



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 18.6 cents (6.7%) to \$2.586 on a 23.8 cent range.

Price Outlook: After a rare inside week last week, the natural gas market returned to historical form and easily broke last week's range. There have only been 4 occurrences of two consecutive inside weeks in a row and there have never been 3 inside weeks in a row. Despite the still hot temperatures, prices slid as the summer is coming to an end and above normal temperatures will be considered bearish on a national bias in mid to late September. CFTC data indicated the managed money net long position fell as new longs were swamped by a lot of new shorts. Total open interest rose to 3.465 million as of August 9. Aggregated CME futures open interest rose to 1.095 million as of August 12.

Weekly Storage: US working gas storage for the week ending August 5 indicated a net injection of +29 bcf that lifted total working gas inventories to 3,317 bcf. Current inventories rise 342 bcf (11.5%) above last year while surpassing the 5 year average by 436 bcf (15.1%).

Storage Outlook: Our EIA weekly storage estimate was mathematically +6 bcf lower than the actual EIA report and slightly above the upper end of our tolerance range. The 5 week summation of our error fell to 4 bcf as the EIA has reported a net implied flow of +138 bcf compared to our estimated +142 bcf. For a 5 week period, this is quite acceptable while the weekly error is at the upper end of our tolerance. Our current estimation for early November inventories is 3,985 bcf.

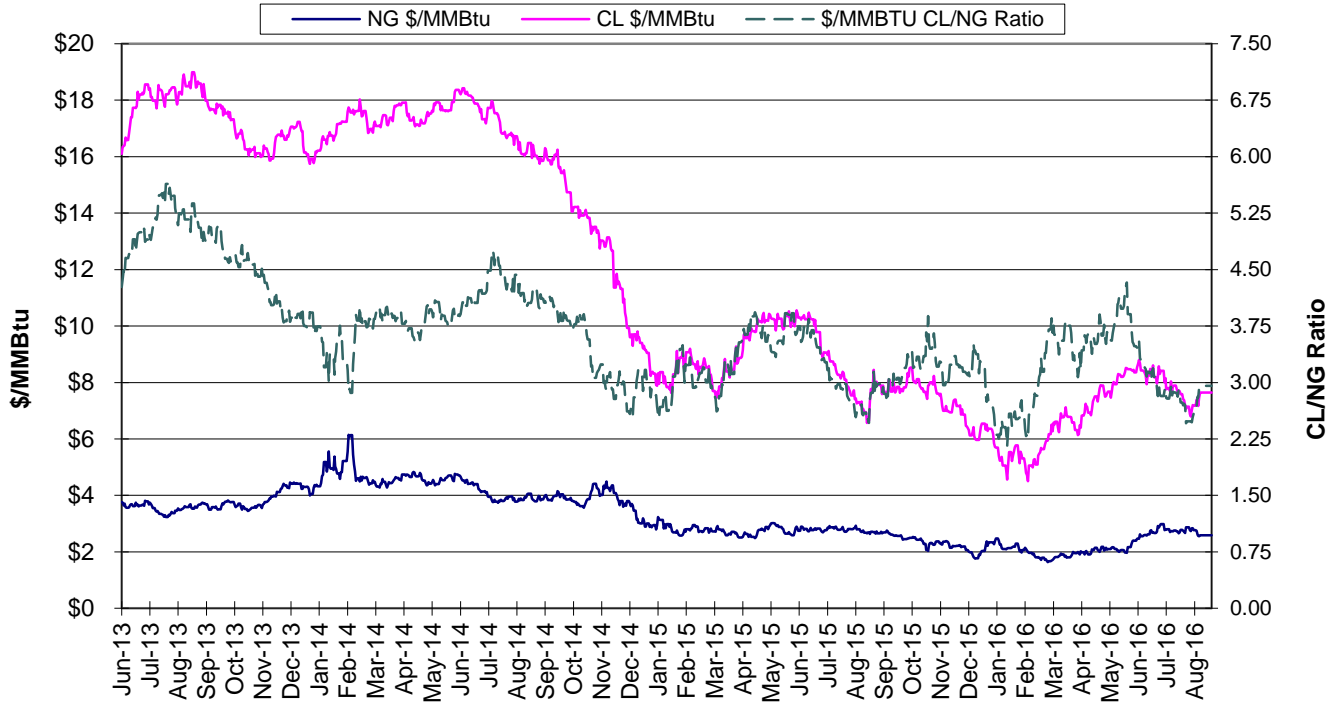
Supply Trends: Total supply fell (0.4) bcf/d to 75.4 bcf/d. US production rose. Canadian imports and LNG imports fell. Mexican exports rose. The US Baker Hughes rig count rose 17 as both oil and natural gas activity increased. The total US rig count now stands at 481. The Canadian rig count rose 4 to 126. Thus, the total North American rig count rose 21 to 607 and now trails last year by 488, 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 375 and falls 301 below last year. A review of the 40 E&P companies in our index reveals yet another beat of production guidance while well productivity remains impressive and costs continue to generally fall.

Demand Trends: Total demand fell (4.3) bcf/d to 68.3 bcf/d. Industrial demand rose while power and R&C demand fell. Electricity demand fell 3,604 gigawatt-hrs to 92,495 which exceeds last year by 3,784 (4.3%) and the 5 year average by 2,264 (2.5%).

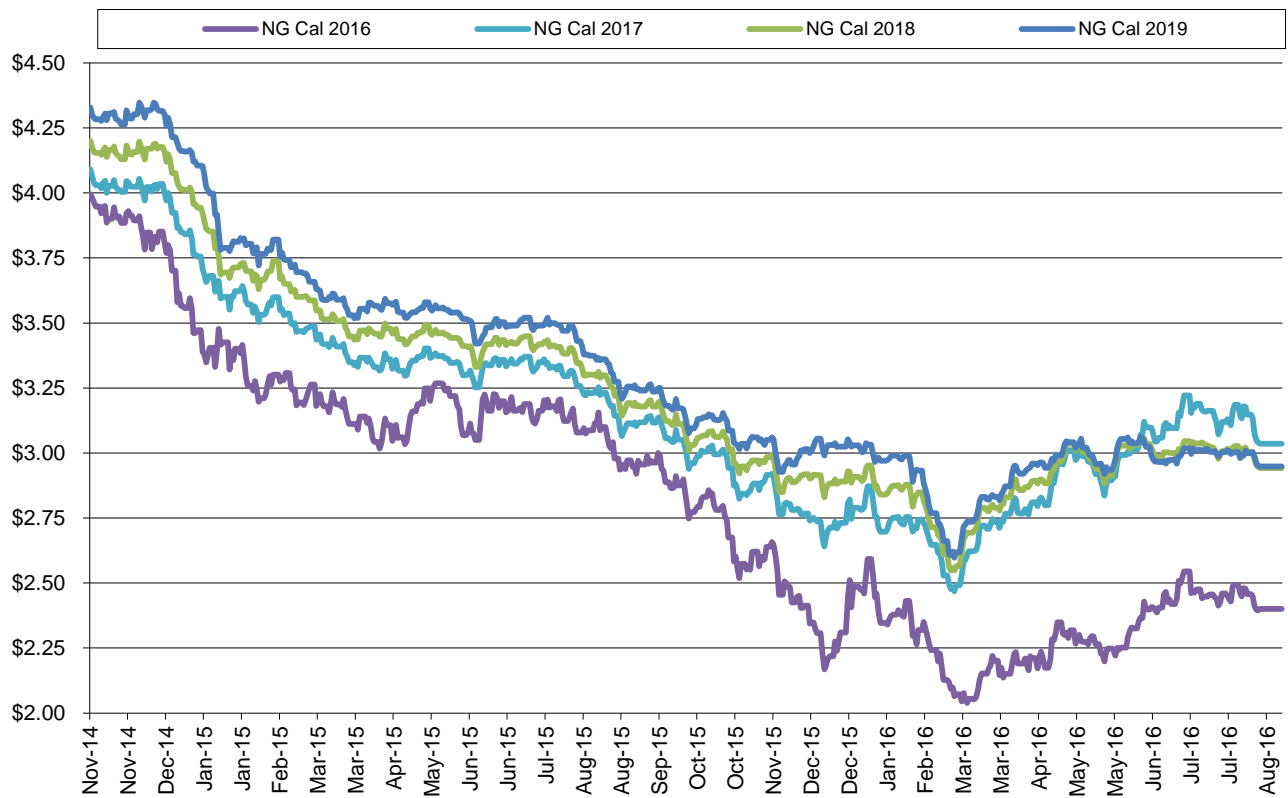
Other Factors: Nuclear generation fell 1,460 MW in the reference week to 92,544 MW. This is (4,059) MW lower than last year and 2,842 MW lower than the 5 year average. Recent output is near 95,000 MW.

- The 2016 cooling season has entered the 2nd half. With a forecast through August 26 the 2016 total cooling index is at 4,825 compared to 3,583 for 2015, 2,779 for 2014, 3,890 for 2013, 6,540 for 2012 and 5,558 for 2011. The heat is primarily concentrated in the West.

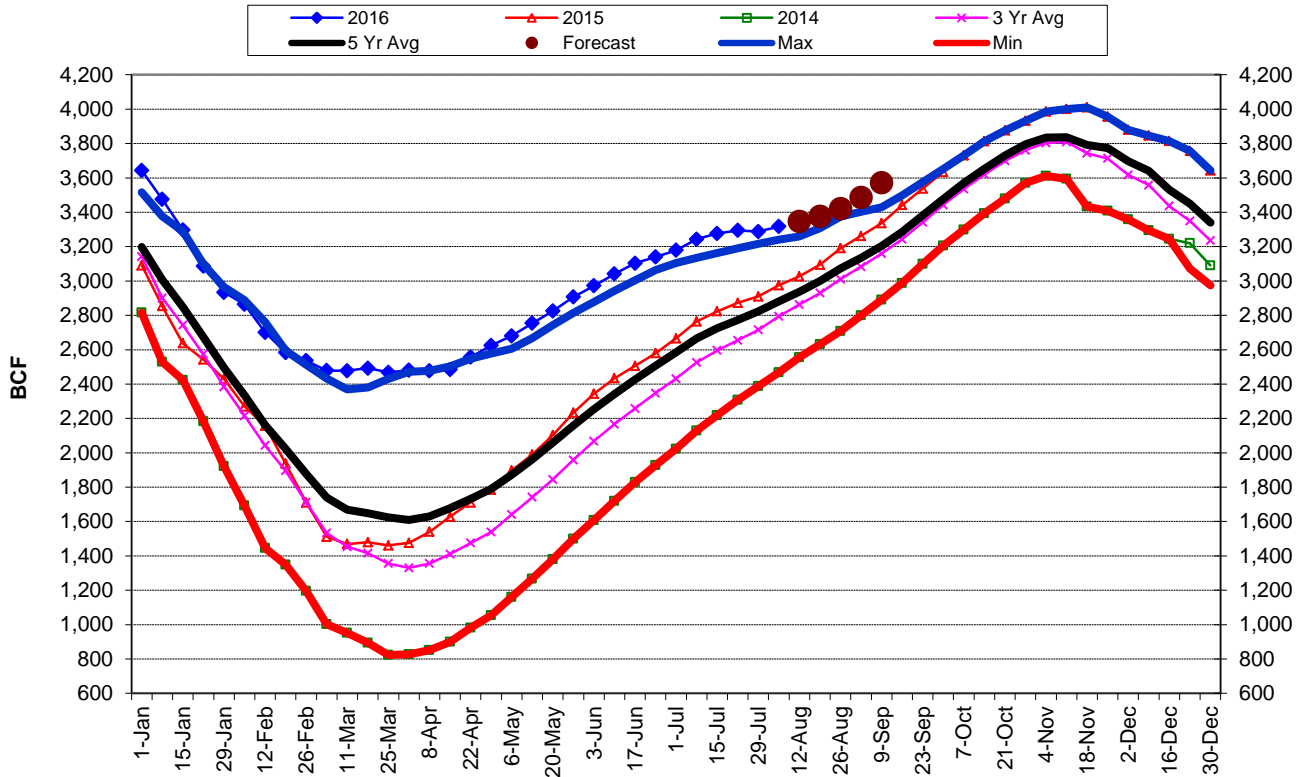
\$/MMBtu Ratio of NYMEX CL and NG



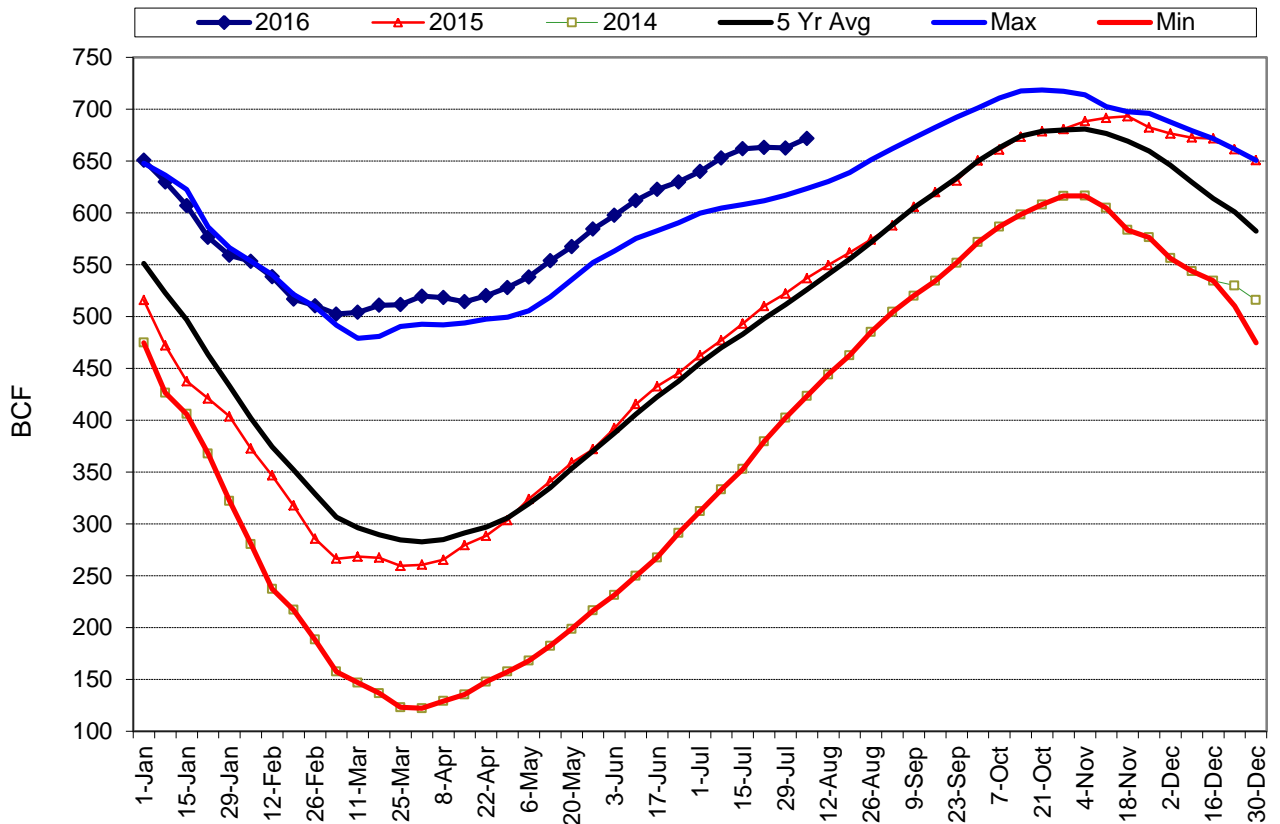
NYMEX Calendar Strips



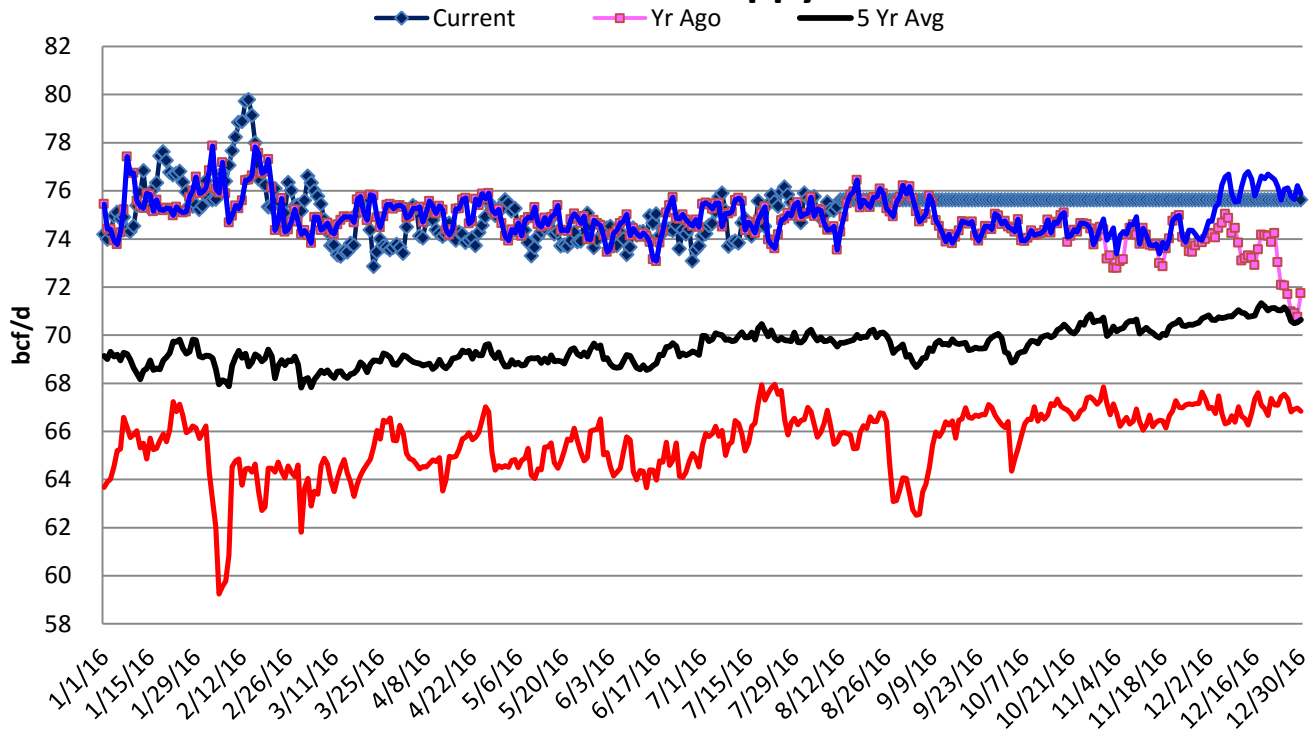
US Total Working Gas Storage - Source - EIA



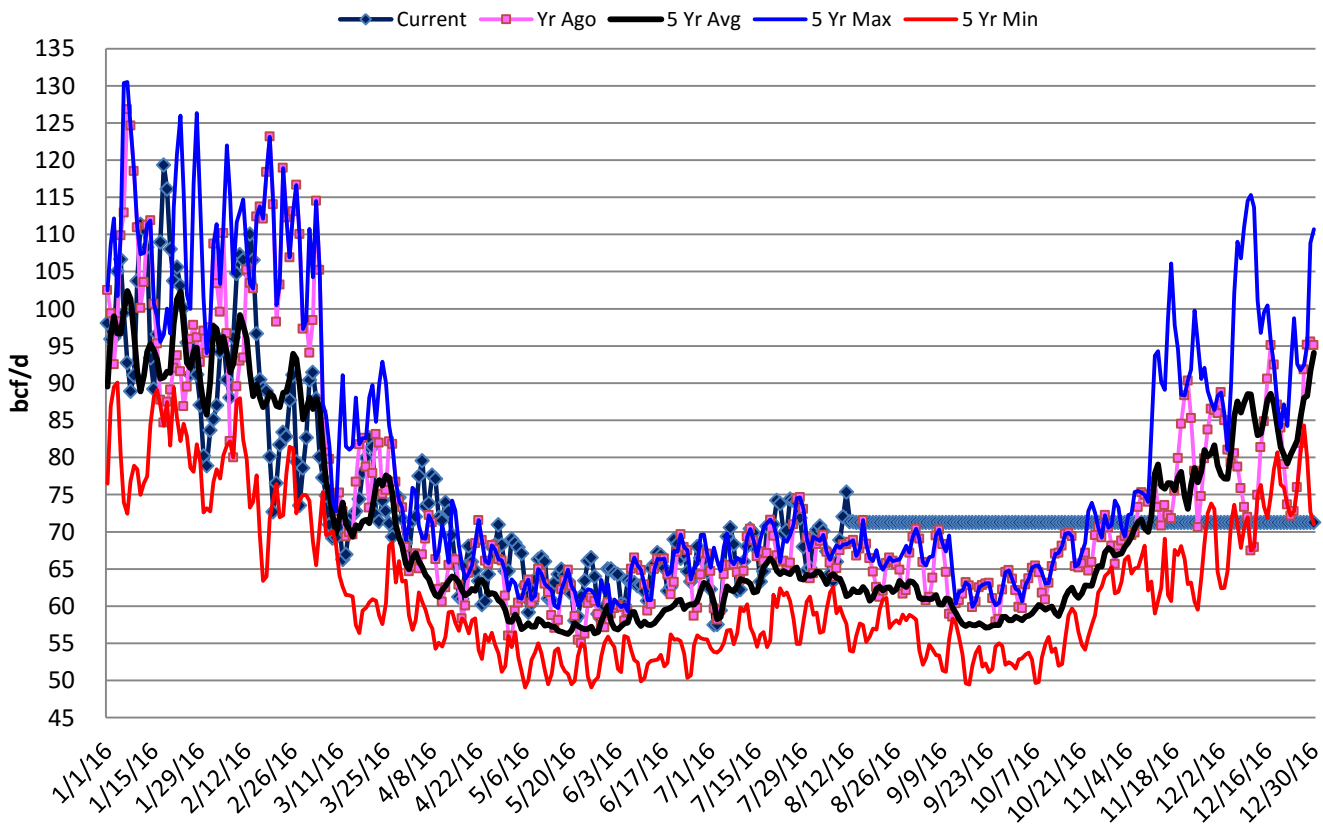
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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