



## 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 October contract fell 12.1 cents (4.1%) to \$2.792 on a 17.3 cent range.

**Price Outlook:** The market was able to post a new weekly higher before falling to end the week as the EIA reported a much higher than expected storage injection. While the injection still lowered the yearly storage surplus for the 23rd consecutive week the change was much larger than expected. From this point forward, above normal temperatures at the end of the forecast will be considered bearish. CFTC data indicated the managed money net long position witnessed another significant increase as longs added and shorts liquidated. Total open interest fell to 3.321 million as of August 30. Aggregated CME futures open interest fell to 1.048 million as of September 2.

**Weekly Storage:** US working gas storage for the week ending August 26 indicated a net injection of +51 bcf that lifted total working gas inventories to 3,401 bcf. Current inventories rise 211 bcf (6.6%) above last year while surpassing the 5 year average by 328 bcf (10.7%).

**Storage Outlook:** Our current estimation for early November inventories is 3,935 bcf. Canadian working gas storage for the week ending August 26 rose 11.8 bcf. Thus total working gas inventories rose to 696.0 bcf. Current inventories exceed last year by 121.7 bcf (21.2%) and the 5 year average by 124.5 bcf (21.8%). Canadian inventories are on track to approach listed capacity.

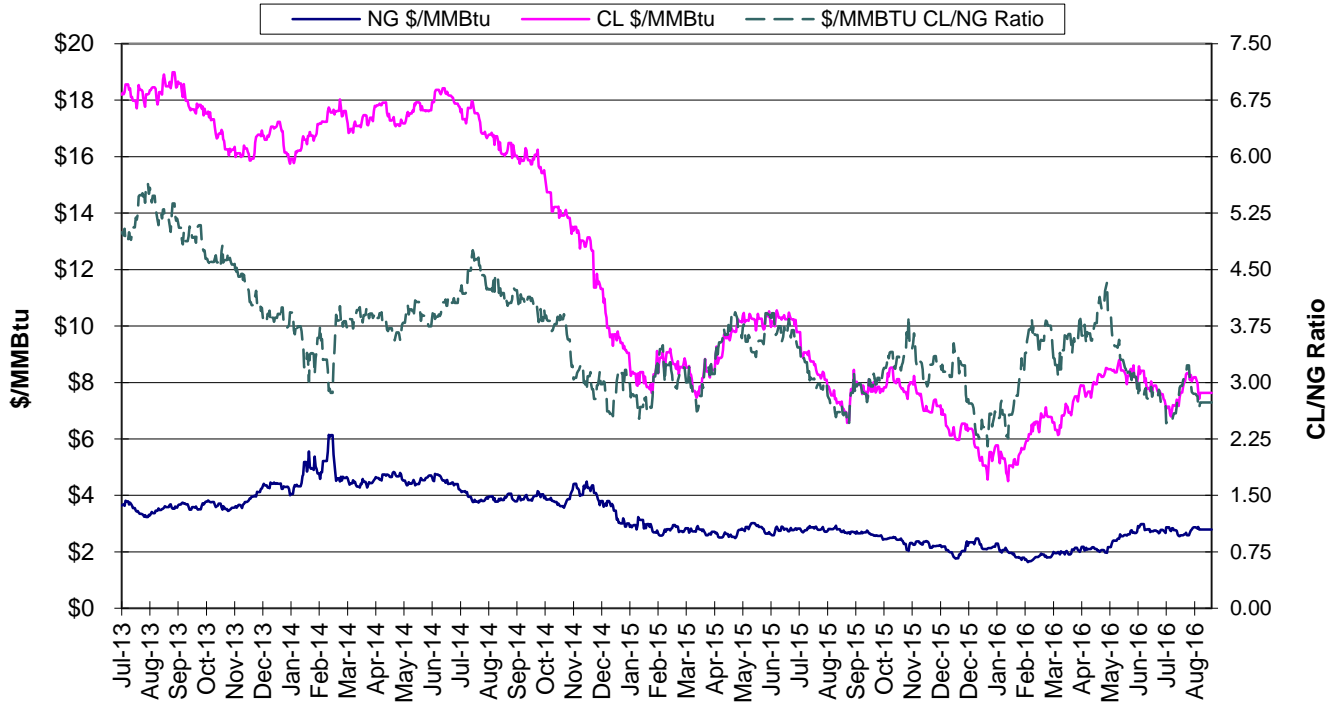
**Supply Trends:** Total supply rose 0.2 bcf/d to 75.2 bcf/d. US production and Mexican exports rose. Canadian imports fell and LNG imports were unchanged. The US Baker Hughes rig count rose 8 as both oil and natural gas activity increased. The total US rig count now stands at 497. The Canadian rig count fell 9 to 137. Thus, the total North American rig count fell 1 to 634 and now trails last year by 417, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. **The higher efficiency US horizontal rig count rose 16 to 395 and falls 264 below last year. The EIA Monthly Natural Gas Report indicated a larger than expected drop in US production.**

**Demand Trends:** Total demand fell 4.5 bcf/d to 66.2 bcf/d. Higher industrial demand was more than offset by lower power and R&C demand. Electricity demand fell 3,241 gigawatt-hrs to 86,862 which exceeds last year by 3,394 (4.1%) and the 5 year average by 375 (0.4%). **The EIA Monthly Natural Gas Report indicated demand easily set a monthly record for June.**

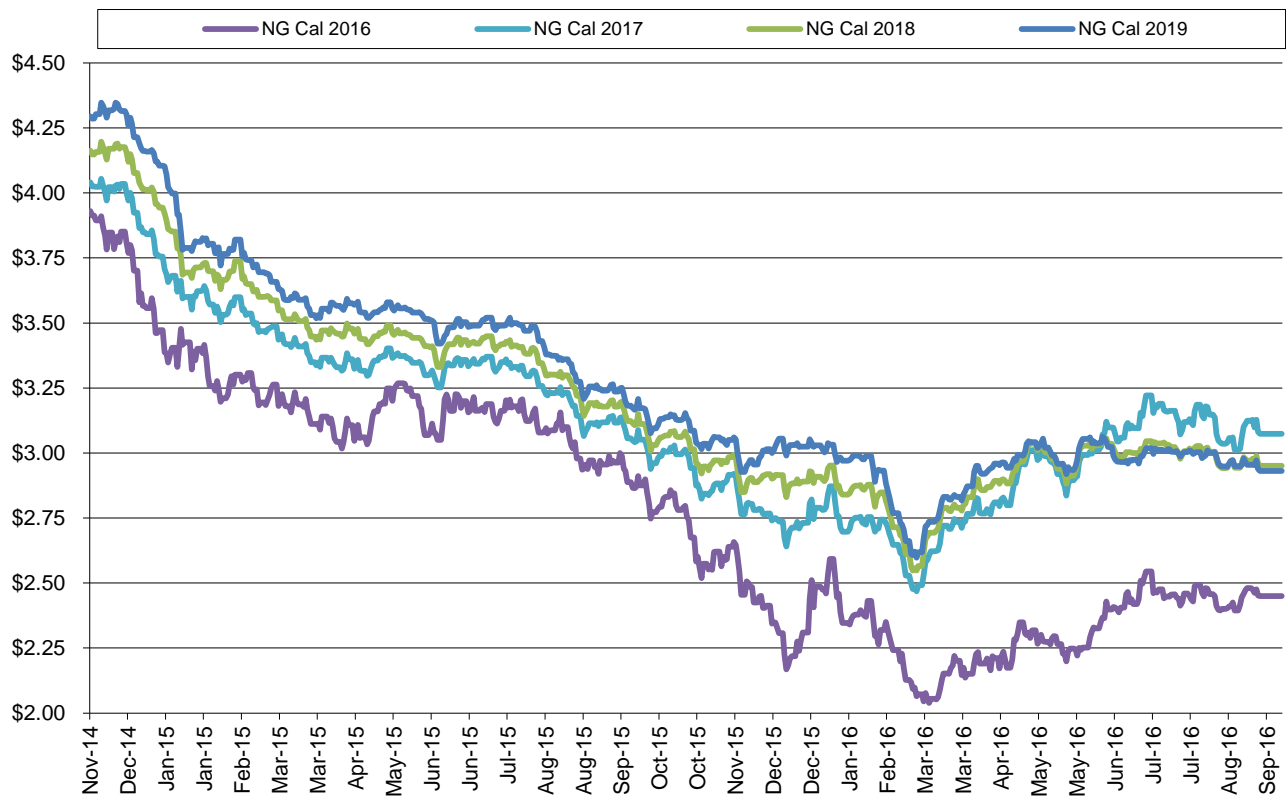
**Other Factors:** Nuclear generation fell 249 MW in the reference week to 95,285 MW. This is 1,190 MW lower than last year and 258 MW higher than the 5 year average. Recent output is near 93,000 MW.

- The 2016 cooling season is now beginning to wind down. With a forecast through September 16, the 2016 total cooling index is at 5,221 compared to 4,171 for 2015, 3,333 for 2014, 4,742 for 2013, 7,088 for 2012 and 6,524 for 2011. The heat is primarily concentrated in the West.

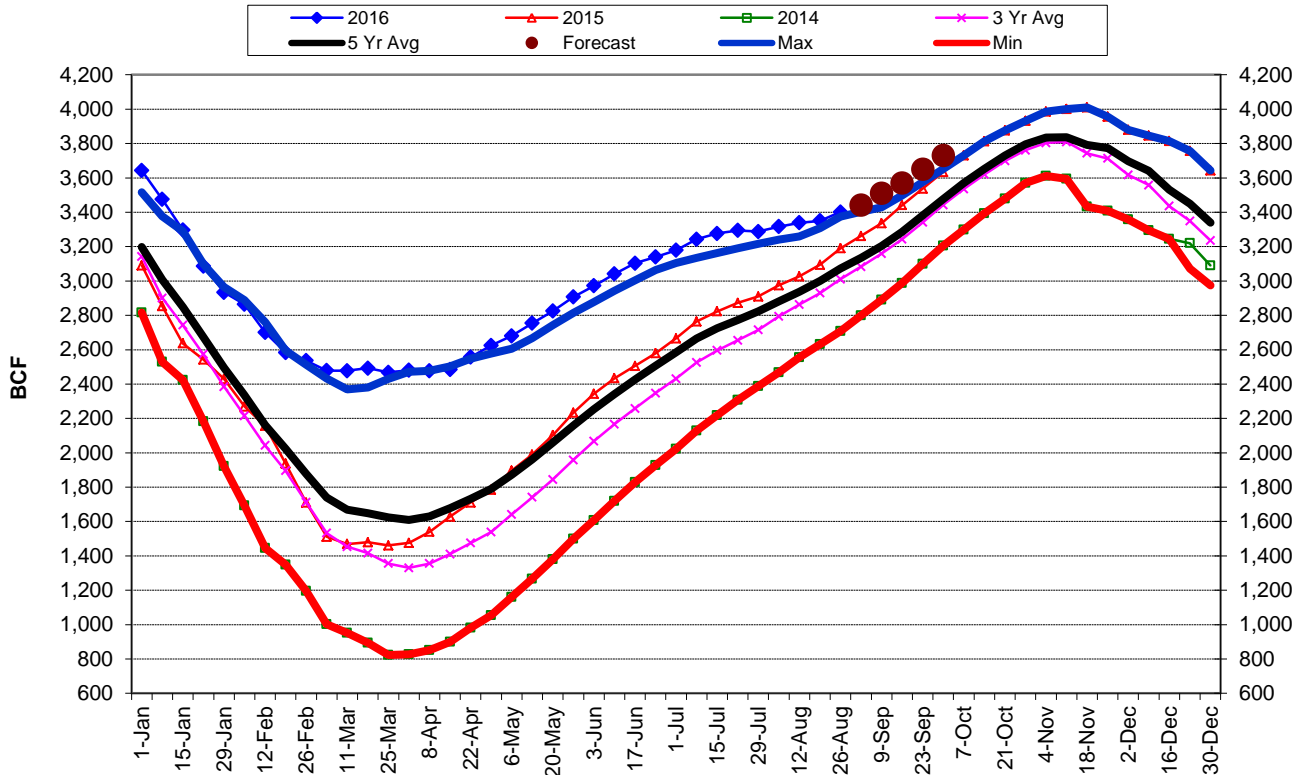
## \$/MMBtu Ratio of NYMEX CL and NG



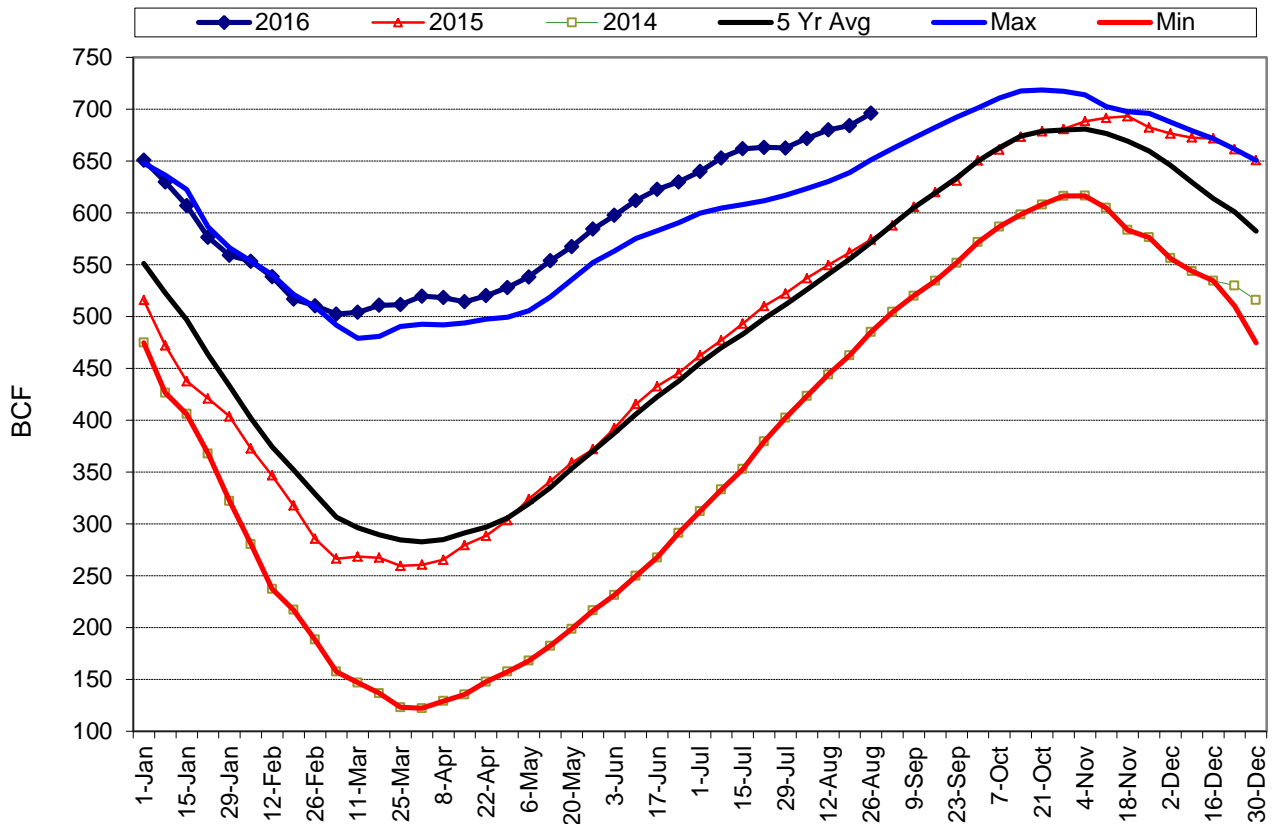
## NYMEX Calendar Strips



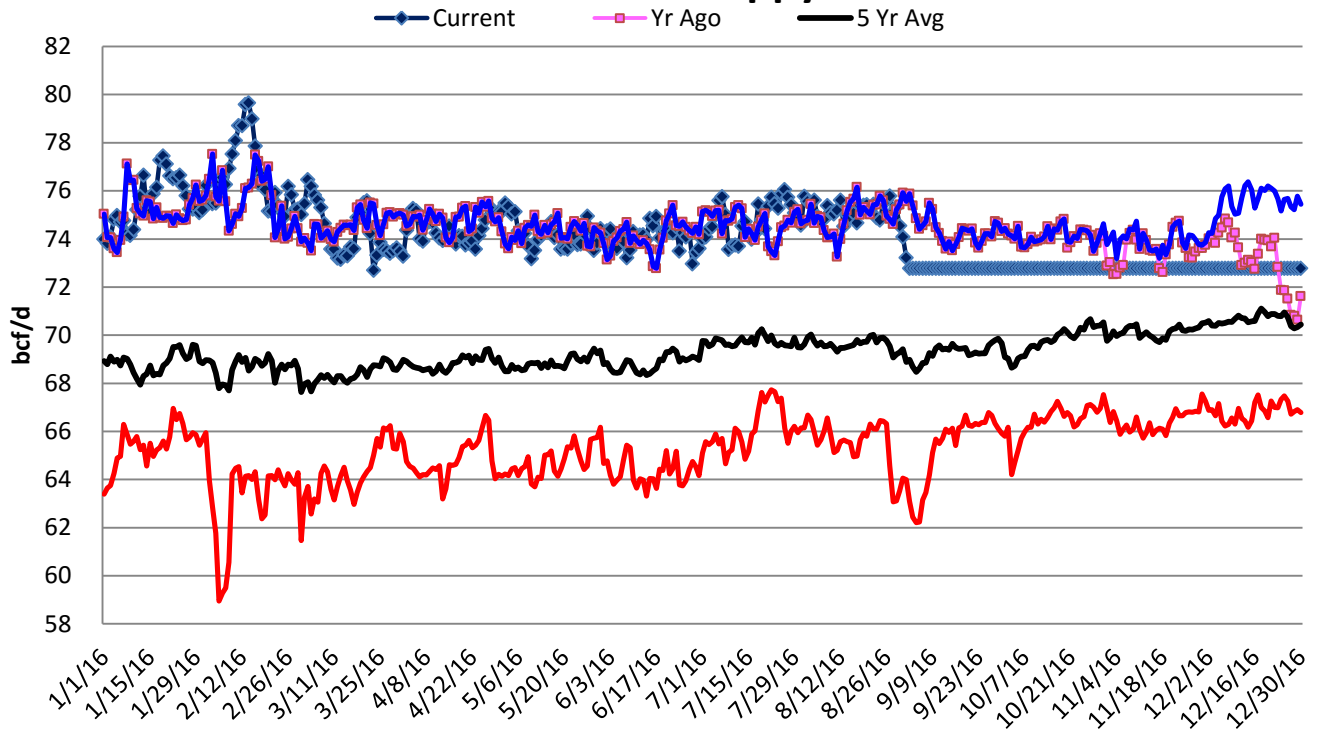
## US Total Working Gas Storage - Source - EIA



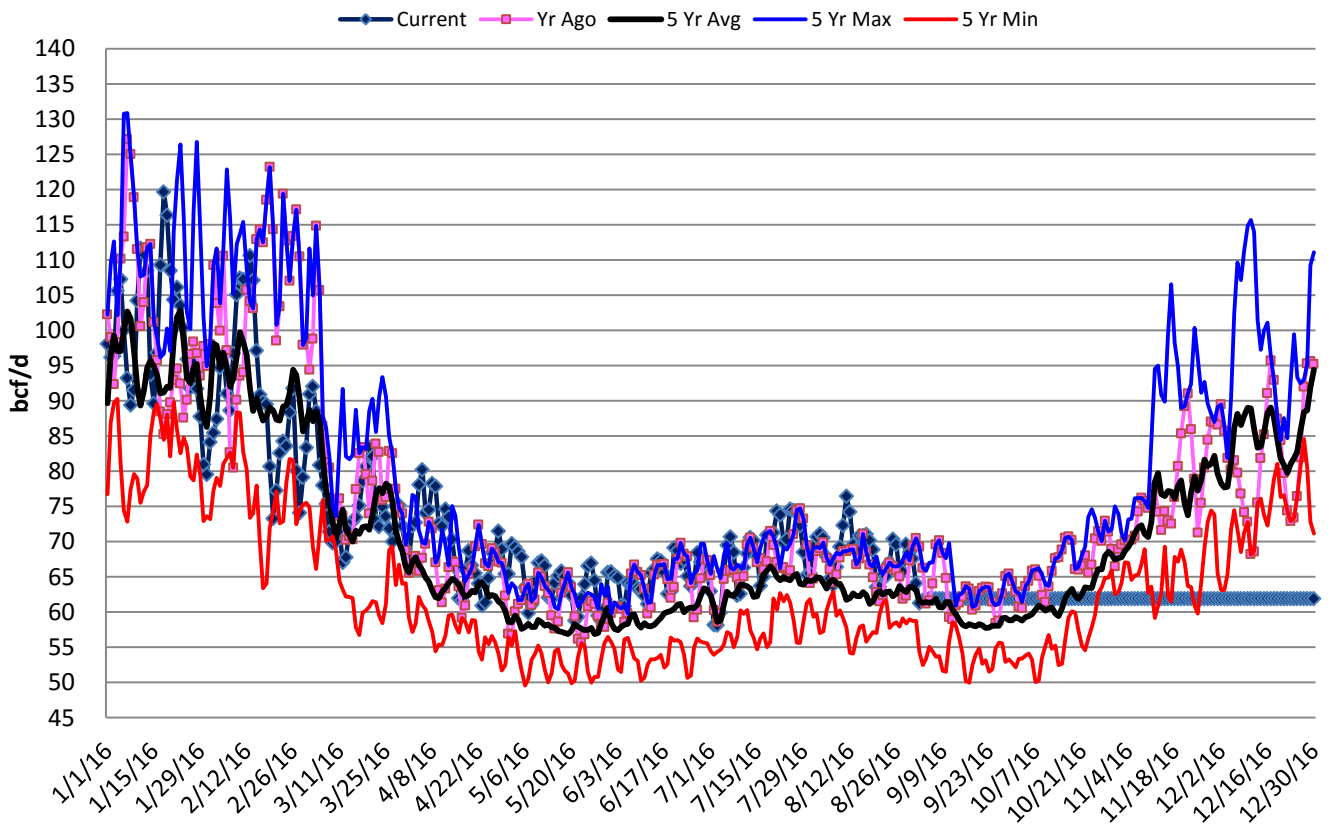
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



## **ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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