



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 August contract rose 29.3 cents (10.9%) to \$2.987 on a 33.1 cent range.

Price Outlook: Prices easily established a new weekly high as a gas processing issue in Mississippi and extremely warm temperature forecasts combined to support prices. Weather forecasts suggest the week ending 7/15 may be the 3rd hottest since late 1993. At the same time, a fire and explosion at a processing plant reduced Gulf of Mexico supplies. Even though prices ended near the weekly high and thus a new weekly high seems the most likely path, any moderation in temps or evidence that natural gas has lost market share to coal as a result of the new pricing differentials may limit further upside. CFTC data indicated the managed money net long position increased to the largest net long position since November 25, 2014 as the short position was significantly reduced. Total open interest fell to 3.545 million as of June 28. Aggregated CME futures open interest rose to 1.070 million as of July 1.

Weekly Storage: US working gas storage for the week ending June 24 indicated a net injection of +37 bcf that included a 5 bcf revision that lowered working gas in the Pacific Region. Thus, the implied flow for the week was +42 bcf while total working gas inventories stand at 3,140 bcf. Current inventories rise 561 bcf (21.8%) above last year while surpassing the 5 year average by 633 bcf (25.2%).

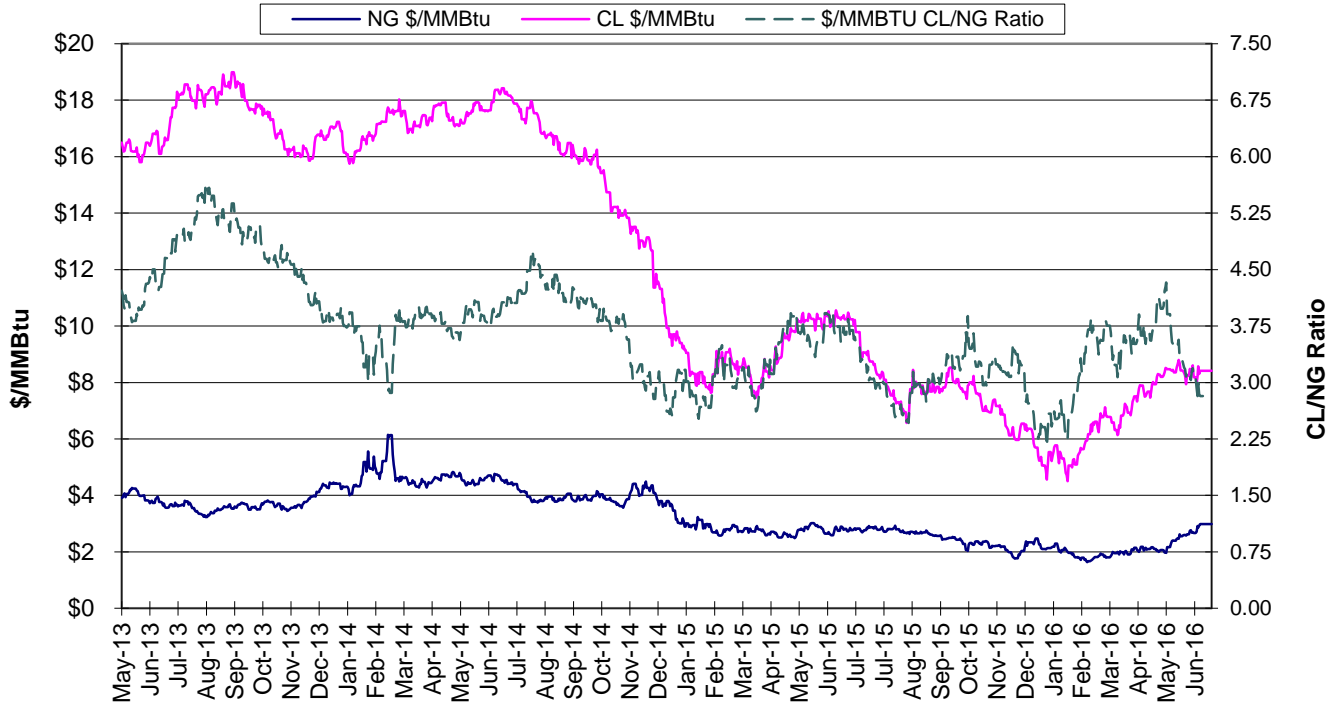
Storage Outlook: There was indeed a 5 bcf revision in the Pacific Region, as we expected. While working gas inventories rose +37 bcf, the weekly implied flow was +42 bcf, which is the basis for our temperature adjusted analysis.

Supply Trends: Total supply rose +0.2 bcf/d to 74.5 bcf/d. US production, LNG imports and Mexican exports were higher. Canadian imports were unchanged. The US Baker Hughes rig count rose 10 as oil activity increased while natural gas slipped. The total US rig count now stands at 431. The Canadian rig count was unchanged at 75. Thus, the total North American rig count rose 10 to 506 and now trails last year by 495, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. The higher efficiency US horizontal rig count rose 7 to 332 and falls 325 below last year. The EIA monthly report revealed a larger than expected drop in April production.

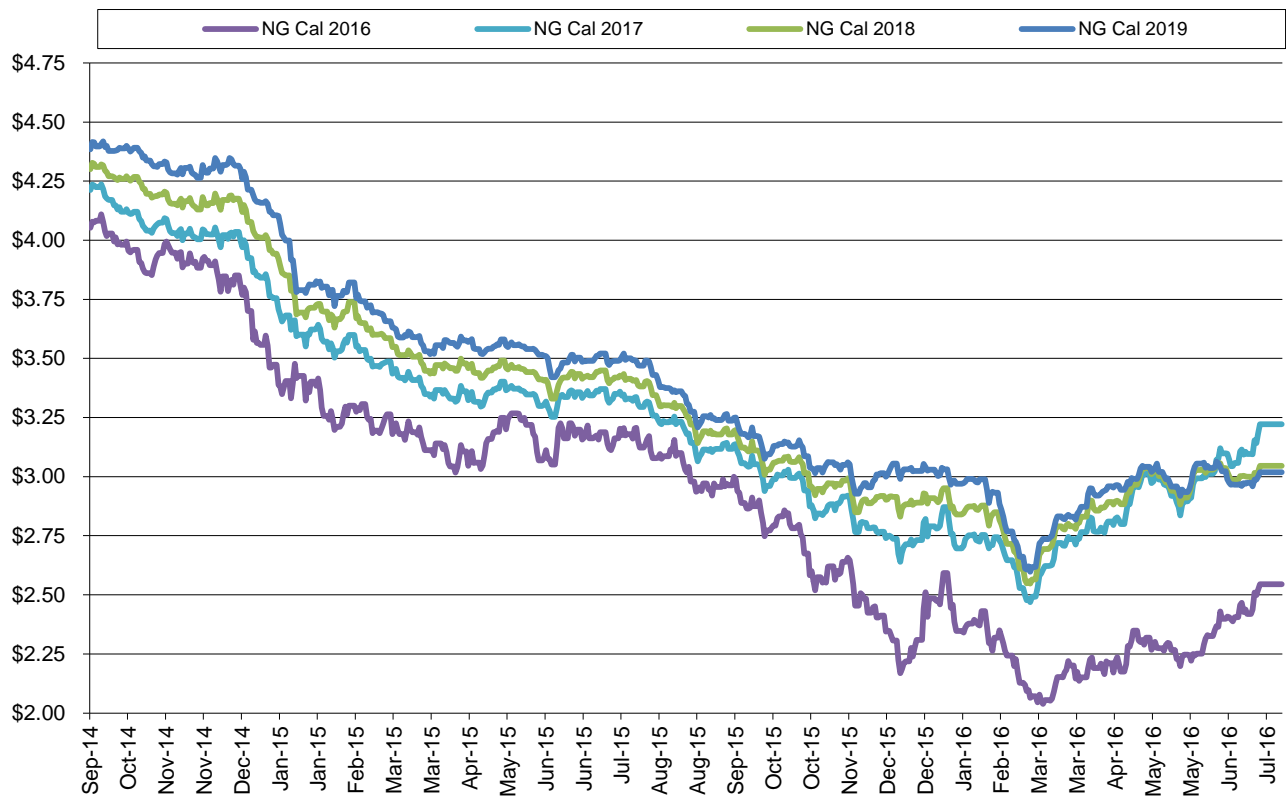
Demand Trends: Total demand rose +1.5 bcf/d to 65.6 bcf/d. Power and R&C demand rose while industrial fell. Electricity demand rose 3,665 gigawatt-hrs to 88,590 which exceeds last year by 1,464 (1.7%) and the 5 year average by 2,750 (3.2%). The EIA monthly report revealed a record April demand level as was the case in much of 2015. This underlying demand strength is bullish on a longer term basis.

Other Factors: Nuclear generation fell 1,246 MW in the reference week to 90,050 MW. This is 3,696 MW lower than last year and 2,773 MW lower than the 5 year average. Recent output is near 92,500 MW.

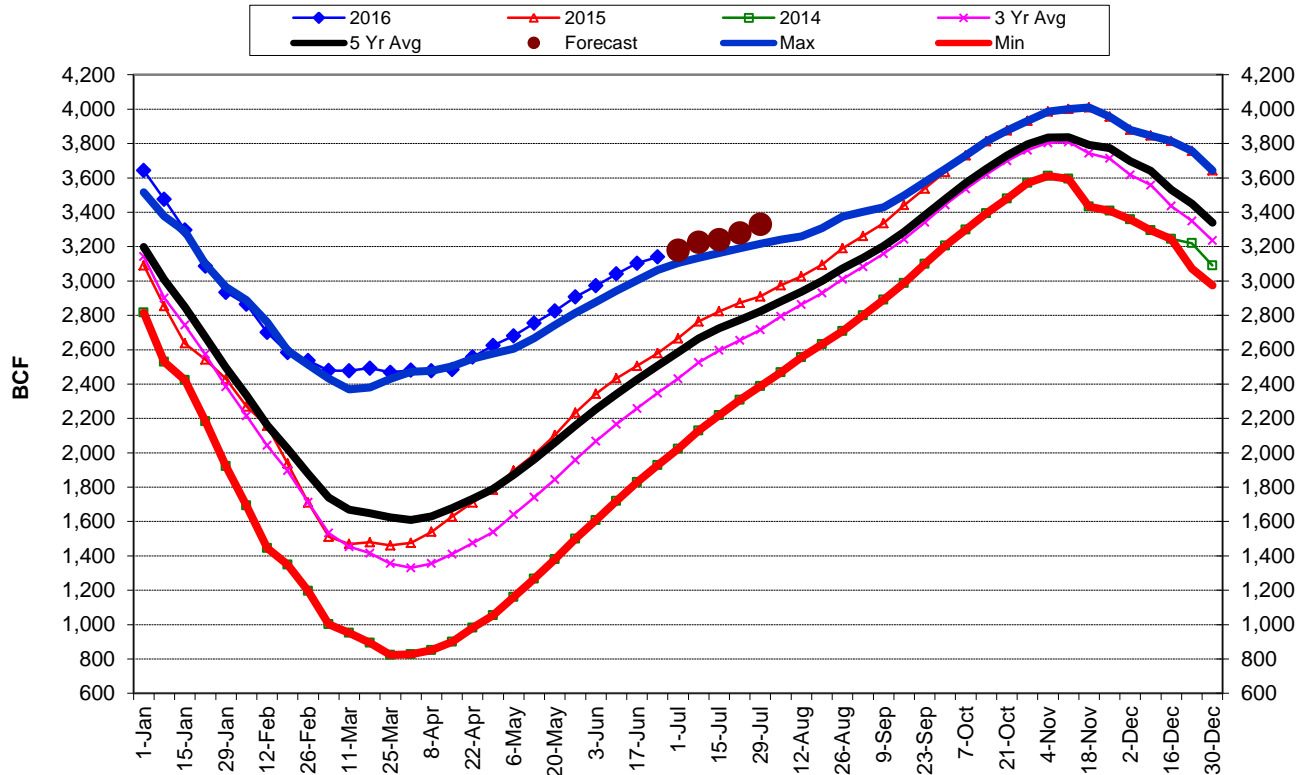
\$/MMBtu Ratio of NYMEX CL and NG



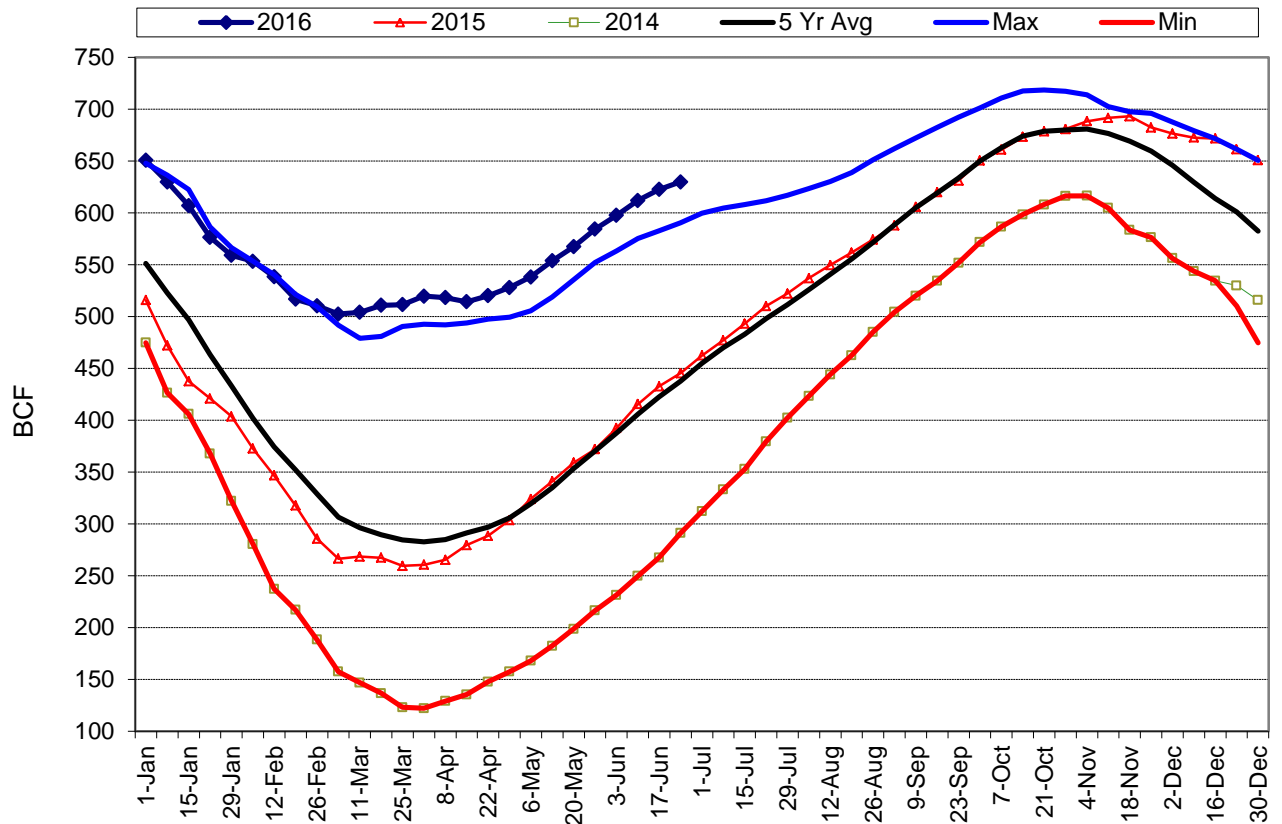
NYMEX Calendar Strips



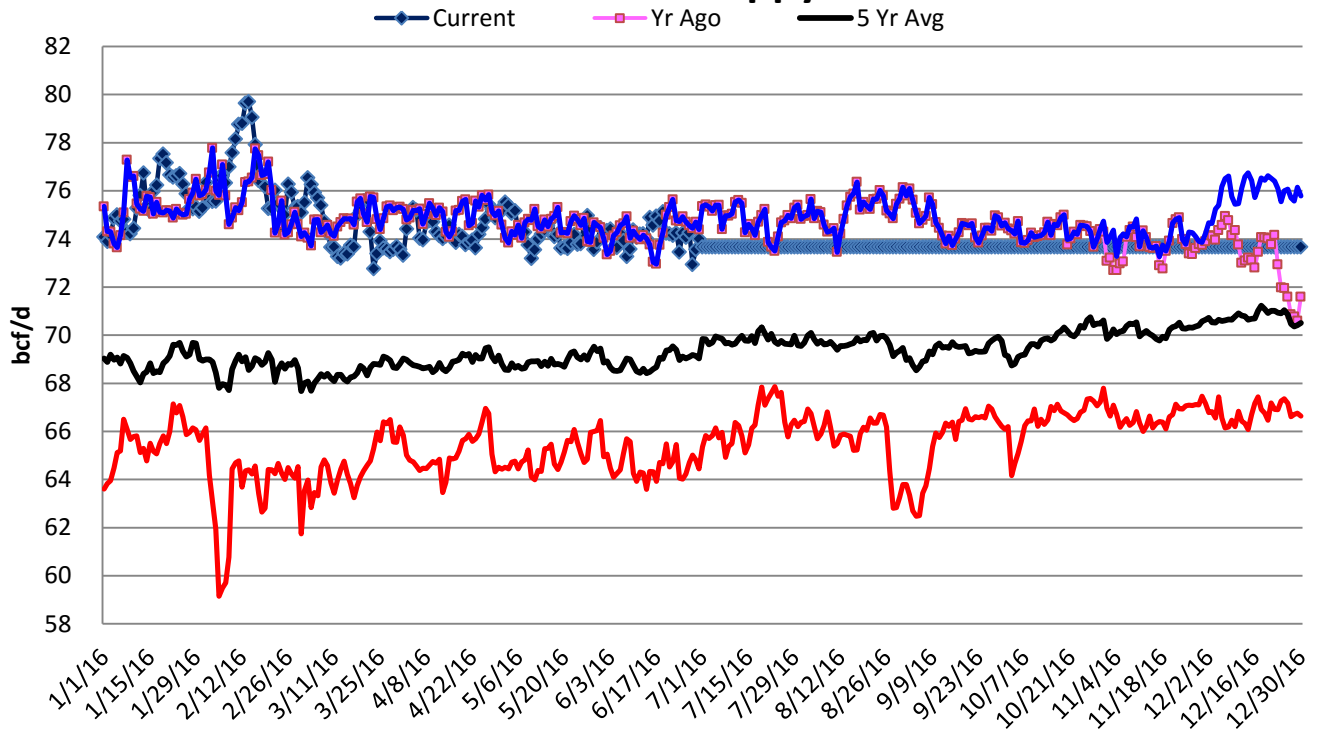
US Total Working Gas Storage - Source - EIA



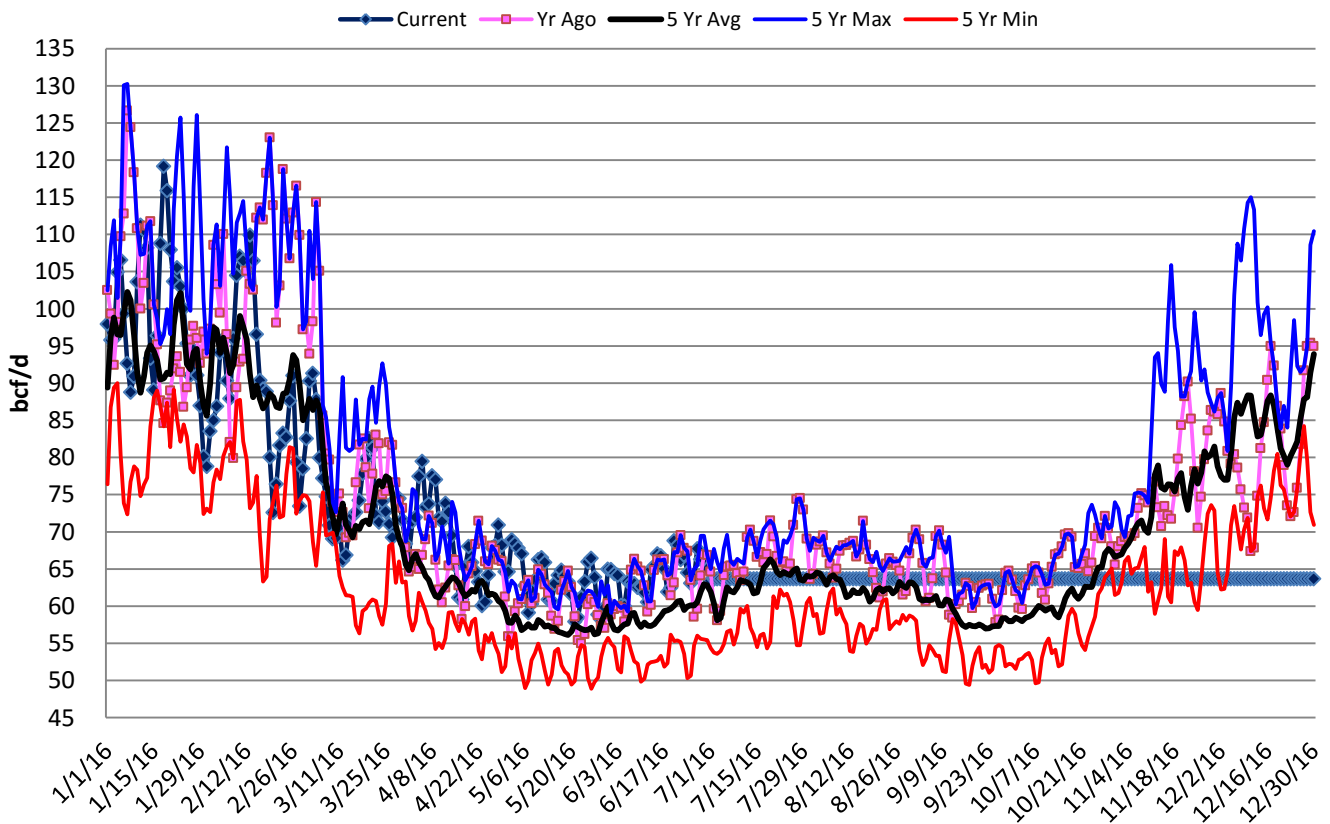
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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