



## 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 rose 28.7 cents (11.1%) to \$2.871 on a 31.1 cent range.

**Price Outlook:** The market shot higher as bullish weather forecasts and the 22<sup>nd</sup> consecutive week of yearly storage surplus contraction supported the market. After a very bearish winter, temperatures this injection season have been very bullish and increased demand by nearly 300 bcf compared to 30 year normal temperatures. Although momentum is clearly positive, falling absolute temperatures will lead to rising injections in coming weeks. CFTC data indicated a significant increase in the managed money net long position as a sizable short liquidation occurred. Total open interest fell to 3.520 million as of August 23. Aggregated CME futures open interest fell to 1.052 million as of August 26.

**Weekly Storage:** US working gas storage for the week ending August 19 indicated a net injection of +11 bcf that lifted total working gas inventories to 3,350 bcf. Current inventories rise 256 bcf (8.3%) above last year while surpassing the 5 year average by 349 bcf (11.6%).

**Storage Outlook:** Our EIA weekly storage estimate was mathematically equal to the actual EIA report and obviously very satisfying. The 5 week summation of our error fell to 1 bcf as the EIA has reported a net implied flow of +73 bcf compared to our estimated +74 bcf. For a 5 week period, this is quite acceptable. Our current estimation for early November inventories is 3,935 bcf.

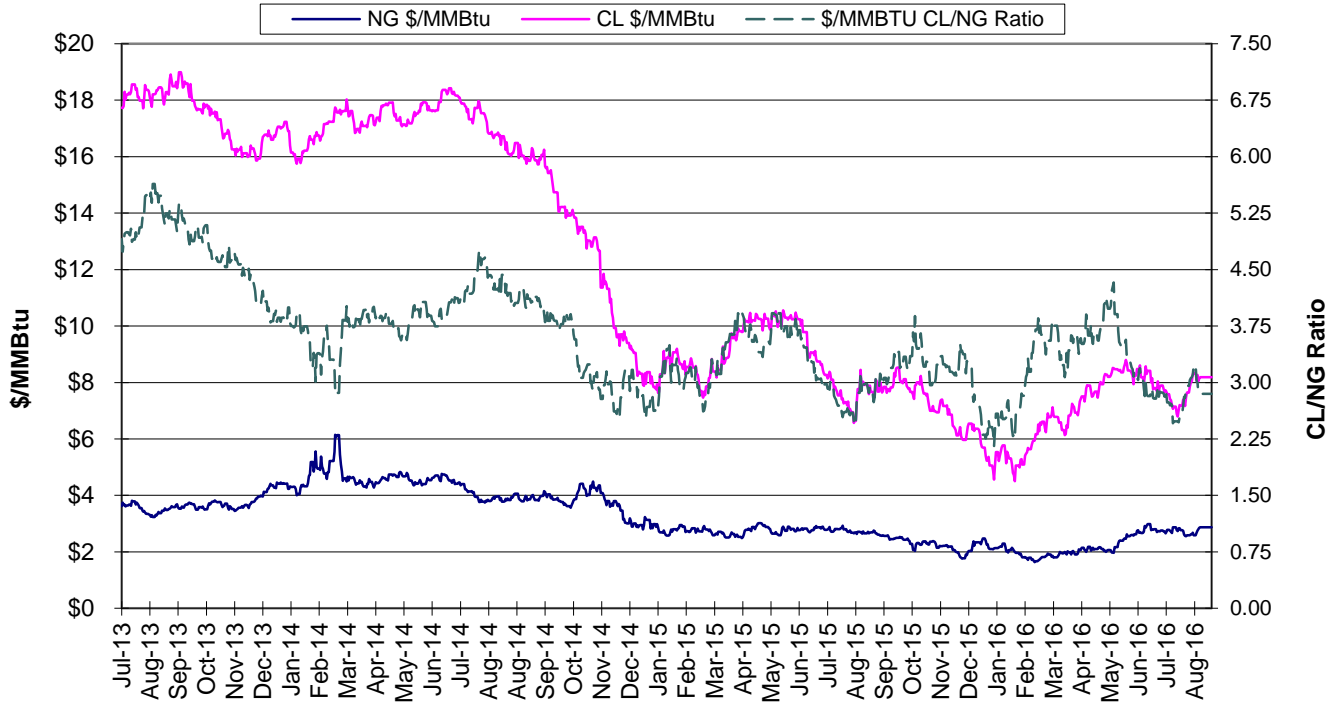
**Supply Trends:** Total supply was unchanged at 75.5 bcf/d. Canadian imports and Mexican exports rose. US production and LNG imports were unchanged. The US Baker Hughes rig count fell 2 as oil activity was unchanged while natural gas fell. The total US rig count now stands at 489. The Canadian rig count rose 25 to 146. Thus, the total North American rig count rose 23 to 635 and now trails last year by 438, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. The higher efficiency US horizontal rig count fell 3 to 379 and falls 293 below last year.

**Demand Trends:** Total demand rose 2.1 bcf/d to 68.5 bcf/d. Higher power and industrial demand offset a drop in R&C. Electricity demand fell 3,729 gigawatt-hrs to 90,103 which exceeds last year by 2,481 (2.8%) and the 5 year average by 3,445 (4.0%). EIA electricity data reveals that natural gas generation has exceeded coal generation in 11 of the last 12 months. Generation from renewable sources such as wind and solar continue to rise and will become more and more important in the generation mix in coming years.

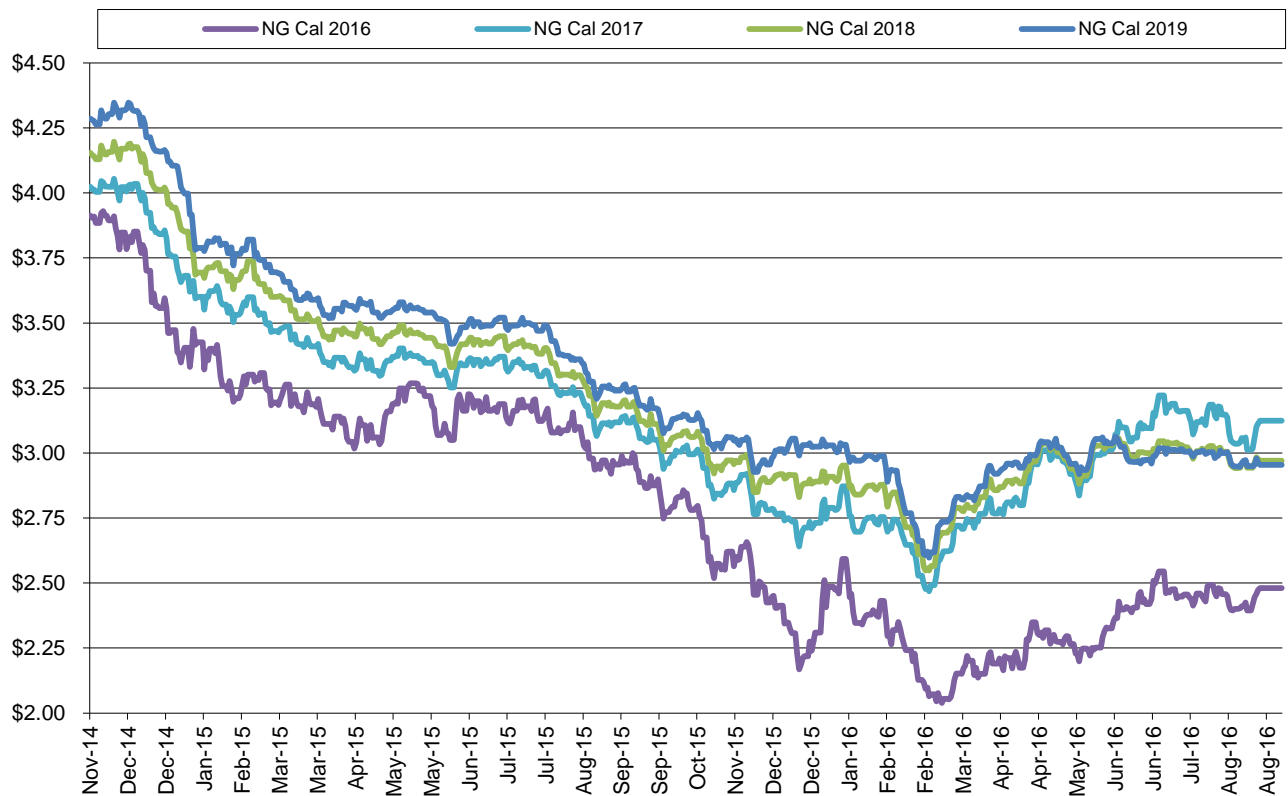
**Other Factors:** Nuclear generation rose 393 MW in the reference week to 95,534 MW. This is 511 MW lower than last year and 253 MW higher than the 5 year average. Recent output is near 94,500 MW.

- The 2016 cooling season is now beginning to wind down. With a forecast through September 9, the 2016 total cooling index is at 5,098 compared to 4,077 for 2015, 3,453 for 2014, 4,561 for 2013, 7,027 for 2012 and 6,396 for 2011. The heat is primarily concentrated in the West.

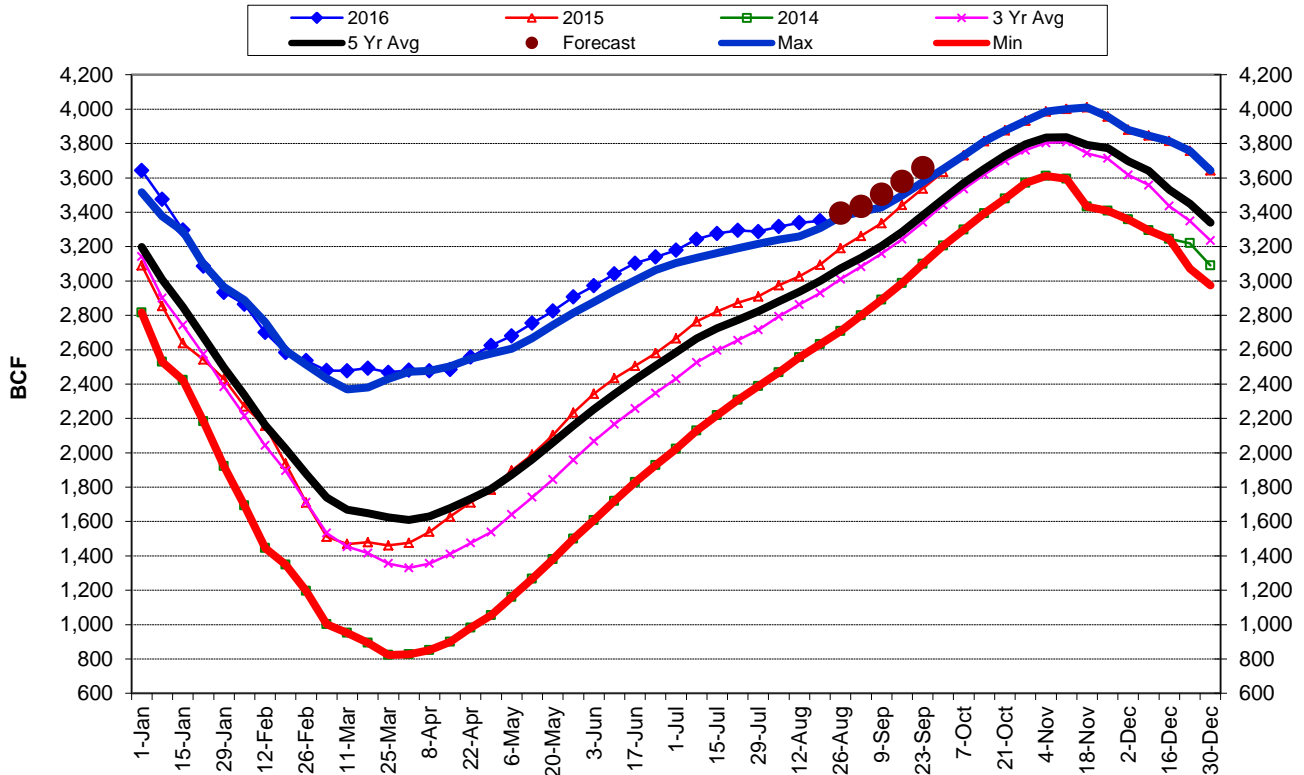
## \$/MMBtu Ratio of NYMEX CL and NG



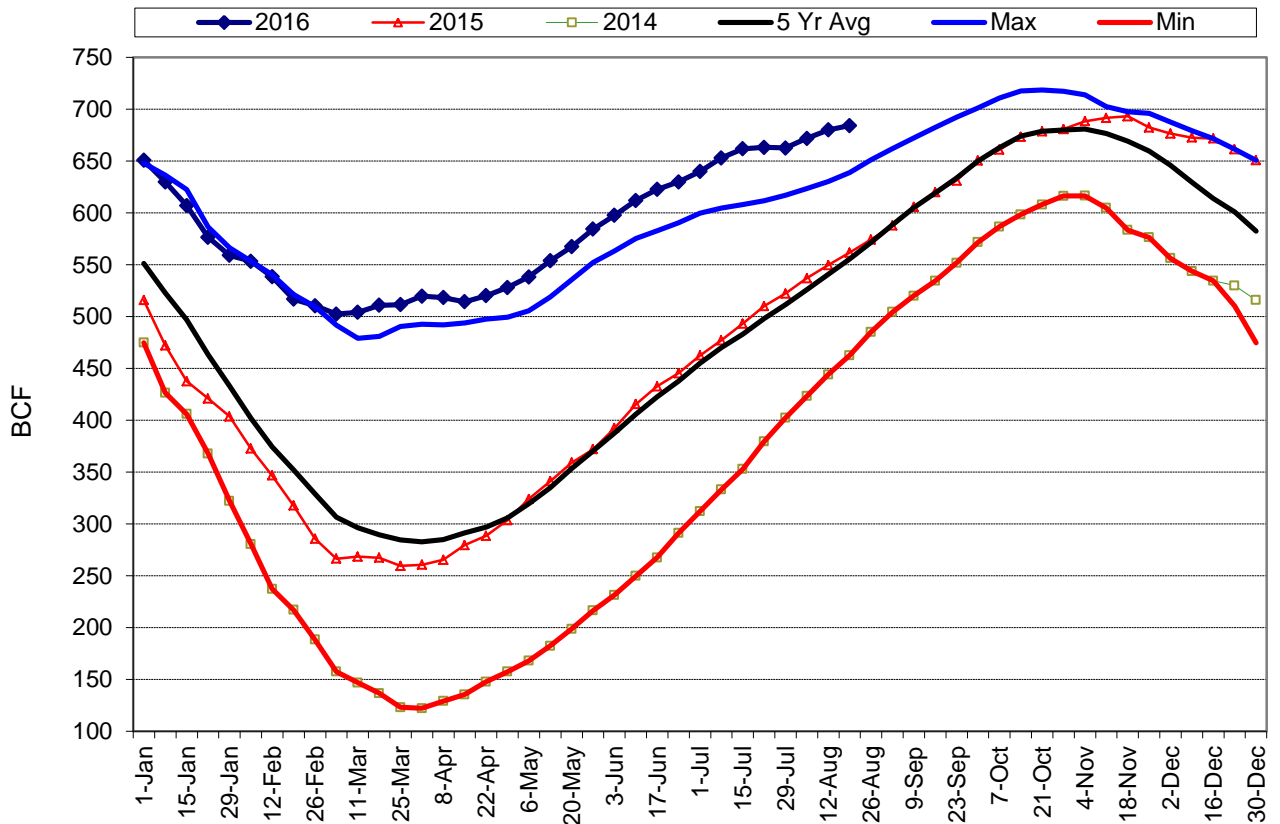
## NYMEX Calendar Strips



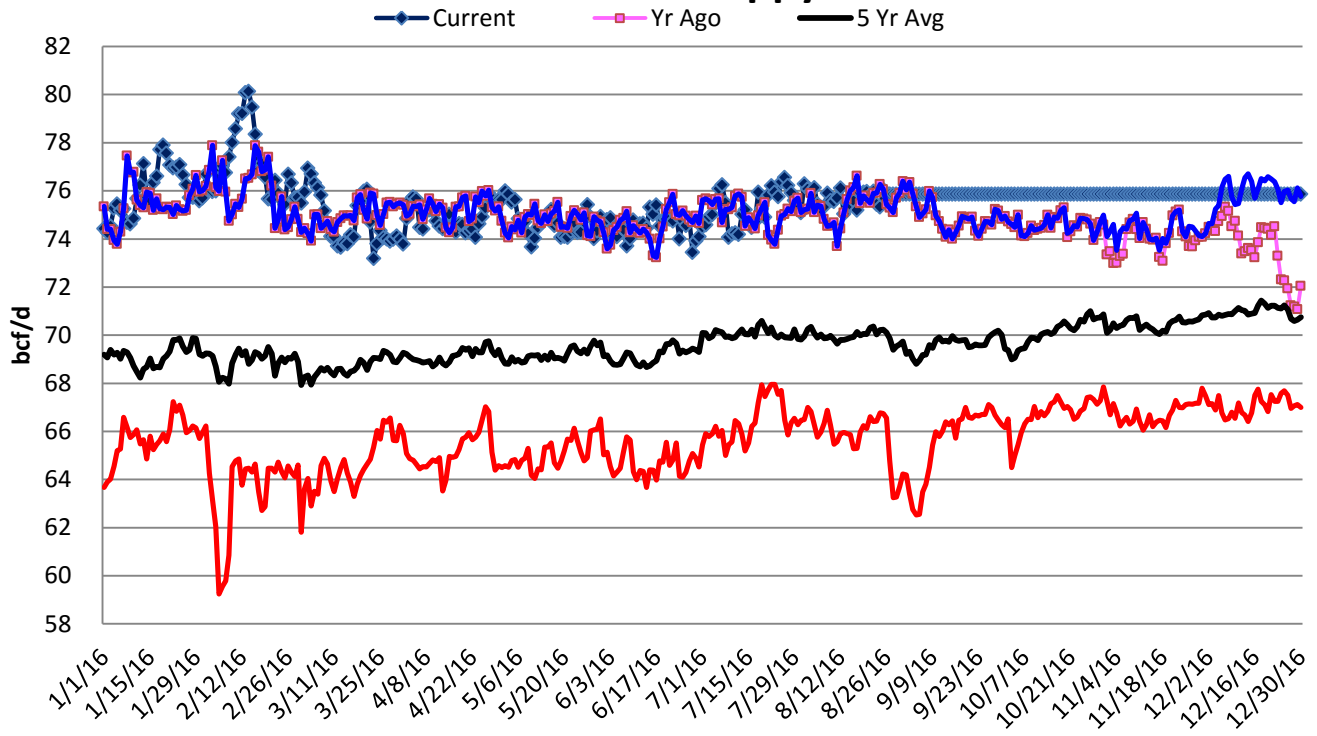
## US Total Working Gas Storage - Source - EIA



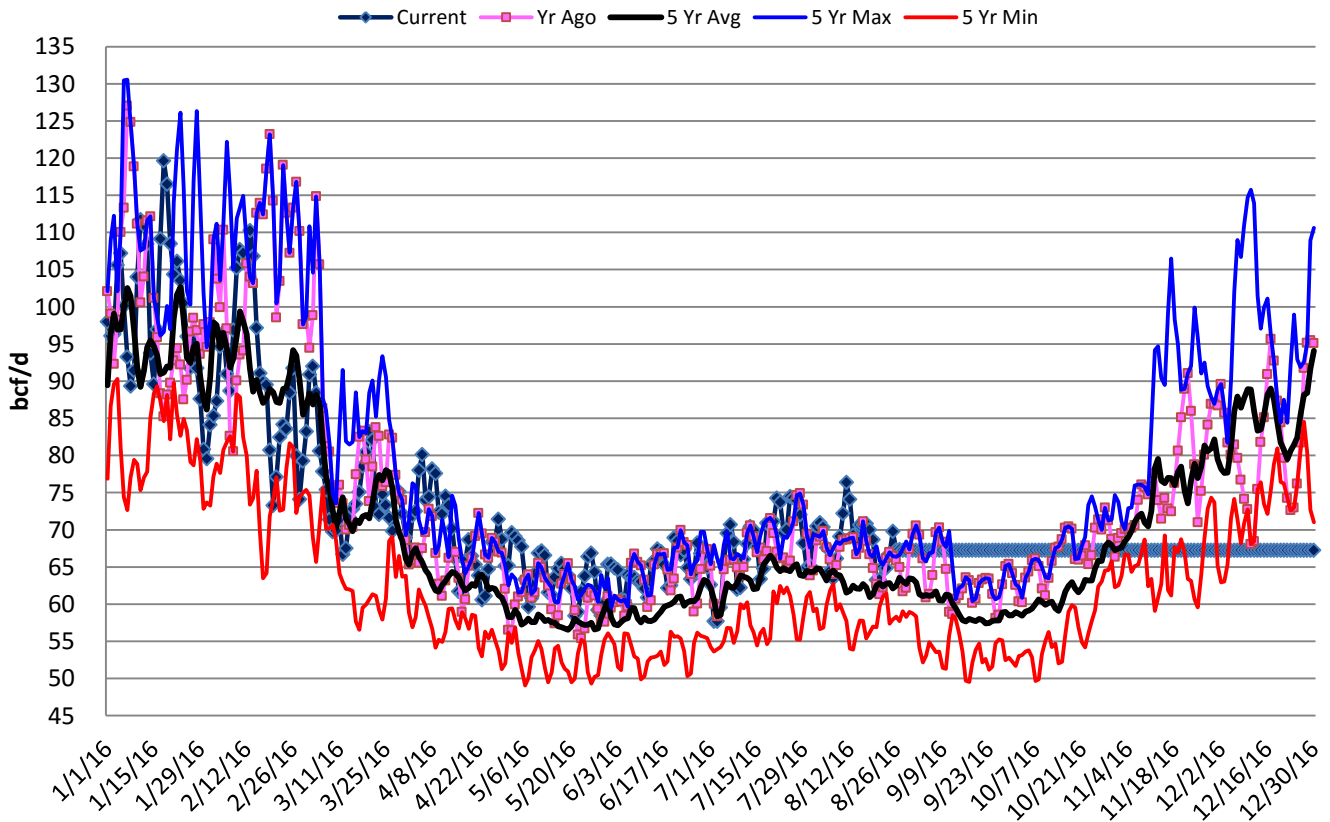
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



## **ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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