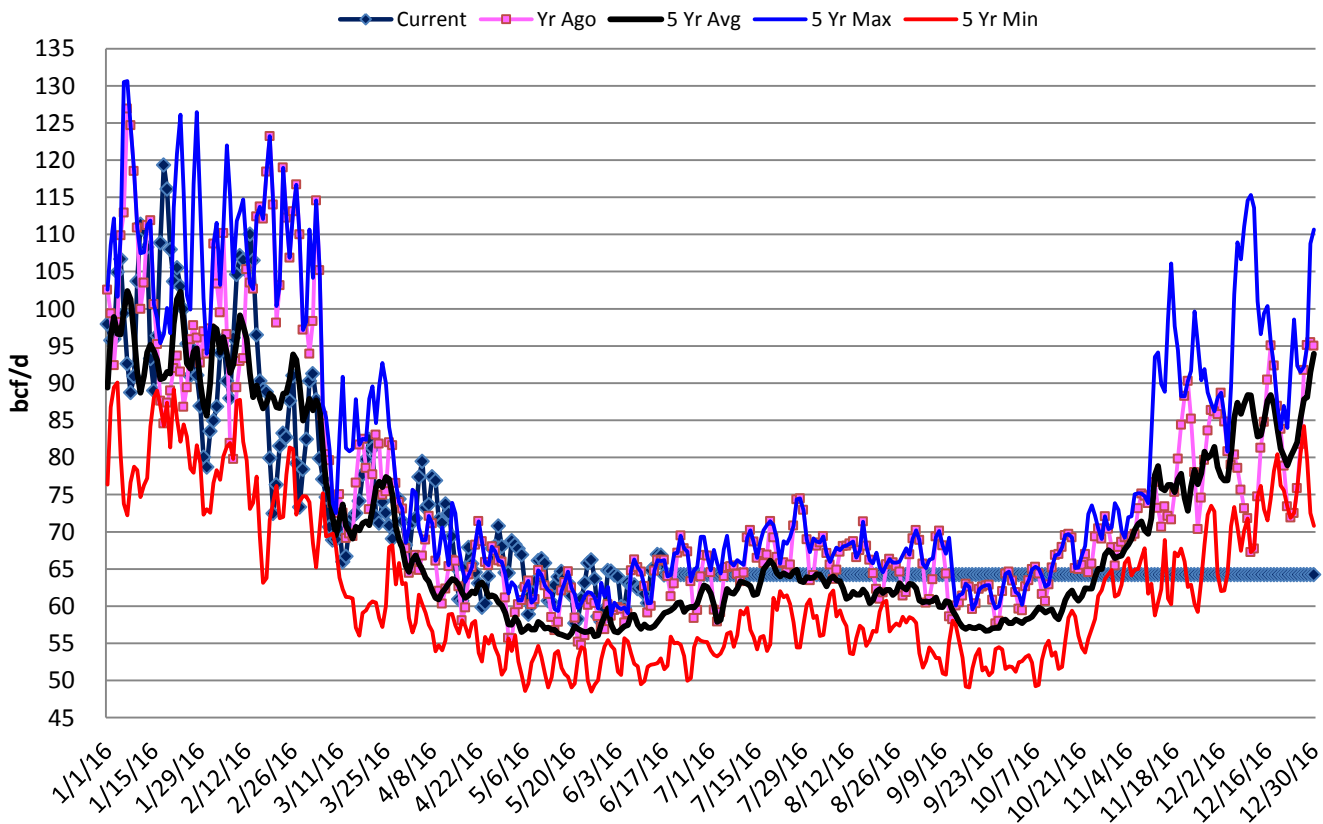
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



## **ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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