



## 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 fell 18.6 cents (6.2%) to \$2.801 on a 24.8 cent range.

**Price Outlook:** Prices were unable to establish a new weekly high and after last week's large range, did not fall enough to post a new low. Thus, the market ended its string of 6 consecutive higher weeks and posted a rare inside week. With the market still witnessing a decent 24.8 weekly range and some conflicting fundamental factors, another inside week may be in store. However, a 2nd consecutive inside week is incredibly rare. Since 2000, there have been only 4 occurrences of 2 consecutive inside weeks. Still, the market setup may allow that to happen a 5th time. CFTC data indicated the managed money net long position fell as long positions liquidated more than shorts. Total open interest fell to 3.477 million as of July 5. Aggregated CME futures open interest fell to 1.051 million as of July 8.

**Weekly Storage:** US working gas storage for the week ending July 1 indicated a net injection of +39 bcf that lifted total working gas inventories to 3,179 bcf. Current inventories rise 513 bcf (19.2%) above last year while surpassing the 5 year average by 594 bcf (23.0%).

**Storage Outlook:** Our EIA weekly storage estimate was mathematically +5 bcf higher than the actual EIA report, at the upper of our tolerance range. The 5 week summation of our error rose to 7 bcf as the EIA has reported net implied flow of +277 bcf compared to our estimated +284 bcf. For a 5 week period, this is still acceptable. Our current estimation for early November inventories is 4,085 bcf.

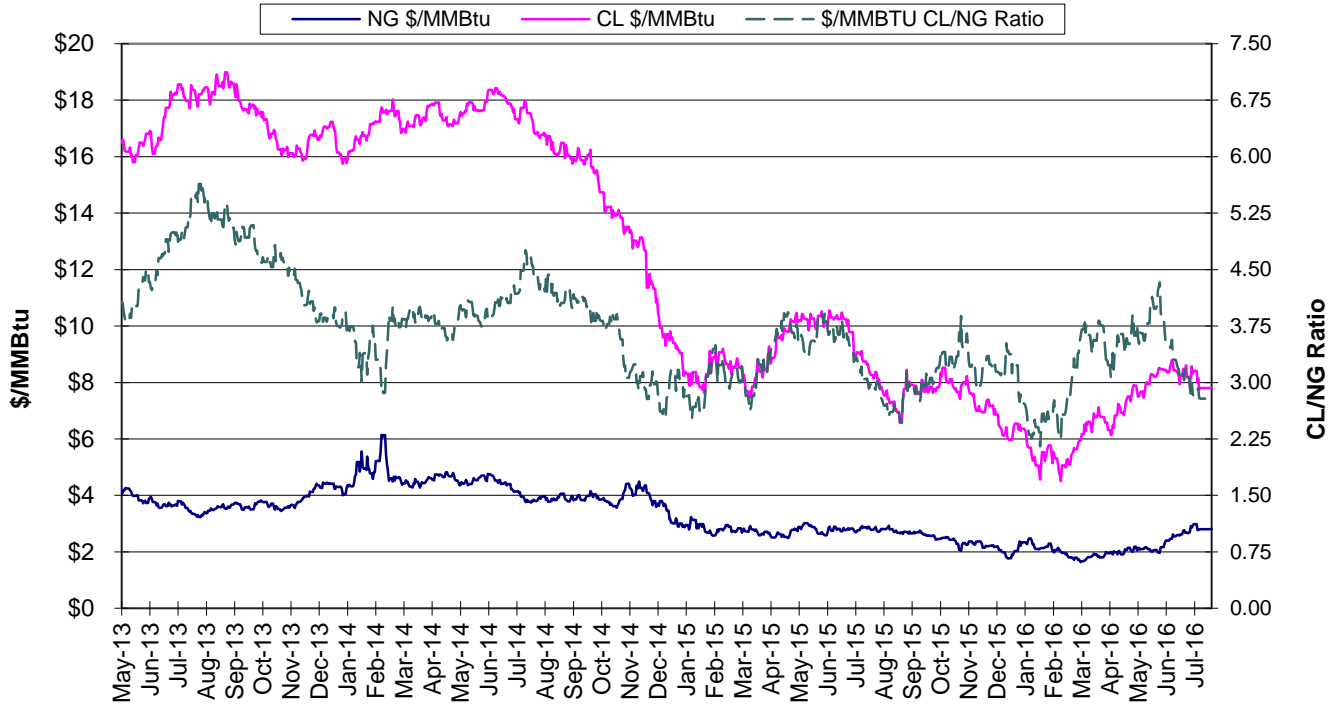
**Supply Trends:** Total supply fell (0.6) bcf/d to 73.7 bcf/d. US production and Canadian imports were lower. LNG imports and Mexican exports were unchanged. The US Baker Hughes rig count rose 9 as oil activity increased while natural gas slipped. The total US rig count now stands at 440. The Canadian rig count rose 5 to 80. Thus, the total North American rig count rose 14 to 521 and now trails last year by 511, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. **The higher efficiency US horizontal rig count rose 11 to 343 and falls 311 below last year.**

**Demand Trends:** Total demand fell (0.5) bcf/d to 65.1 bcf/d. Power and R&C demand fell while industrial rose. Electricity demand fell 2,368 gigawatt-hrs to 86,222 which exceeds last year by 5,973 (7.4%) and the 5 year average by 2,574 (3.1%).

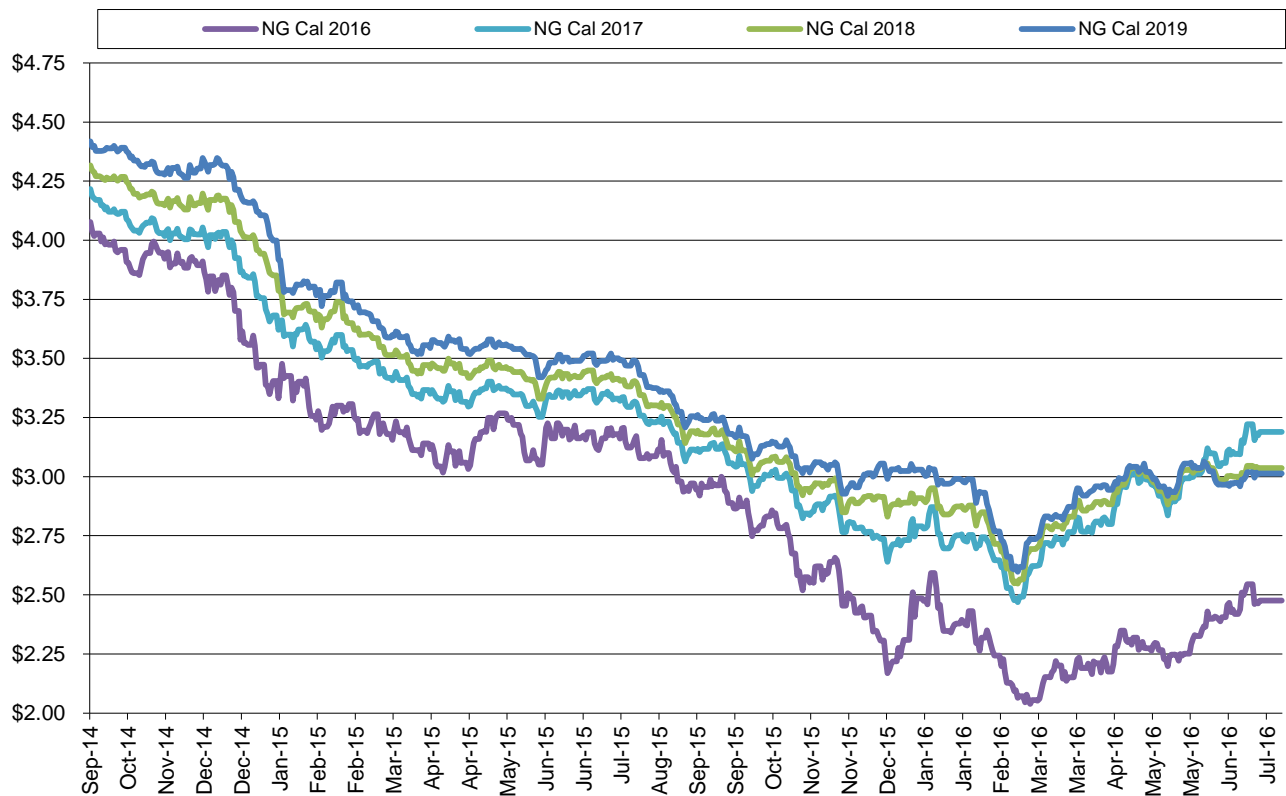
**Other Factors:** Nuclear generation fell 213 MW in the reference week to 89,837 MW. This is 4,806 MW lower than last year and 3,649 MW lower than the 5 year average. Recent output is near 92,500 MW.

- The 2016 cooling season is well underway. With a forecast through July 22 the 2016 total cooling index is at 2,502 compared to 1,770 for 2015, 1,638 for 2014, 2,553 for 2013, 4,139 for 2012 and 2,968 for 2011. The heat is primarily concentrated in the West.

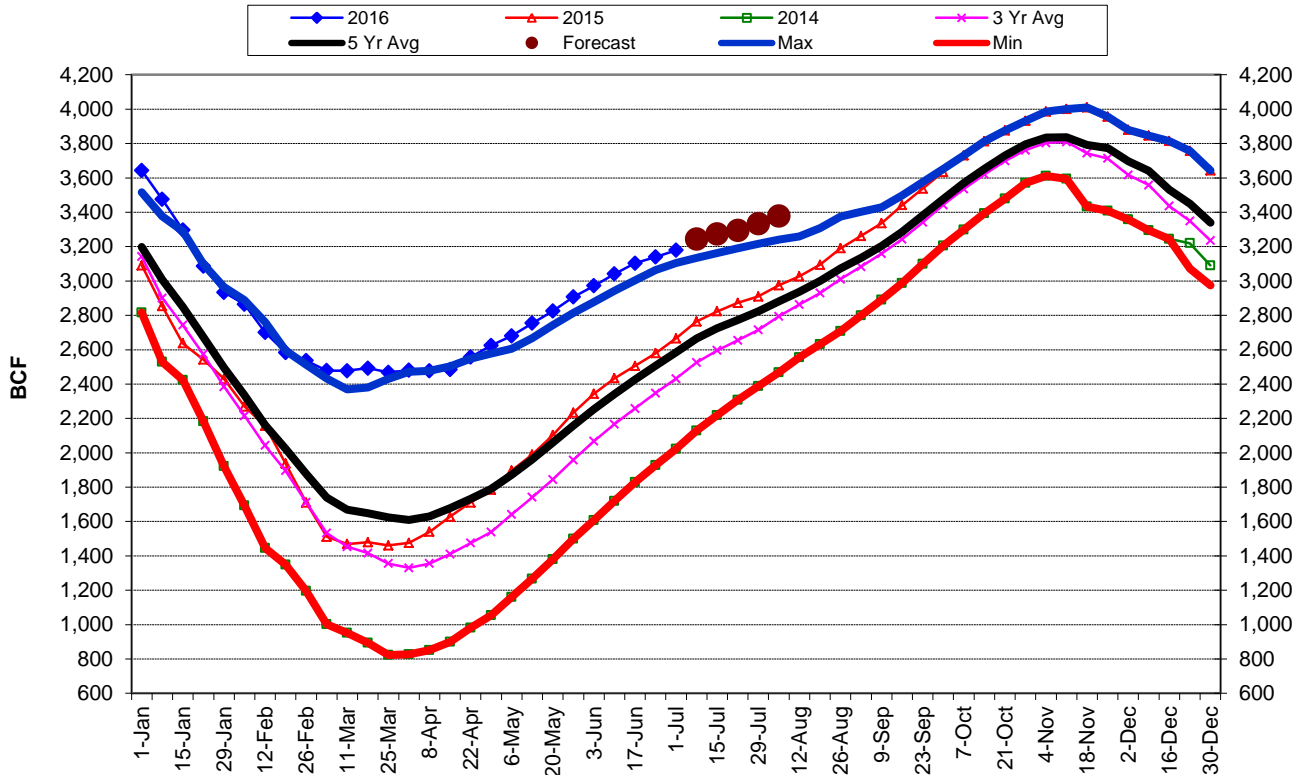
## \$/MMBtu Ratio of NYMEX CL and NG



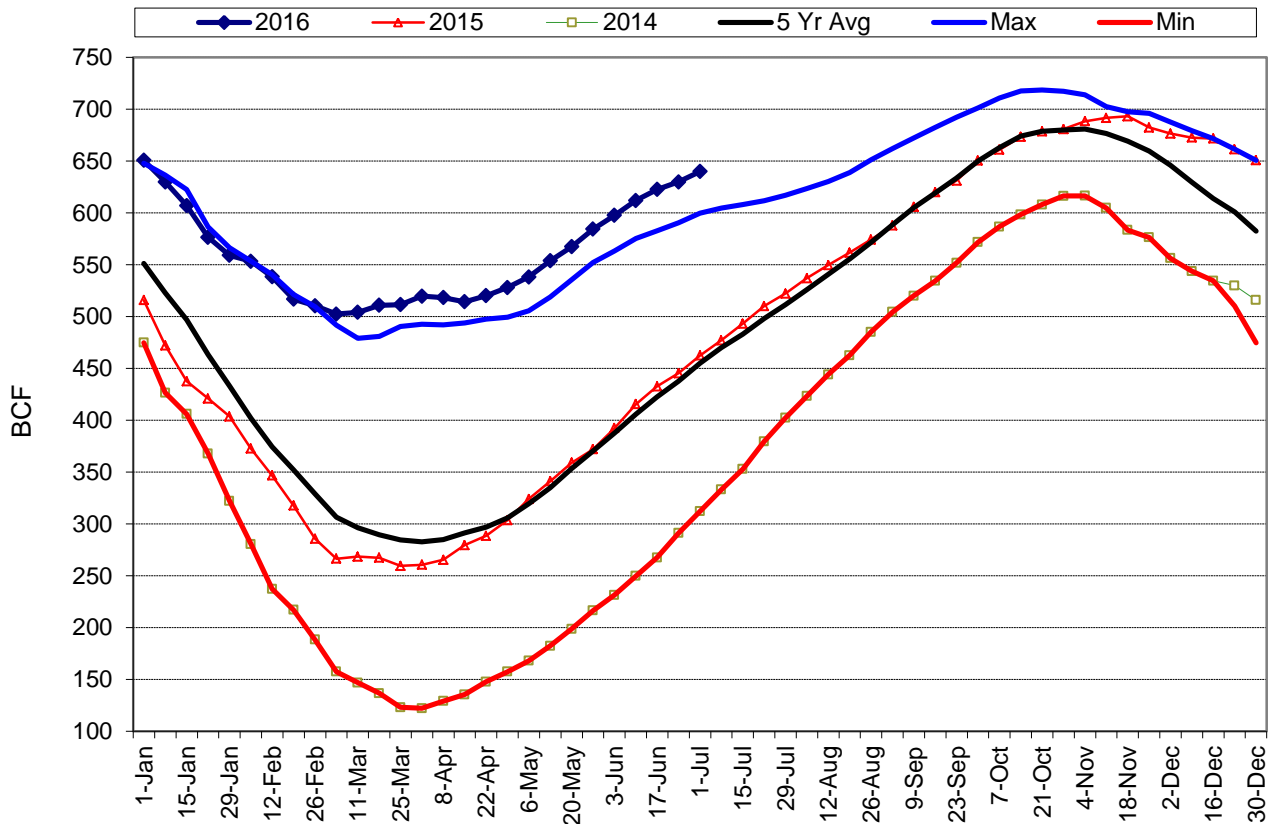
## NYMEX Calendar Strips



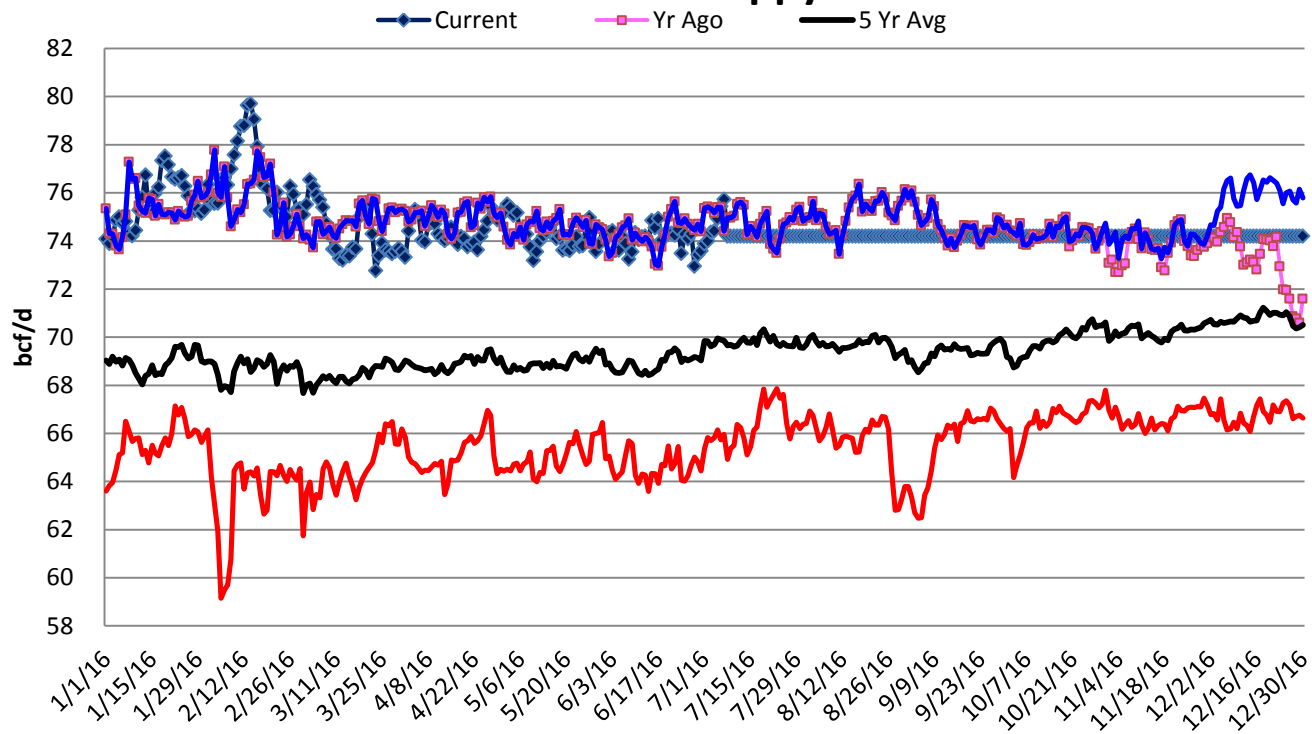
## US Total Working Gas Storage - Source - EIA



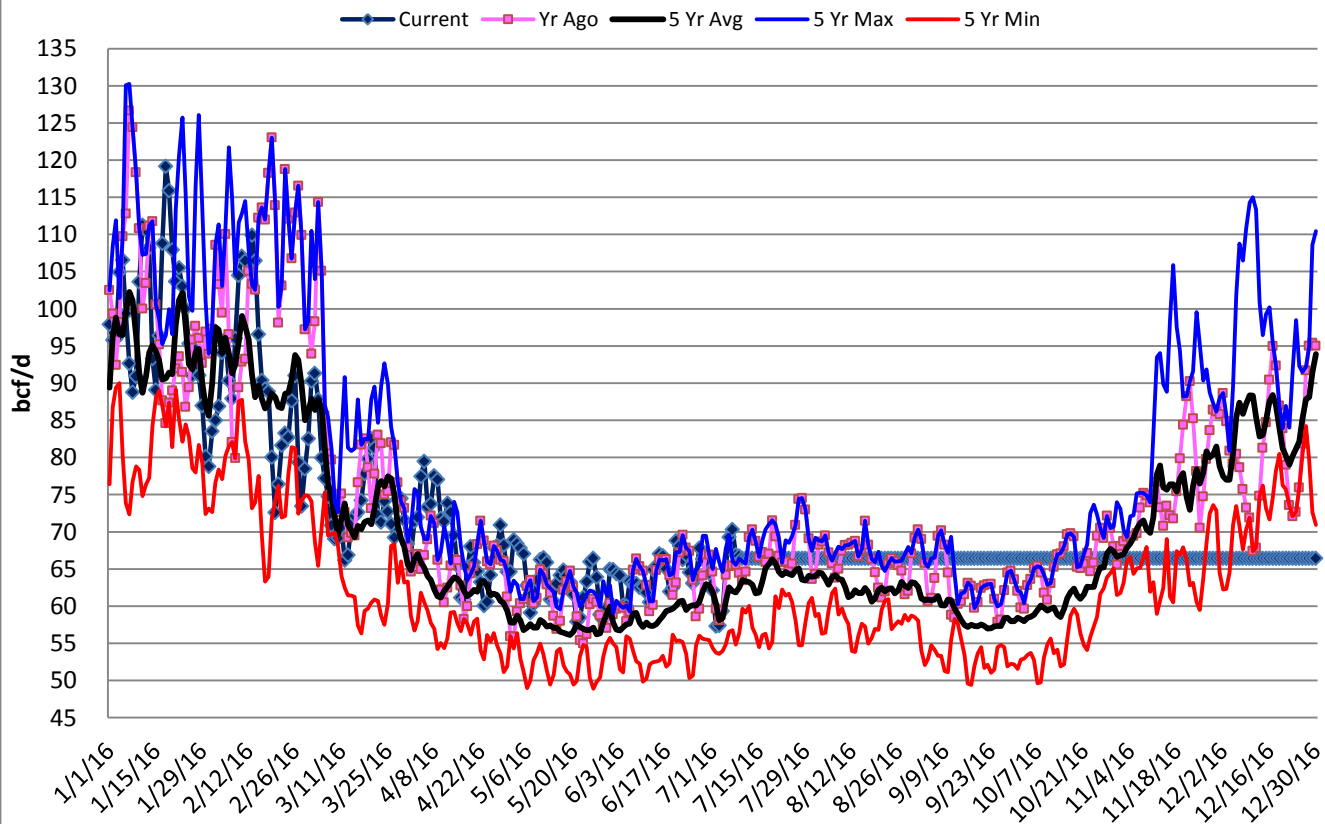
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



## **ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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