



## 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 0.2 cents (0.1%) to \$2.584 on a 13.6 cent range.

**Price Outlook:** The market posted the 2nd inside week in 3 weeks as an end to summer is limiting upside even as storage injections continue to dramatically reduce the yearly storage surplus. The market missed posting a 2nd inside week in a row last week as prices fell. With a rather minimal 13.8 cent range last week, another inside week is not foreseen. Although prices are near the lower end of last week's \$2.697/\$2.561 range, with rather bullish physical data posting during the week, prices may rebound. CFTC data indicated the managed money net long position fell again as more new shorts were added. There has been a dramatic increase in the number of short positions. Total open interest rose to 3.521 million as of August 16. Aggregated CME futures open interest rose to 1.102 million as of August 19.

**Weekly Storage:** US working gas storage for the week ending August 12 indicated a net injection of +22 bcf that lifted total working gas inventories to 3,339 bcf. Current inventories rise 312 bcf (10.3%) above last year while surpassing the 5 year average by 403 bcf (13.7%).

**Storage Outlook:** Our EIA weekly storage estimate was mathematically +2 bcf higher than the actual EIA report and back within our tolerance range. The 5 week summation of our error fell to 3 bcf as the EIA has reported a net implied flow of +96 bcf compared to our estimated +99 bcf. For a 5 week period, this is quite acceptable. Our current estimation for early November inventories is 3,957 bcf.

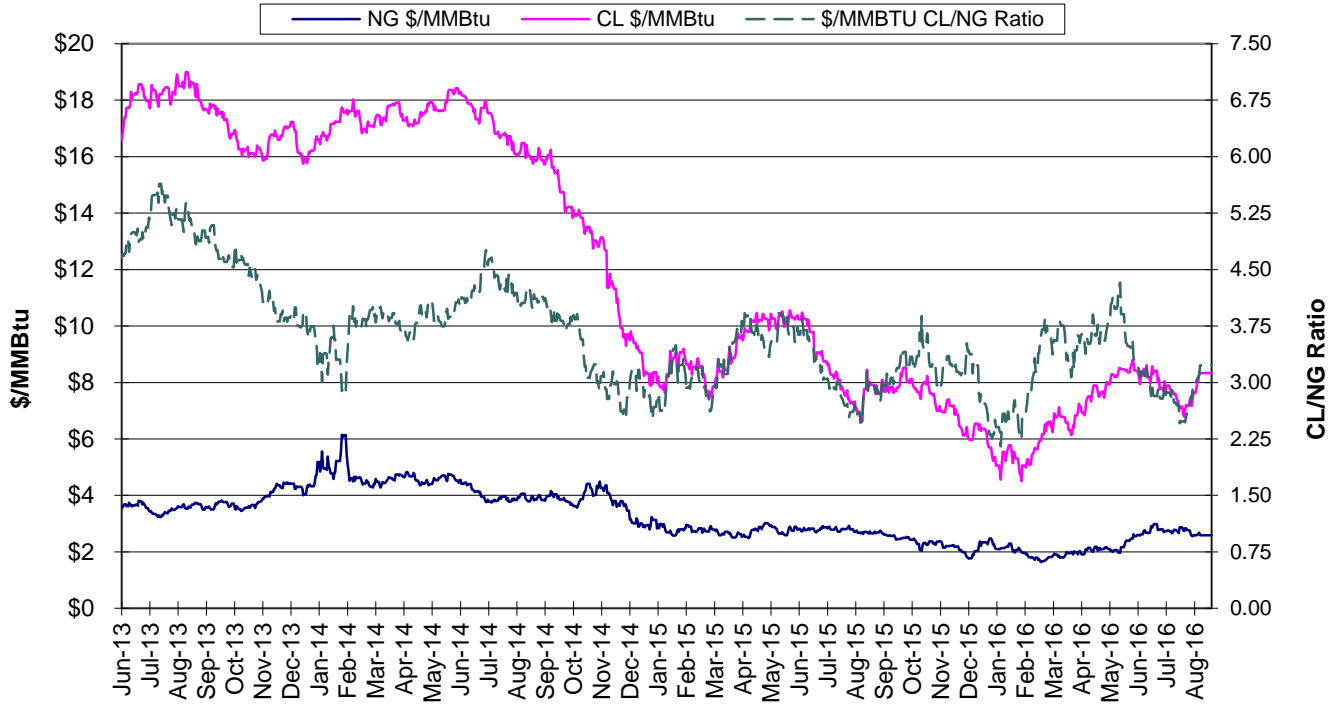
**Supply Trends:** Total supply fell (0.2) bcf/d to 75.5 bcf/d. US production, Canadian imports and Mexican exports fell. LNG imports were unchanged. The US Baker Hughes rig count rose 10 as oil activity rose and natural gas was unchanged. The total US rig count now stands at 491. The Canadian rig count fell 5 to 121. Thus, the total North American rig count rose 5 to 612 and now trails last year by 481, 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 382 and falls 295 below last year. The EIA productivity report continued recent trends with yet another upward revision to initial production estimates. US shale production is still falling, just not as fast as originally estimated. Production volumes from new wells rose for the 2nd consecutive month.

**Demand Trends:** Total demand was unchanged at 68.5 bcf/d. Higher industrial demand offset drops in power and R&C. Electricity demand rose 1,337 gigawatt-hrs to 93,832 which exceeds last year by 5,788 (6.6%) and the 5 year average by 6,665 (7.6%).

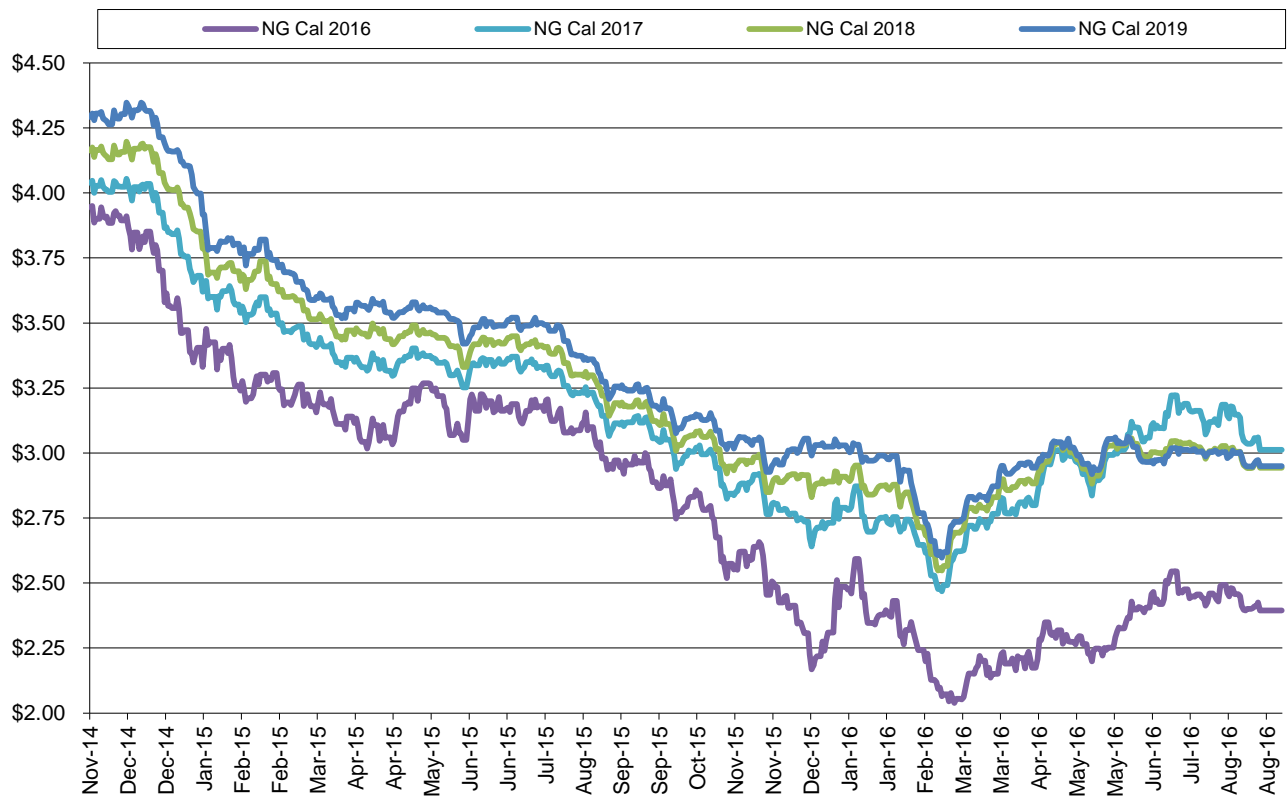
**Other Factors:** Nuclear generation rose 2,597 MW in the reference week to 95,141 MW. This is 1,659 MW higher than last year and 306 MW higher than the 5 year average. Recent output is near 96,000 MW.

- The 2016 cooling season is now beginning to wind down. With a forecast through September 2, the 2016 total cooling index is at 4,964 compared to 3,801 for 2015, 3,038 for 2014, 4,261 for 2013, 6,876 for 2012 and 6,163 for 2011. The heat is primarily concentrated in the West.

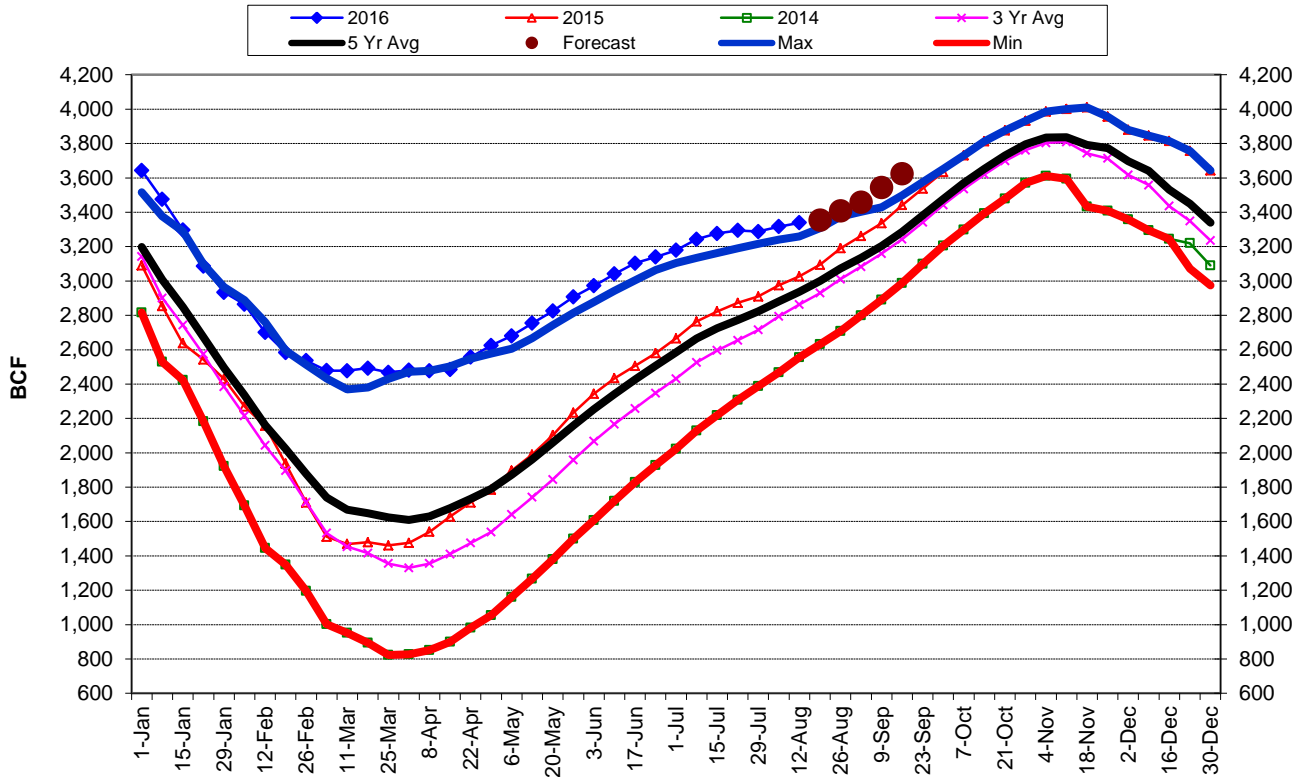
## \$/MMBtu Ratio of NYMEX CL and NG



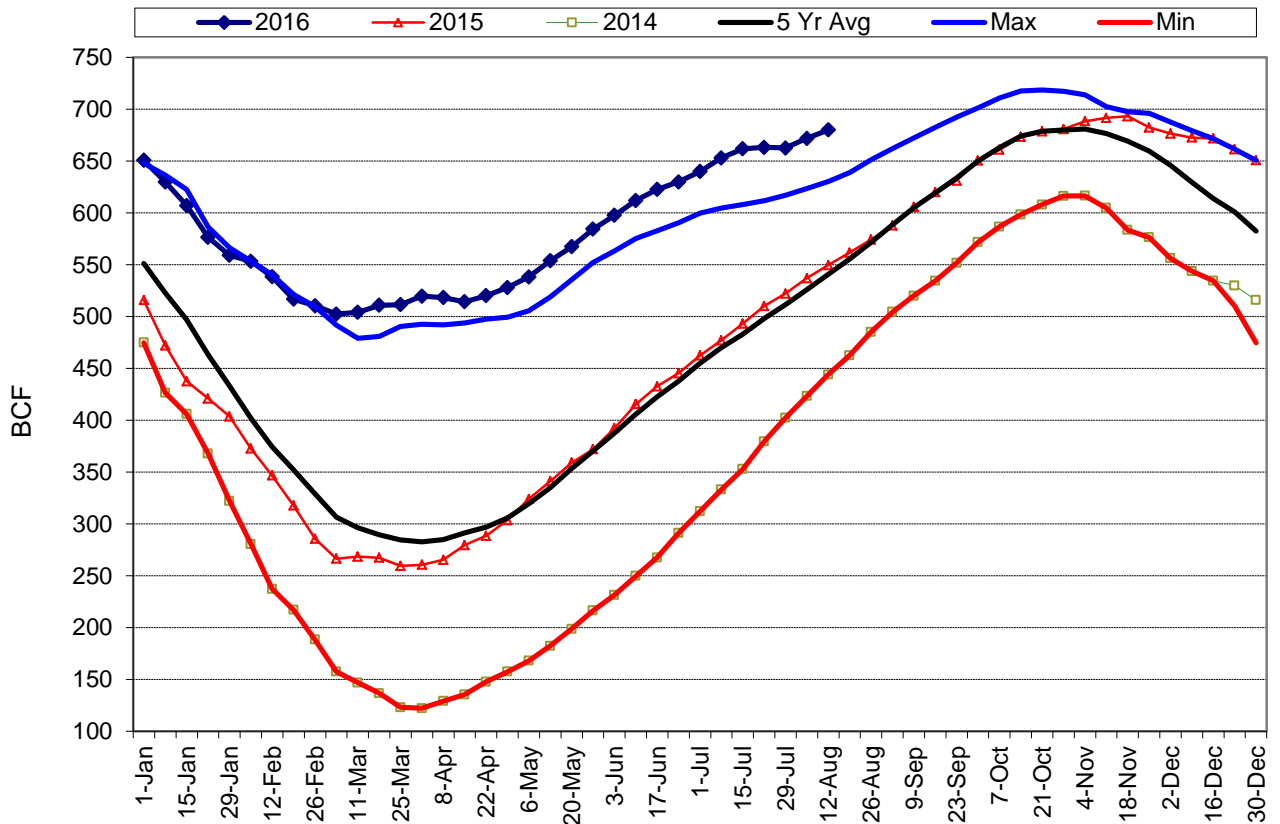
## NYMEX Calendar Strips



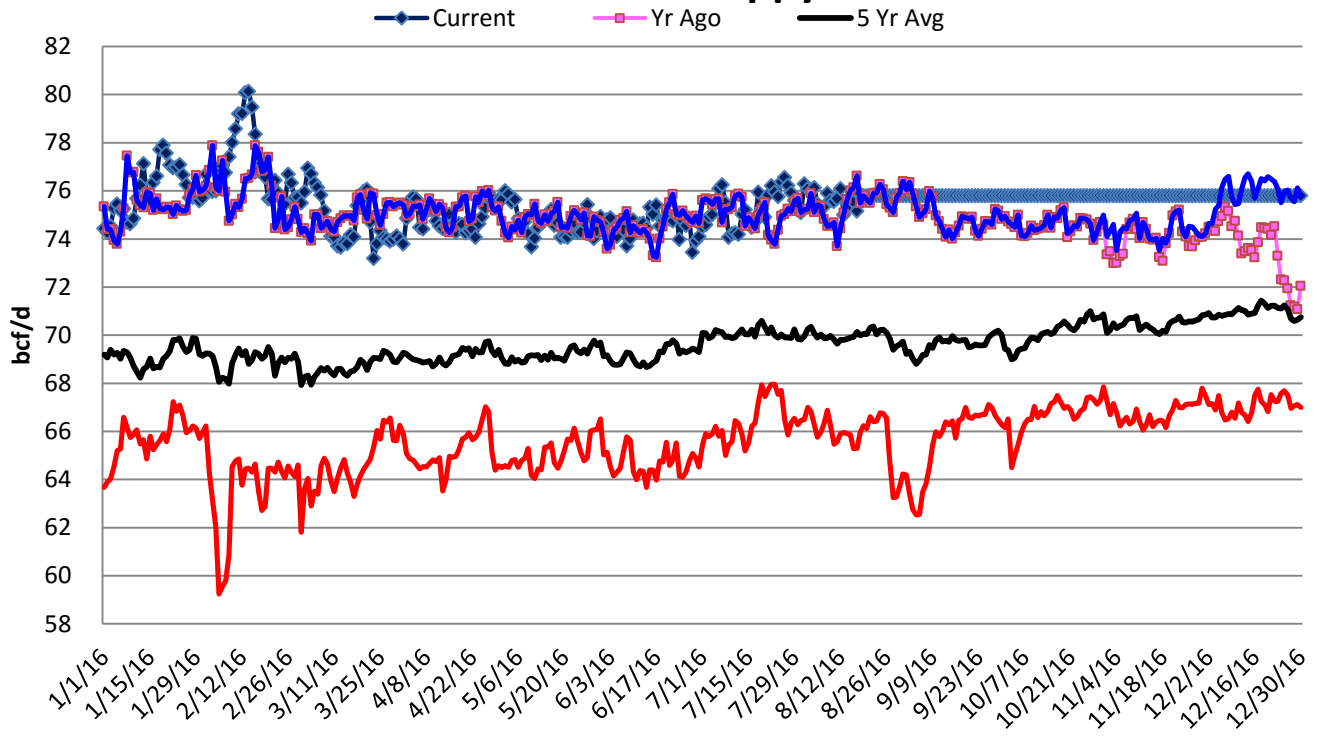
## US Total Working Gas Storage - Source - EIA



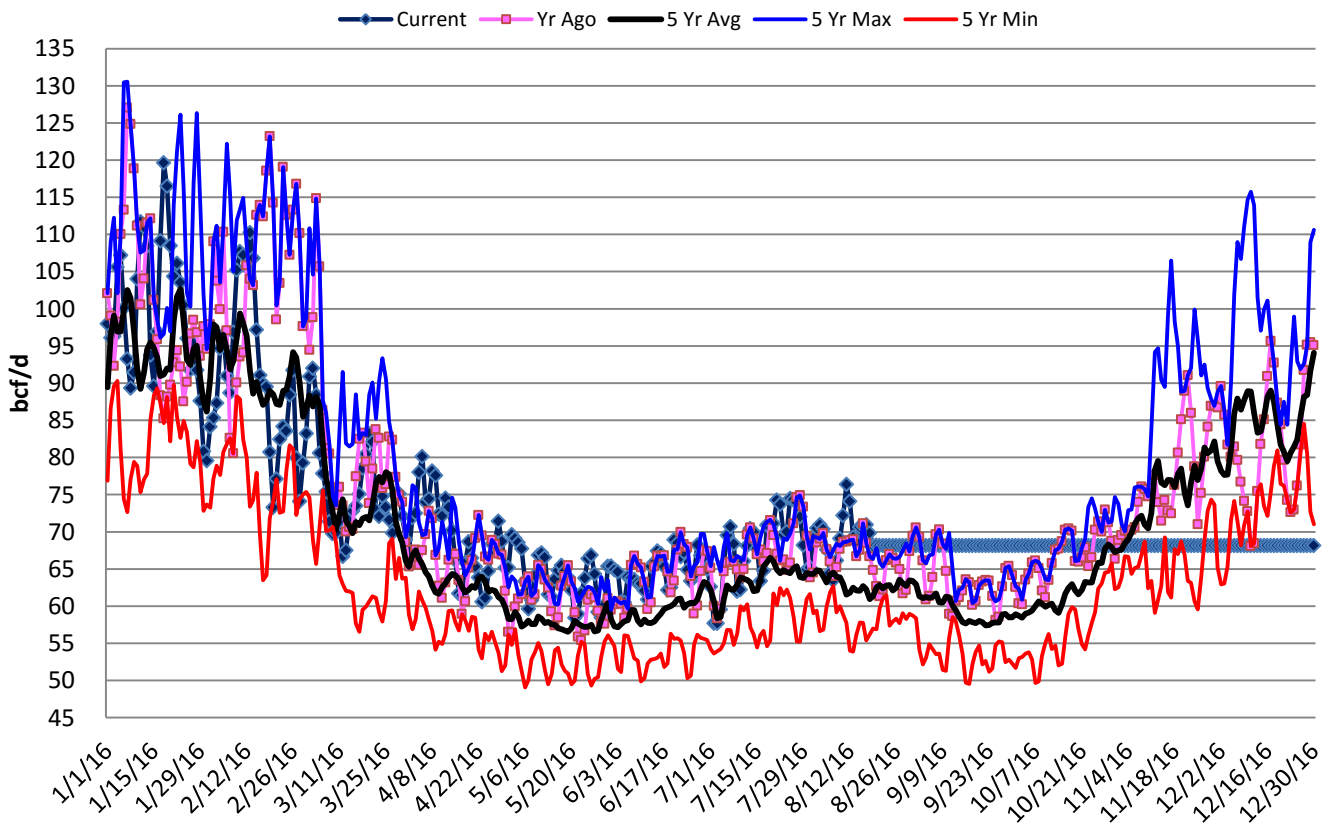
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



## **ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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