



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 2.1 cents (0.8%) to \$2.777 on a 17.4 cent range.

Price Outlook: Despite the extremely warm temperatures and dramatic reductions in the yearly and 5 year average storage surpluses, typically price bullish influences, the market traded lower as the peak summer cooling season is approaching. It should be noted that a continuation of above normal temperatures past mid-to-late September will become bearish. Offsetting fundamentals of bullish weather forecasts balancing still record seasonal absolute storage levels and evidence coal has regained power generation market share may simply keep prices choppy and range bound in the near term. CFTC data indicated the managed money net long position fell as longs liquidated and more new shorts were added. Total open interest rose to 3.476 million as of July 19. Aggregated CME futures open interest fell to 986,000 as of July 22, the lowest since February 10, 2016.

Weekly Storage: US working gas storage for the week ending July 15 indicated a net injection of +36 bcf that lifted total working gas inventories to 3,277 bcf. Current inventories rise 454 bcf (16.1%) above last year while surpassing the 5 year average by 553 bcf (20.3%).

Storage Outlook: Canadian working gas storage for the week ending July 15 rose 8.8 bcf. Thus total working gas inventories rose to 661.7 bcf. Current inventories exceed last year by 168.7 bcf (34.2%) and the 5 year average by 178.8 bcf (37.0%). Canadian inventories are on track to approach listed capacity. US inventories are still projected to exceed 4,000 bcf in November.

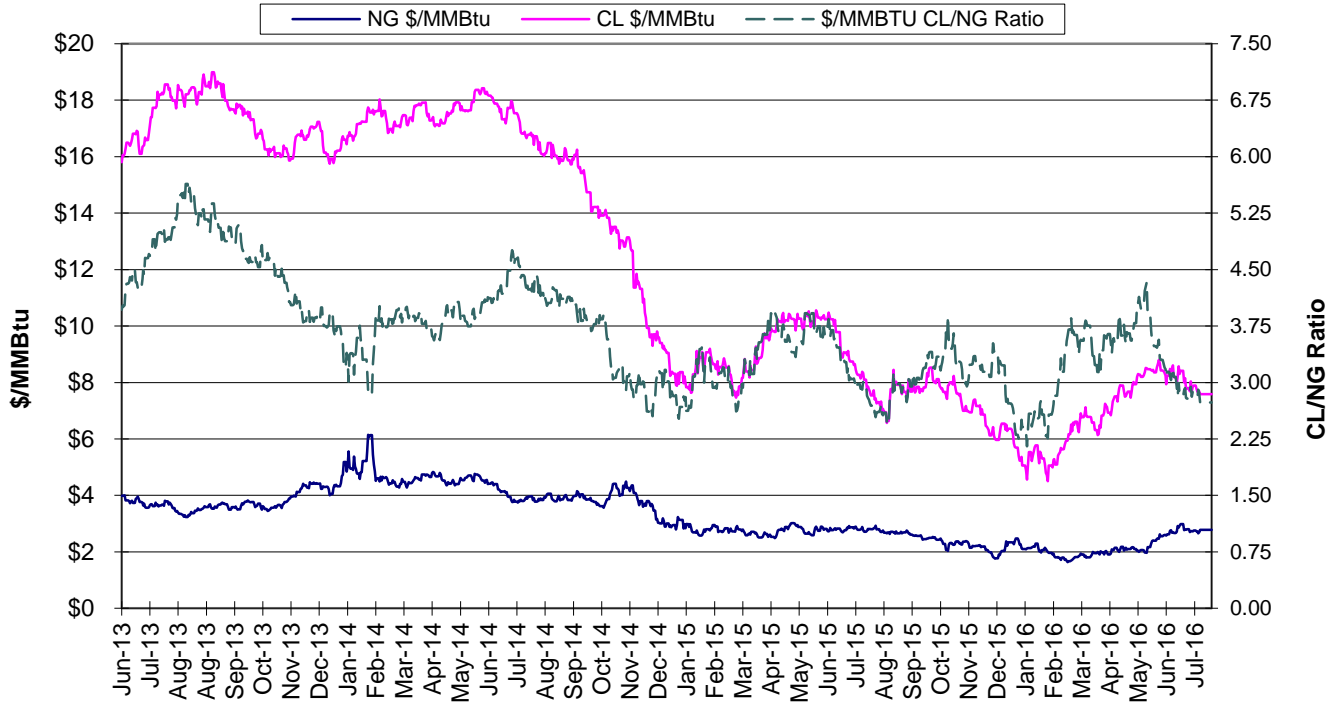
Supply Trends: Total supply fell (0.5) bcf/d to 74.3 bcf/d. US production, Canadian and LNG imports were lower. Mexican exports were unchanged. The US Baker Hughes rig count rose 15 as oil activity rose while natural gas fell. The total US rig count now stands at 462. The Canadian rig count rose 7 to 102. Thus, the total North American rig count rose 22 to 564 and now trails last year by 512, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. **The higher efficiency US horizontal rig count rose 13 to 357 and falls 305 below last year.**

Demand Trends: Total demand rose +3.5 bcf/d to 66.6 bcf/d. Power and industrial demand rose while R&C fell. Electricity demand rose 2,883 gigawatt-hrs to 91,030 which exceeds last year by 3,027 (3.4%) and the 5 year average by 2,234 (2.5%). **The record electricity demand of 98,583 gigawatt-hrs established in August 2006 may be approached in coming weeks.**

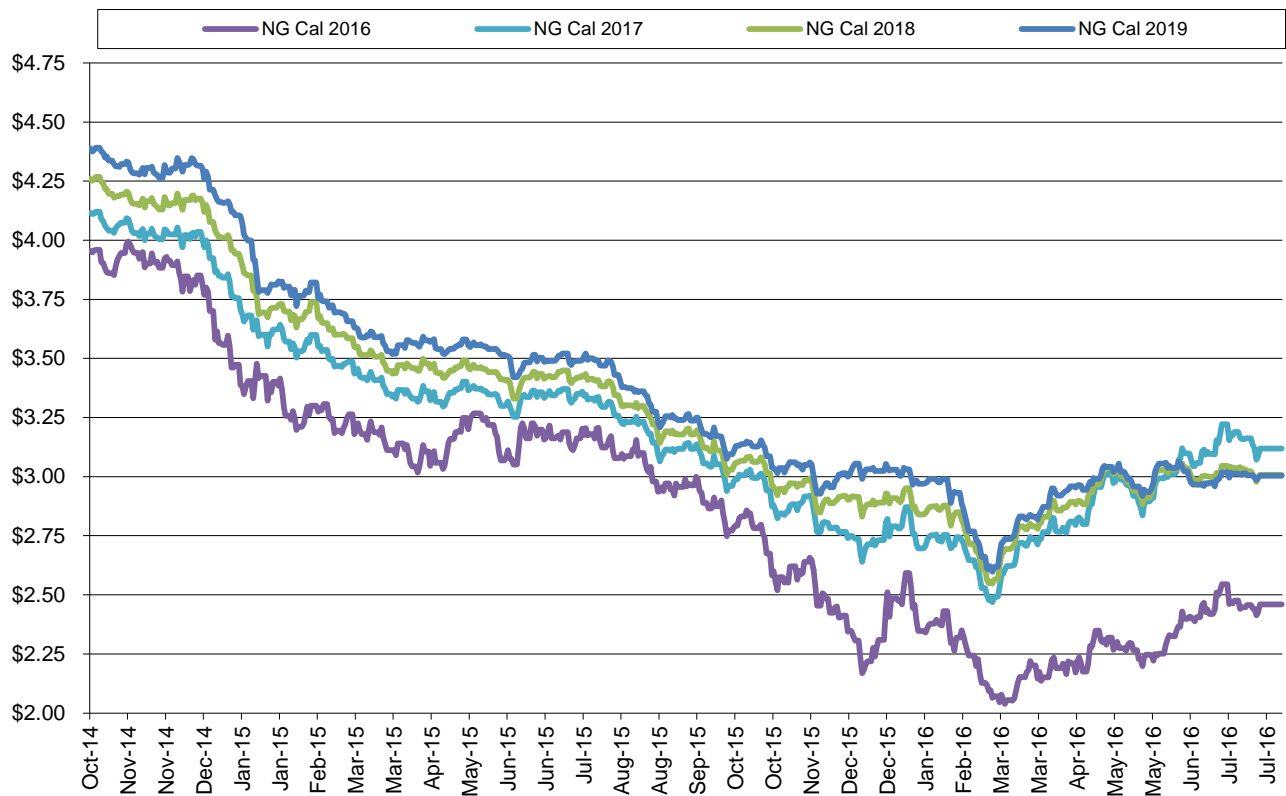
Other Factors: Nuclear generation rose 426 MW in the reference week to 92,651 MW. This is 1,551 MW lower than last year and 2,368 MW lower than the 5 year average. Recent output is over 93,500 MW.

- The 2016 cooling season is approaching its mid-point. With a forecast through August 5 the 2016 total cooling index is at 3,804 compared to 2,632 for 2015, 2,148 for 2014, 3,072 for 2013, 5,497 for 2012 and 4,157 for 2011. The heat is primarily concentrated in the West.

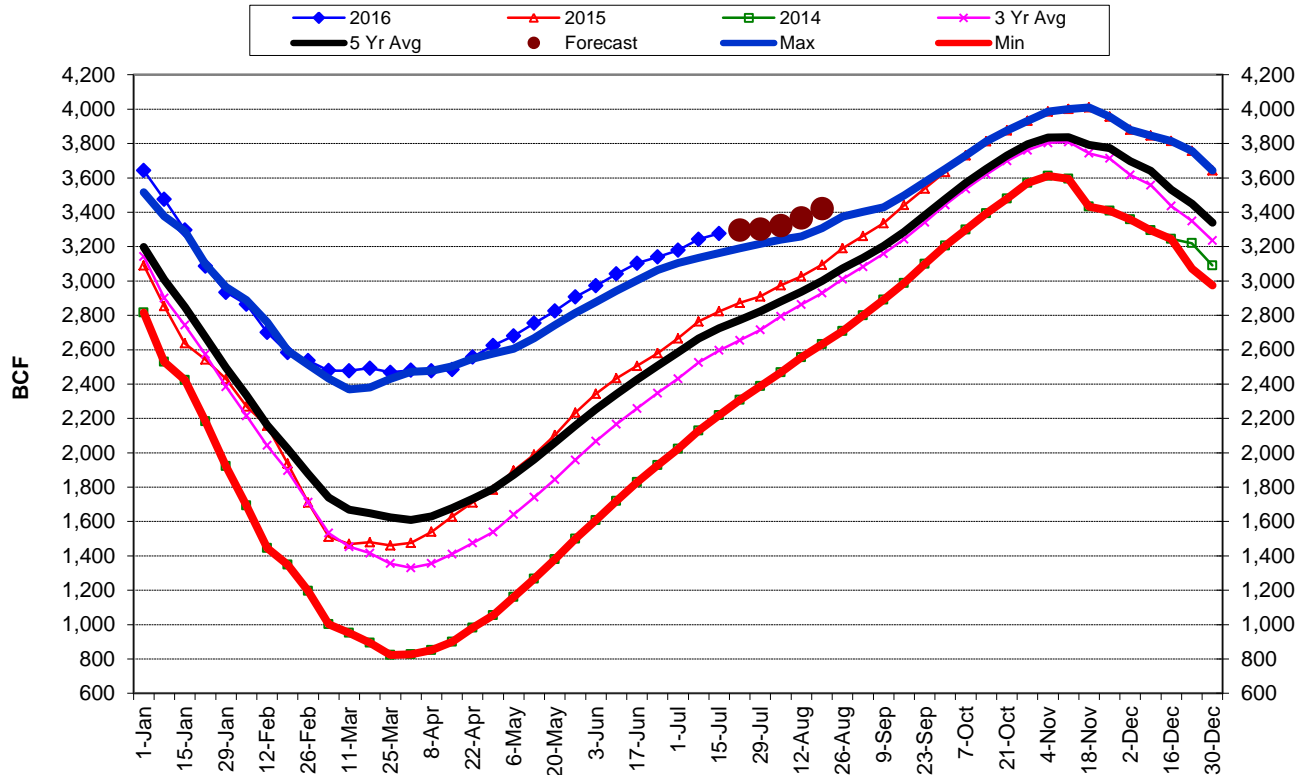
\$/MMBtu Ratio of NYMEX CL and NG



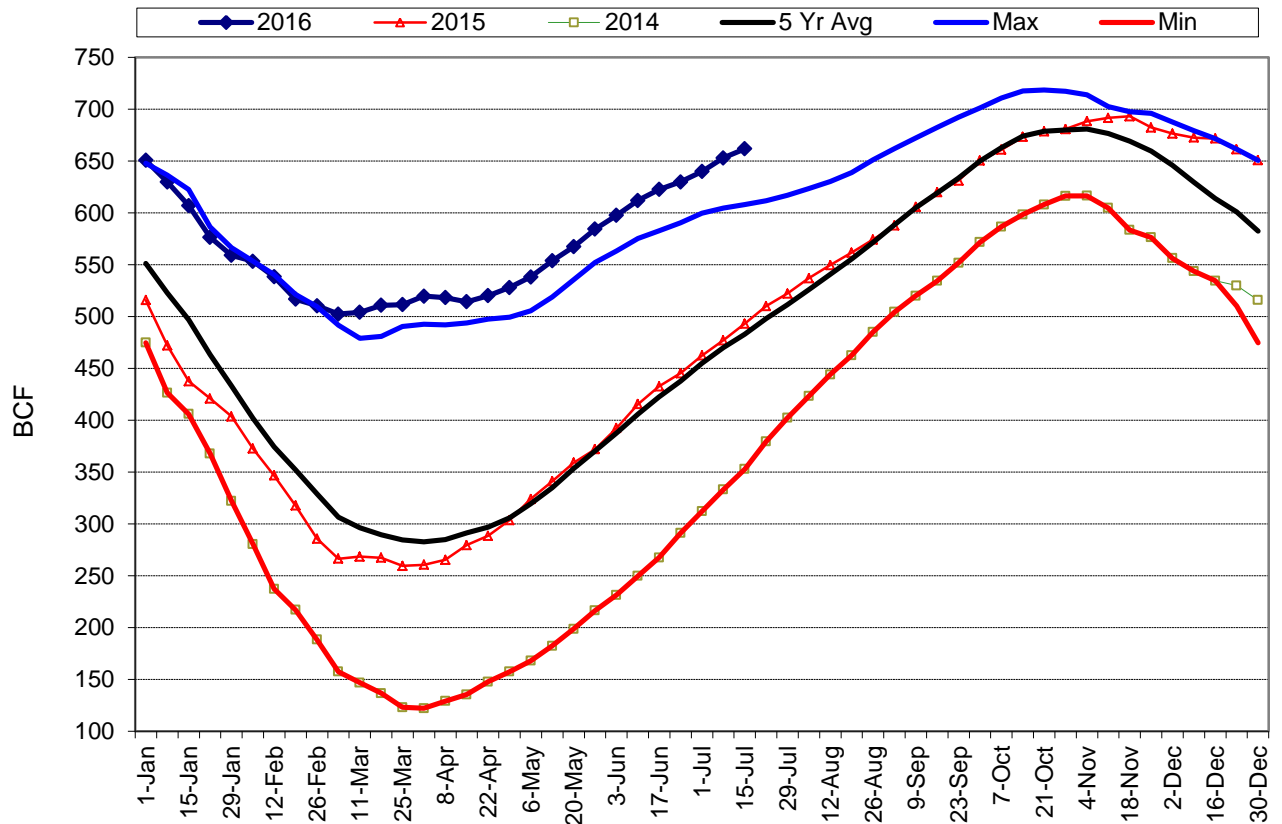
NYMEX Calendar Strips



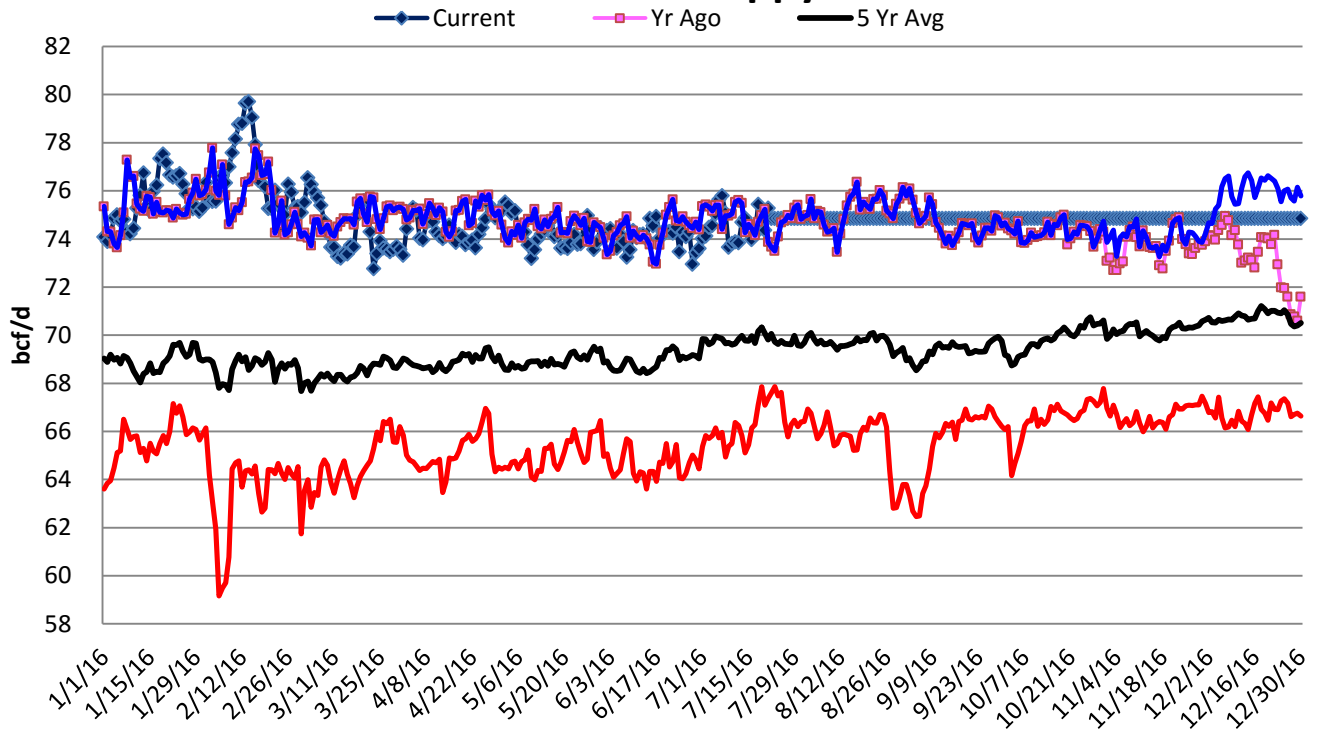
US Total Working Gas Storage - Source - EIA



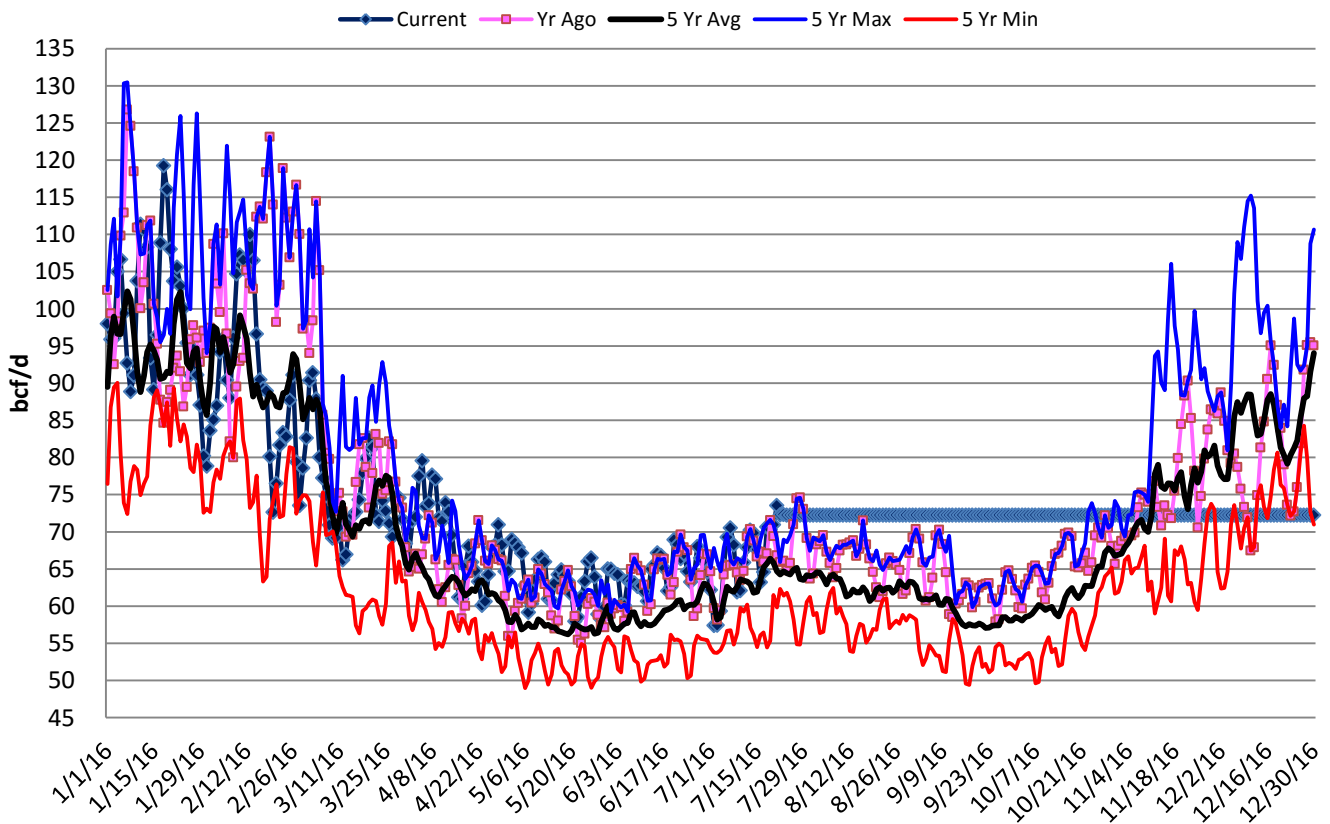
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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