



Energy Market Outlook

Kyle Cooper, (713) 248-3009 Kyle.Cooper@IAFAdvisors.com

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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 rose 0.5 cents (0.2%) to \$2.797 on a 17.9 cent range.

Price Outlook: The market was able to post a new low as weakness early in the week established the lower price print. The market rose at the end of the week after the EIA reported a much lower than expected storage injection. After last week's "large" injection, this week was about the same degree "small." Thus, it largely is attributed to simple deviations that commonly occur in weekly postings. The market is likely to shop as temperatures moderate and before winter weather, does or does not, arrive. CFTC data indicated a small reduction in the managed money net long position as slightly more new shorts were added. Total open interest rose to 3.352 million as of September 6. Aggregated CME futures open interest fell to 1.011 million as of September 9. That drop suggests notable liquidation.

Weekly Storage: US working gas storage for the week ending September 2 indicated a net injection of +36 bcf that lifted total working gas inventories to 3,437 bcf. Current inventories rise 175 bcf (5.4%) above last year while surpassing the 5 year average by 302 bcf (9.6%).

Storage Outlook: This week's storage change was again mathematically smaller than last year's +72 bcf build and also fell short of the 5 year average injection of +62 bcf. The upcoming storage change will compare against last year's +74 bcf injection and a 5 year average injection of +68 bcf. Both the yearly and 5 year average storage surpluses will again contract. The yearly storage surplus has contracted for 24 consecutive weeks.

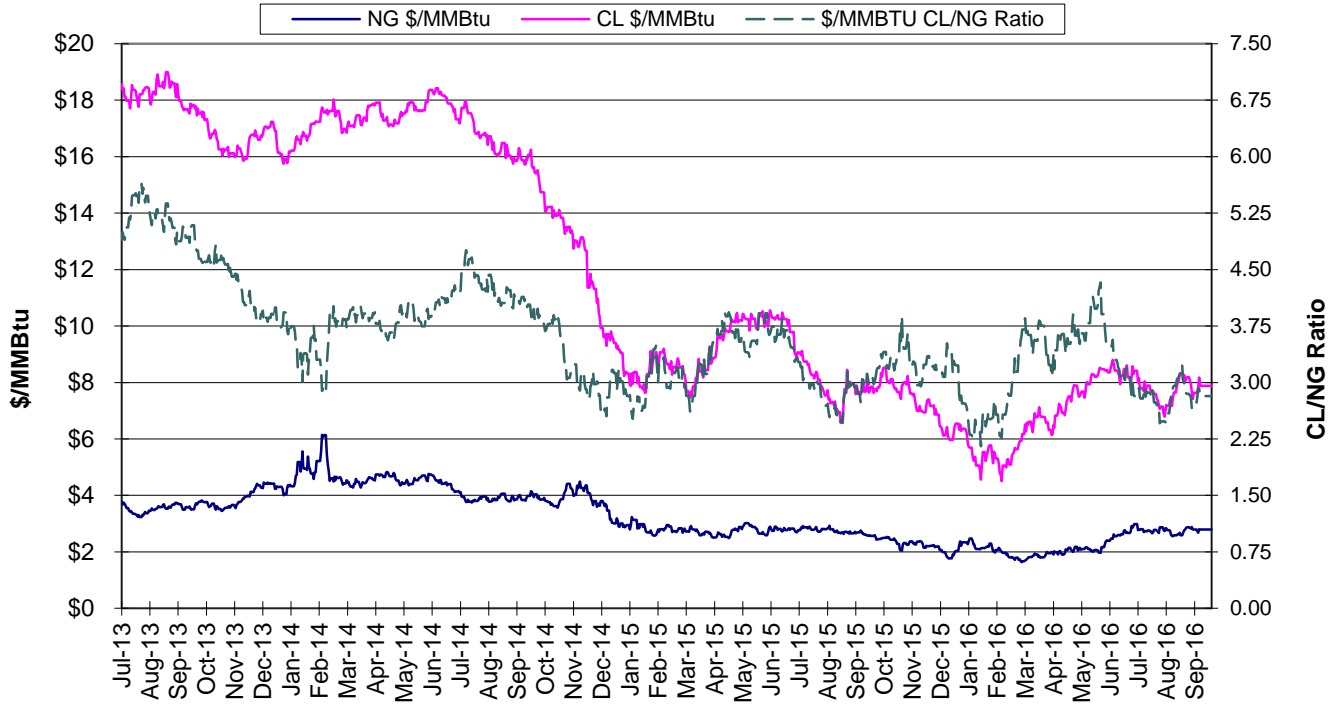
Supply Trends: Total supply fell 0.4 bcf/d to 74.9 bcf/d. US production, Canadian imports and Mexican exports fell. LNG imports rose. The US Baker Hughes rig count rose 11 as both oil and natural gas activity increased. The total US rig count now stands at 508. The Canadian rig count fell 3 to 134. Thus, the total North American rig count rose 8 to 642 and now trails last year by 391, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. **The higher efficiency US horizontal rig count rose 1 to 396 and falls 252 below last year.**

Demand Trends: Total demand rose 0.9 bcf/d to 67.2 bcf/d. Higher power and R&C demand more than offset lower industrial demand. Electricity demand fell 2,505 gigawatt-hrs to 84,357 which trails last year by 2,460 (2.8%) and the 5 year average by 1,693 (2.0%).

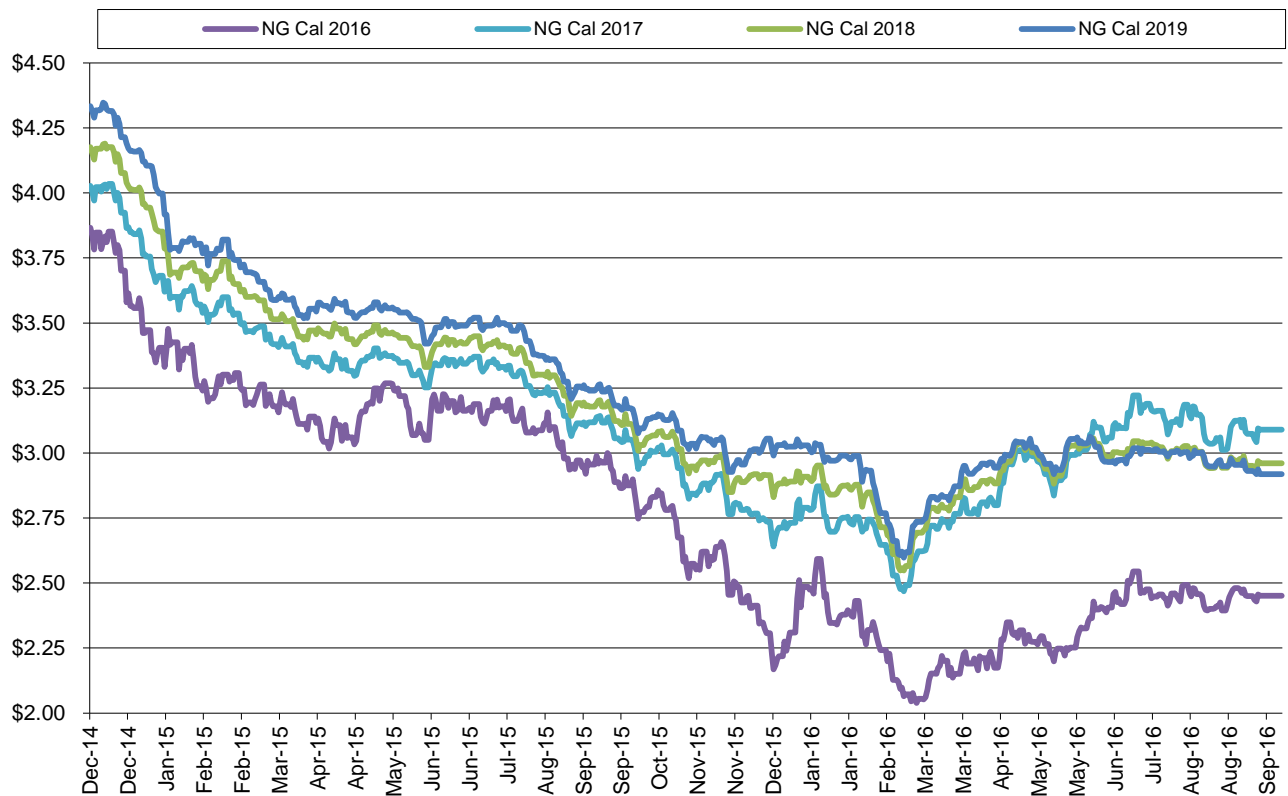
Other Factors: Nuclear generation fell 539 MW in the reference week to 94,746 MW. This is 1,587 MW lower than last year and 255 MW lower than the 5 year average. Recent output is near 91,500 MW.

- The 2016 cooling season is now beginning to wind down. With a forecast through September 23, the 2016 total cooling index is at 5,270 compared to 4,231 for 2015, 3,356 for 2014, 4,793 for 2013, 7,138 for 2012 and 6,618 for 2011. The heat is primarily concentrated in the West.

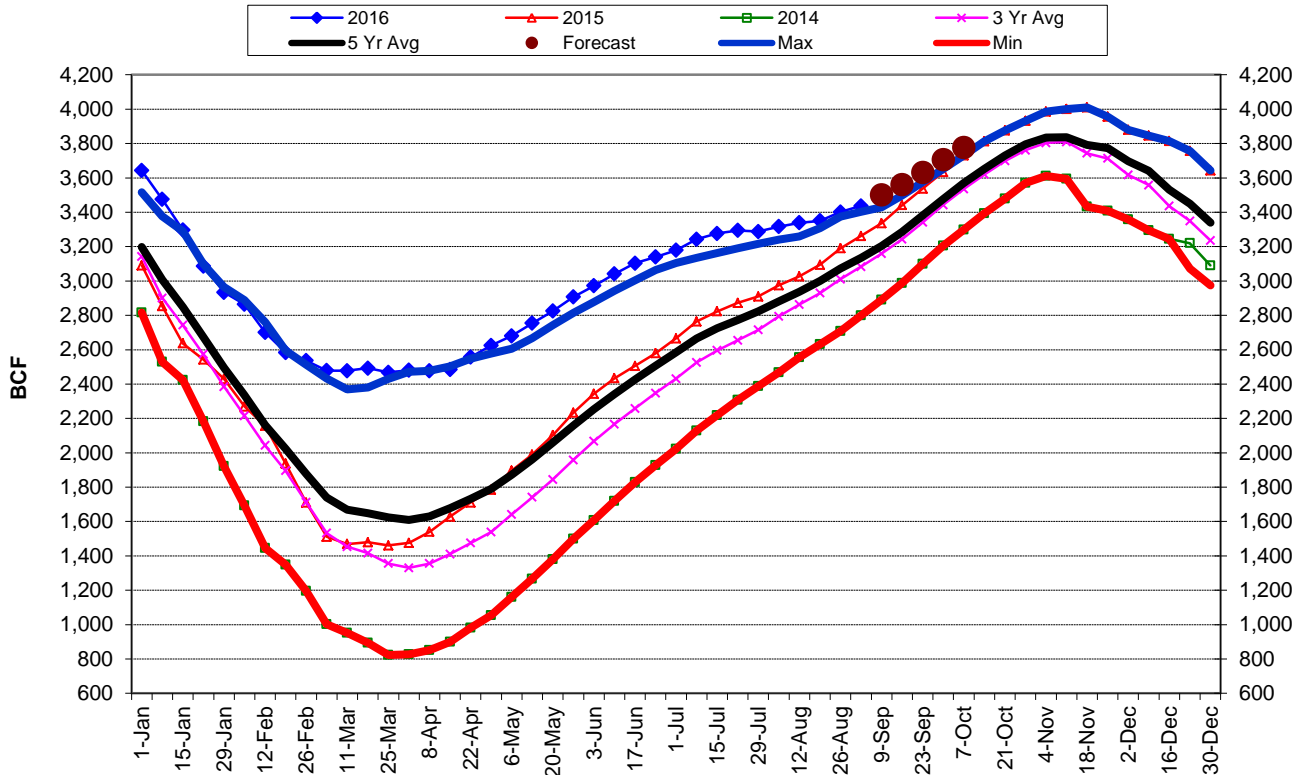
\$/MMBtu Ratio of NYMEX CL and NG



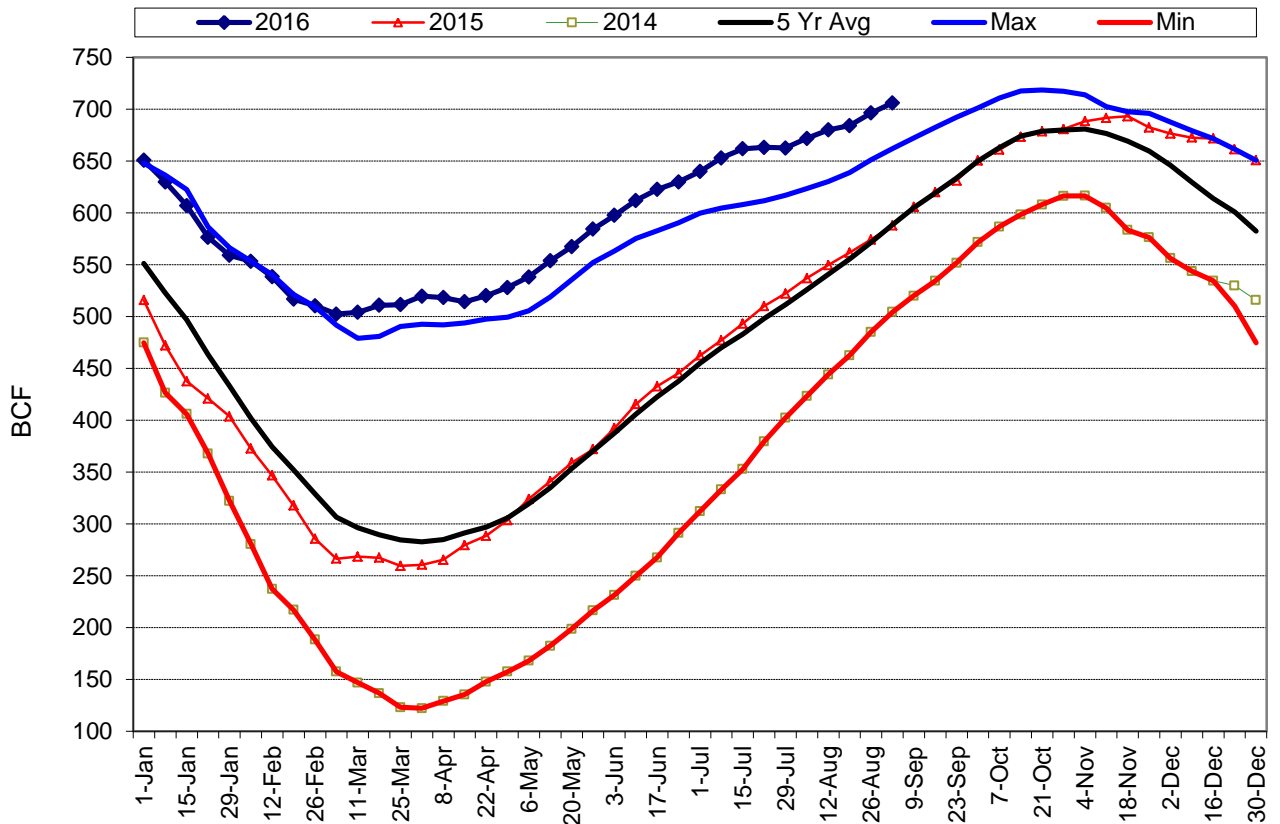
NYMEX Calendar Strips



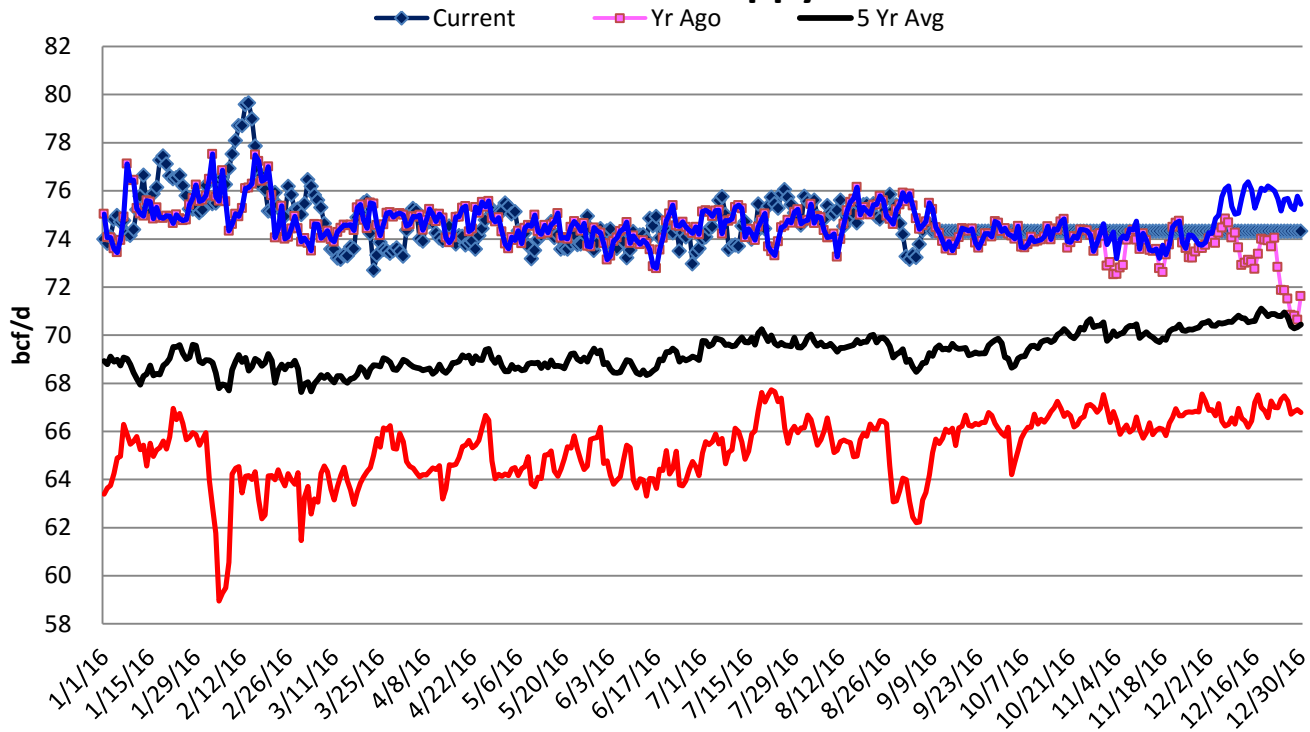
US Total Working Gas Storage - Source - EIA



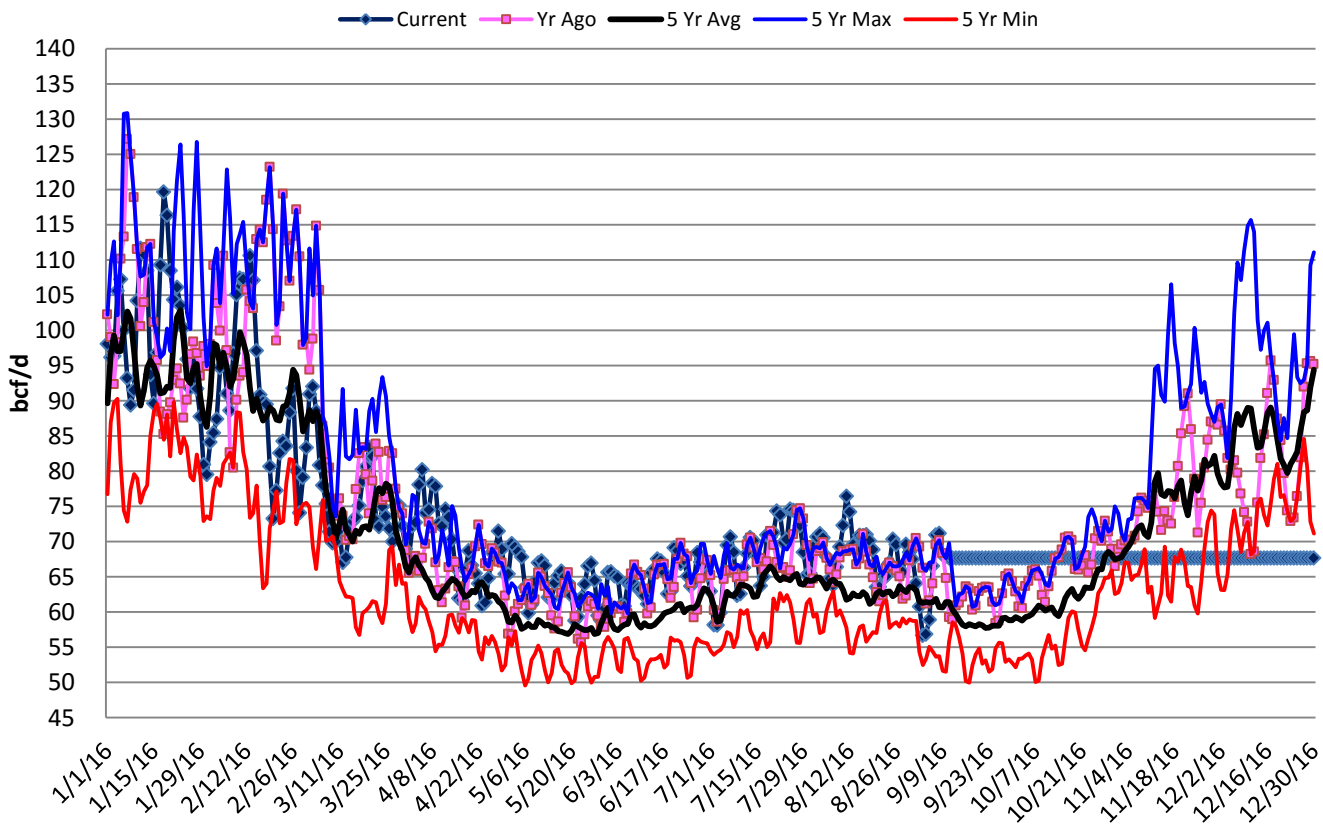
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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