



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 September contract fell 10.4 cents (6.3%) to \$2.772 on a 16.3 cent range.

Price Outlook: Despite the decent weekly drop, prices did not post either a new high or low and witnessed a rare inside week. Since 2000 only 80 have not posted a new high, low or both. In fact, both a new high and low have been posted 99 times. Despite only the 3rd reported summer time draw, prices could not maintain the prior week's strength. The summer is now half over and the market is likely looking to increasing injections in coming weeks. CFTC data indicated the managed money net long position surged as longs added to existing positions and numerous shorts liquidated. Total open interest rose to 3.353 million as of August 2. Aggregated CME futures open interest rose to 1.018 million as of August 5.

Weekly Storage: US working gas storage for the week ending July 29 indicated a net withdrawal of 6 bcf that dropped total working gas inventories to 3,288 bcf. Current inventories rise 378 bcf (13.0%) above last year while surpassing the 5 year average by 464 bcf (16.4%). This was only the 3rd summer time draw on record.

Storage Outlook: Our EIA weekly storage estimate was mathematically equal to the actual EIA report, obviously quite satisfying. The 5 week summation of our error however remained at 15 bcf as the EIA has reported a net implied flow of +148 bcf compared to our estimated +163 bcf. For a 5 week period, this is a little higher than desired. Our current estimation for early November inventories is 3,999 bcf.

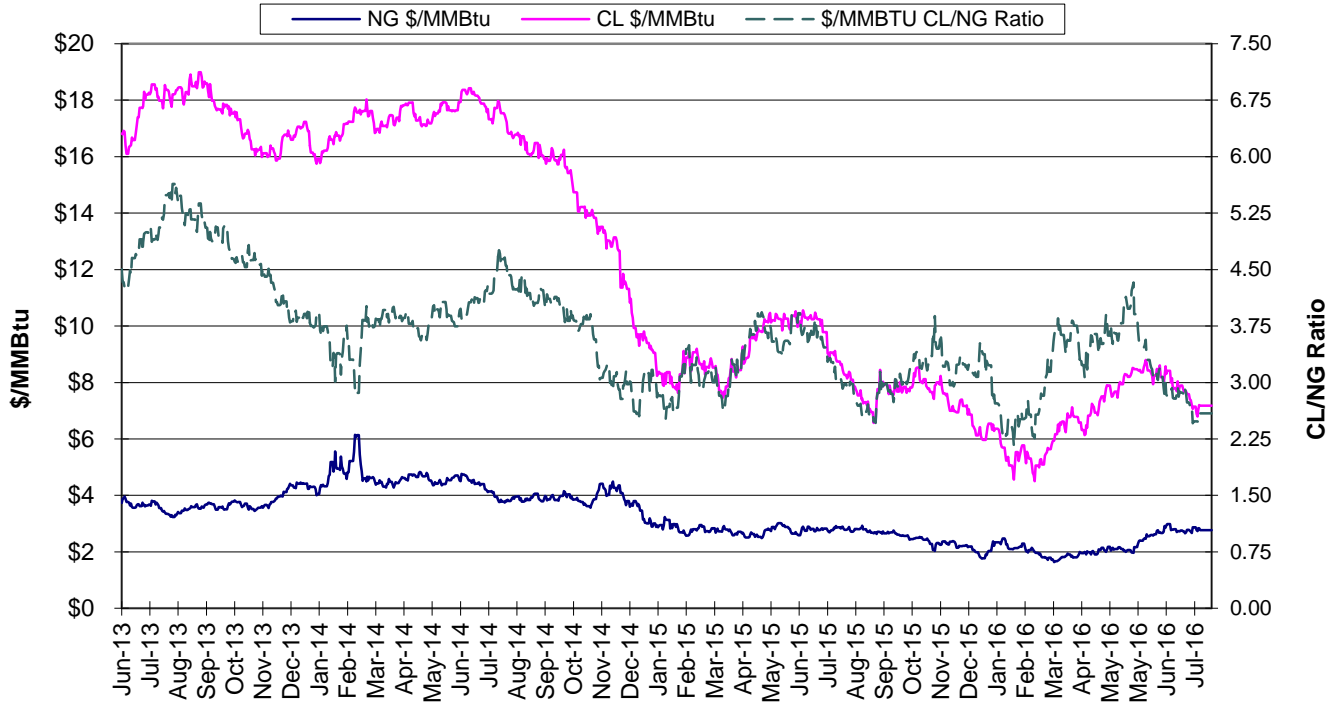
Supply Trends: Total supply rose +1.0 bcf/d to 75.6 bcf/d. US production and Canadian imports rose. LNG imports and Mexican exports were unchanged. The US Baker Hughes rig count rose 1 as oil activity rose while natural gas fell. The total US rig count now stands at 464. The Canadian rig count rose 3 to 122. Thus, the total North American rig count rose 4 to 586 and now trails last year by 506, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. The higher efficiency US horizontal rig count rose 8 to 362 and falls 310 below last year.

Demand Trends: Total demand rose +3.9 bcf/d to 72.6 bcf/d. Power and R&C demand rose while Industrial fell. Electricity demand rose 658 gigawatt-hrs to 96,099 which exceeds last year by 3,014 (3.2%) and the 5 year average by 5,686 (6.3%).

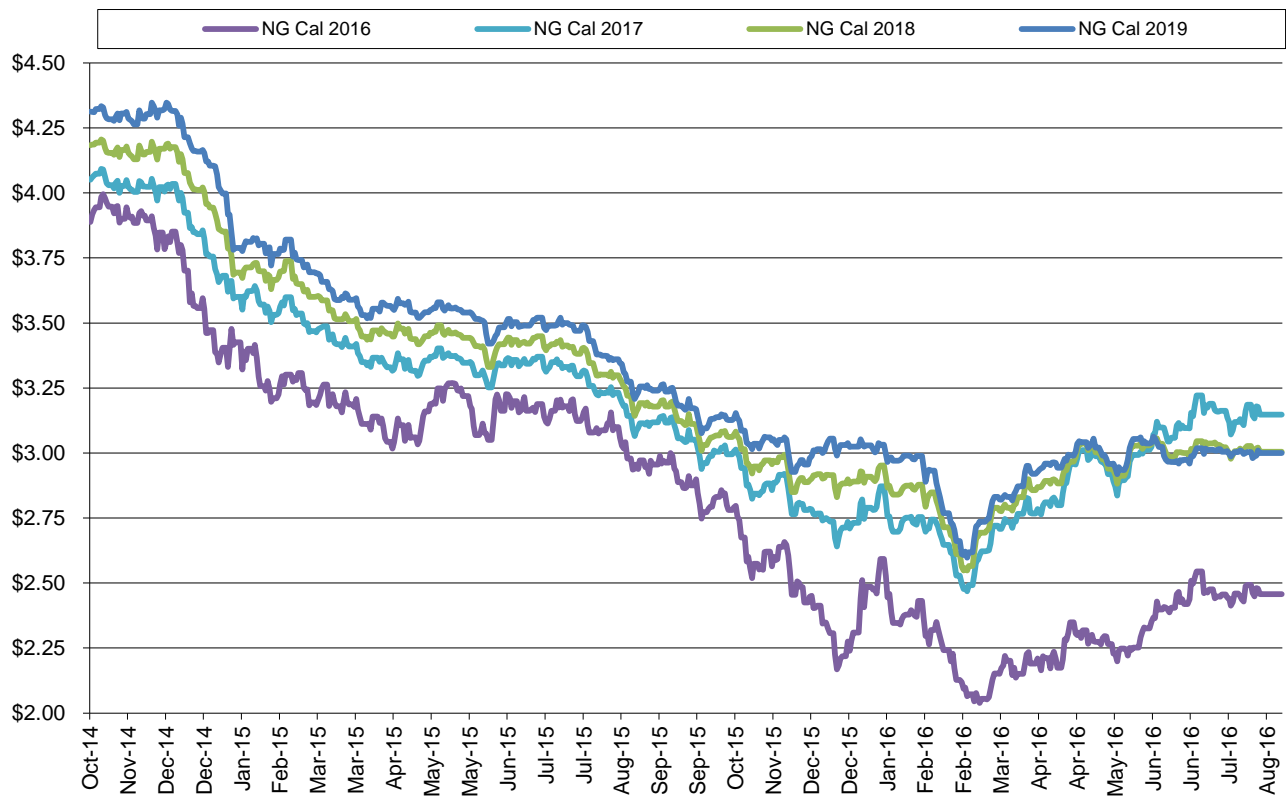
Other Factors: Nuclear generation rose 438 MW in the reference week to 94,004 MW. This is 412 MW higher than last year and (295) MW lower than the 5 year average. Recent output is over 95,000 MW.

- The 2016 cooling season has entered the 2nd half. With a forecast through August 19 the 2016 total cooling index is at 4,533 compared to 3,365 for 2015, 2,525 for 2014, 3,453 for 2013, 6,363 for 2012 and 4,990 for 2011. The heat is primarily concentrated in the West.

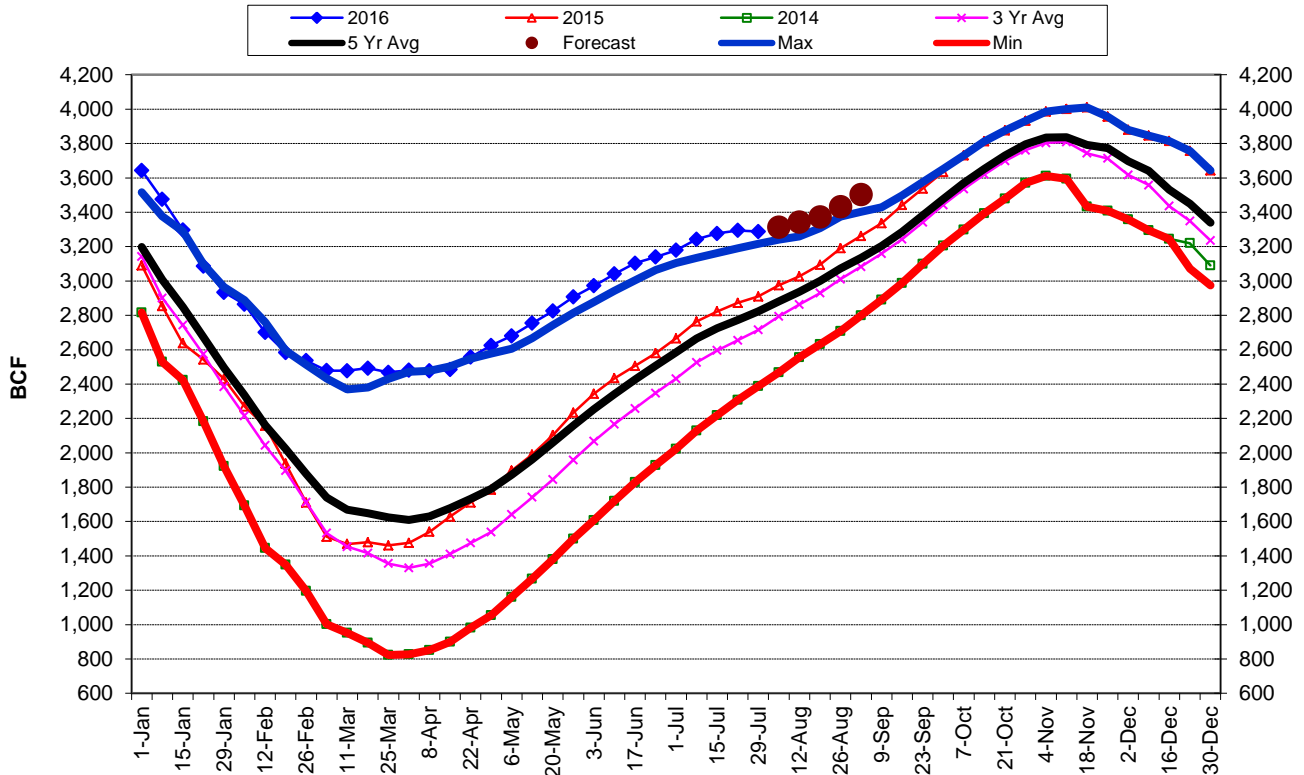
\$/MMBtu Ratio of NYMEX CL and NG



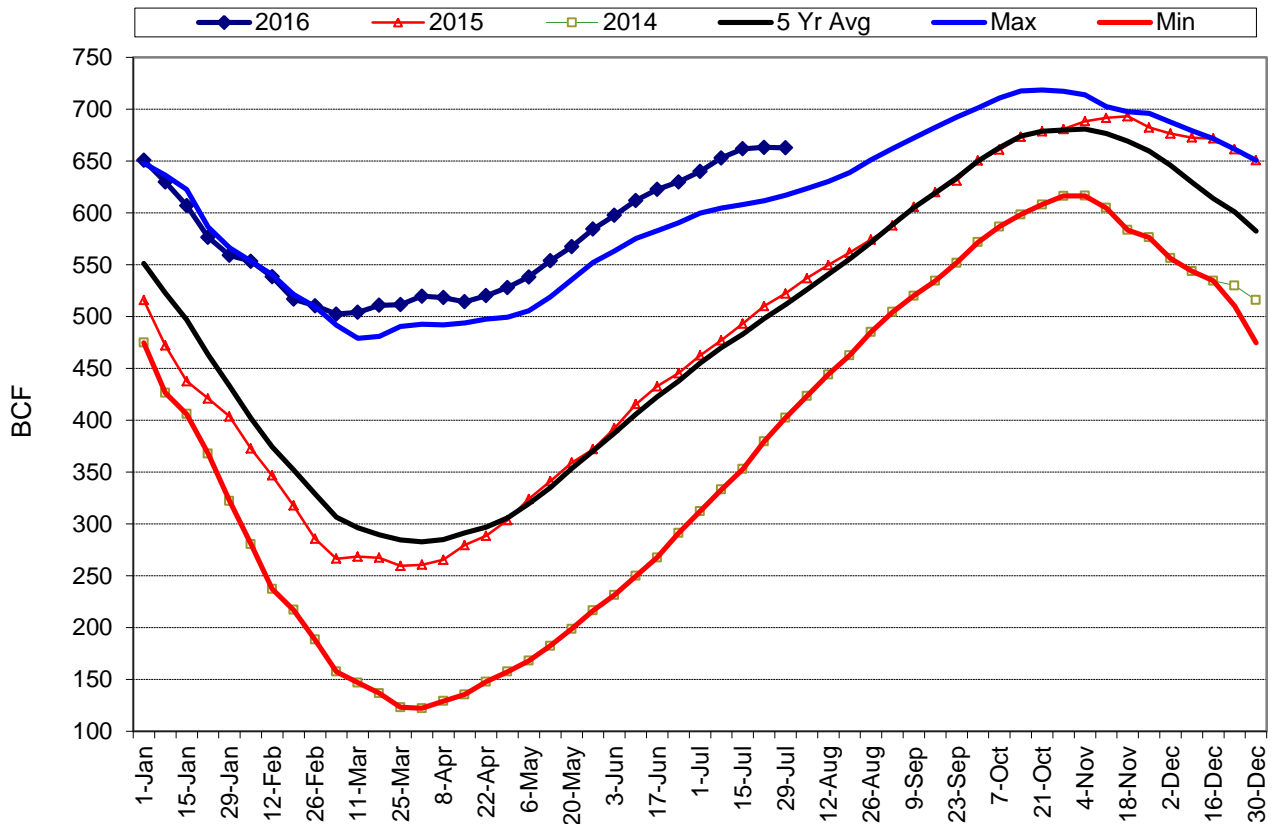
NYMEX Calendar Strips



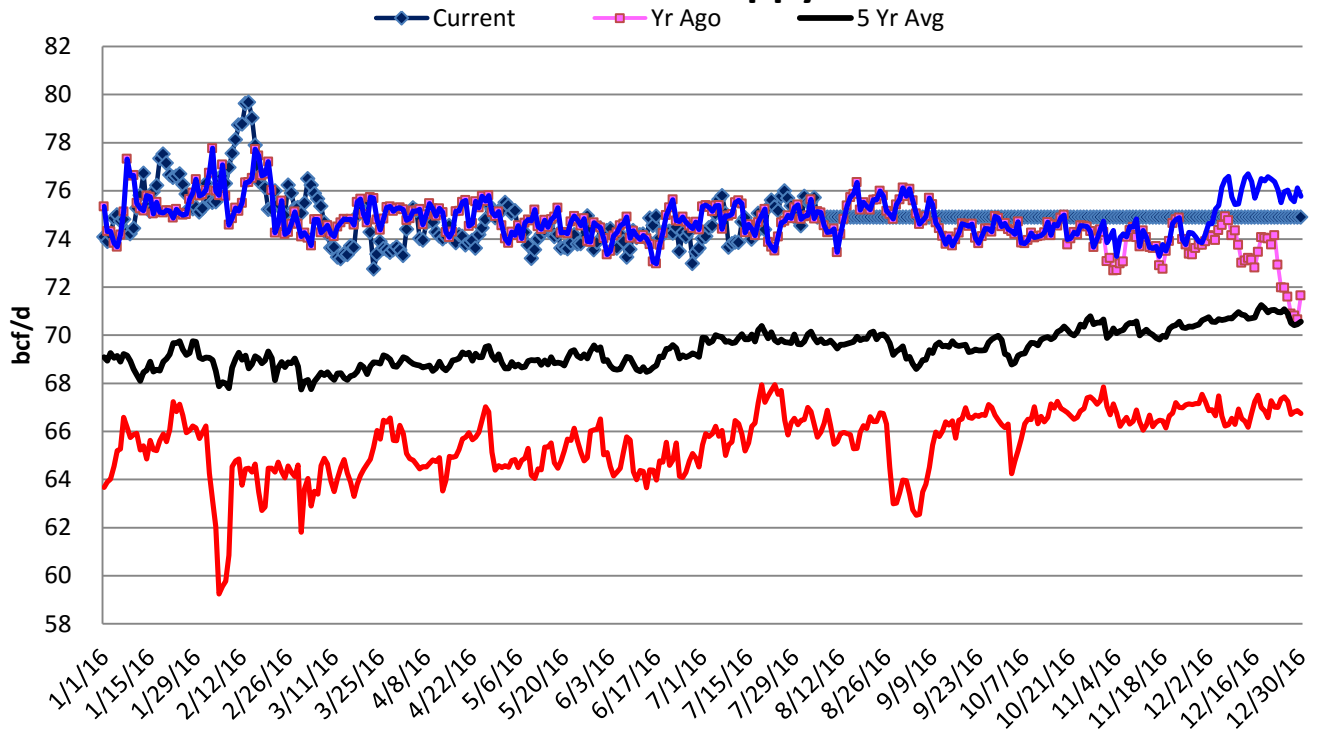
US Total Working Gas Storage - Source - EIA



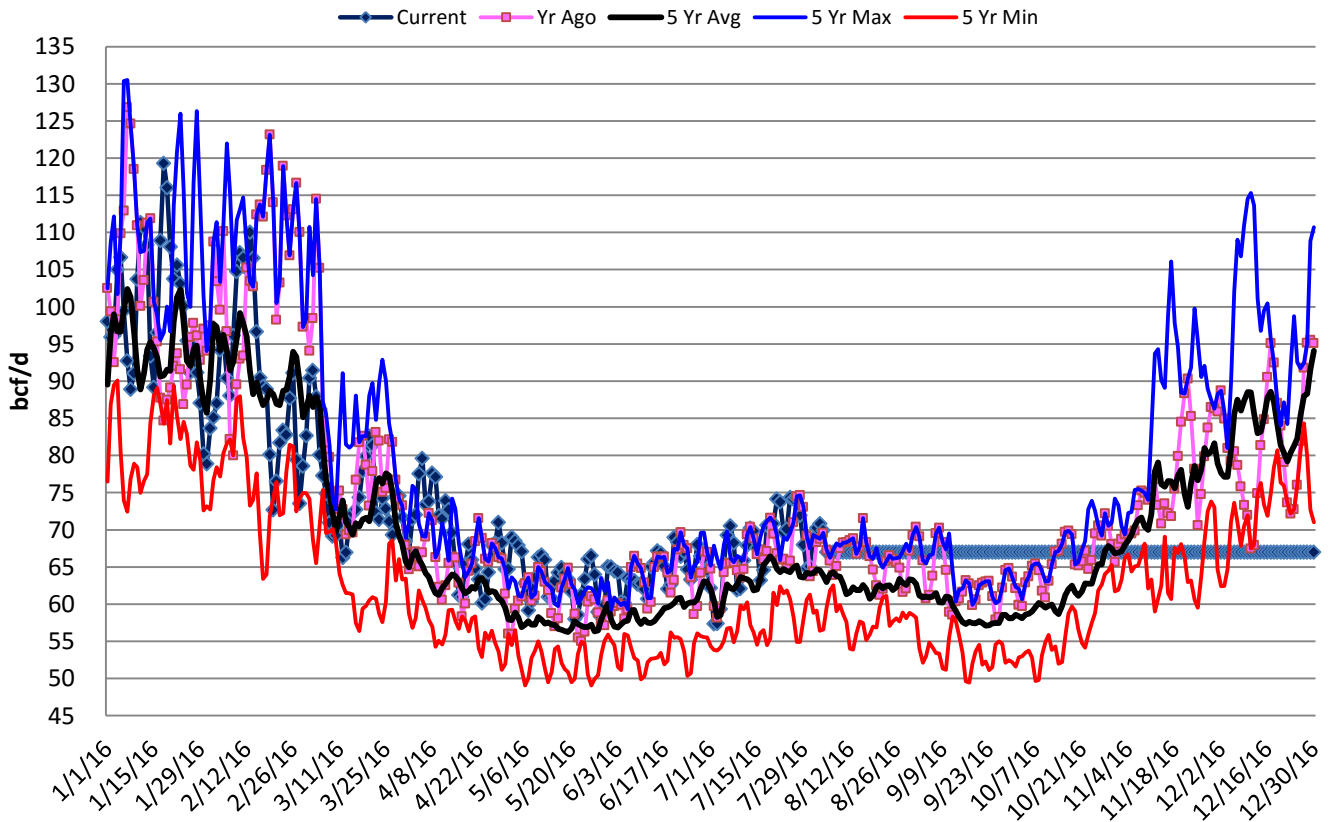
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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