



Energy Market Outlook

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September 16, 2016

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 15.1 cents (5.4%) to \$2.948 on a 15.8 cent range.

Price Outlook: True to historical form, despite a smallish weekly range, prices posted a new weekly high as physical data was extremely bullish and weather forecasts also reduced storage estimates compared to a 30 year normal. The yearly storage surplus contracted for the 25th consecutive week as a supportive supply/demand balance and bullish temperatures have combined to drastically reduce the inventory overhang. Even though inventories are now projected to trail year ago levels in coming weeks, the market may still chop as above average temperatures will now become bearish. CFTC data indicated a huge increase in the managed money net long position as longs added and a massive number of shorts were liquidated. The net increase was the largest weekly increase since December 17, 2013. Total open interest rose to 3.363 million as of September 13. Aggregated CME futures open interest rose to 1.046 million as of September 16.

Weekly Storage: US working gas storage for the week ending September 9 indicated a net injection of +62 bcf that lifted total working gas inventories to 3,499 bcf. Current inventories rise 163 bcf (4.9%) above last year while surpassing the 5 year average by 296 bcf (9.2%).

Storage Outlook: Our EIA weekly storage estimate was mathematically equal to the actual EIA report and that is quite satisfying. The 5 week summation of our error fell to 1 bcf as the EIA has reported a net implied flow of +182 bcf compared to our estimated +183 bcf. For a 5 week period, this is well within our tolerance range. Our current estimation for early November inventories is 3,892 bcf.

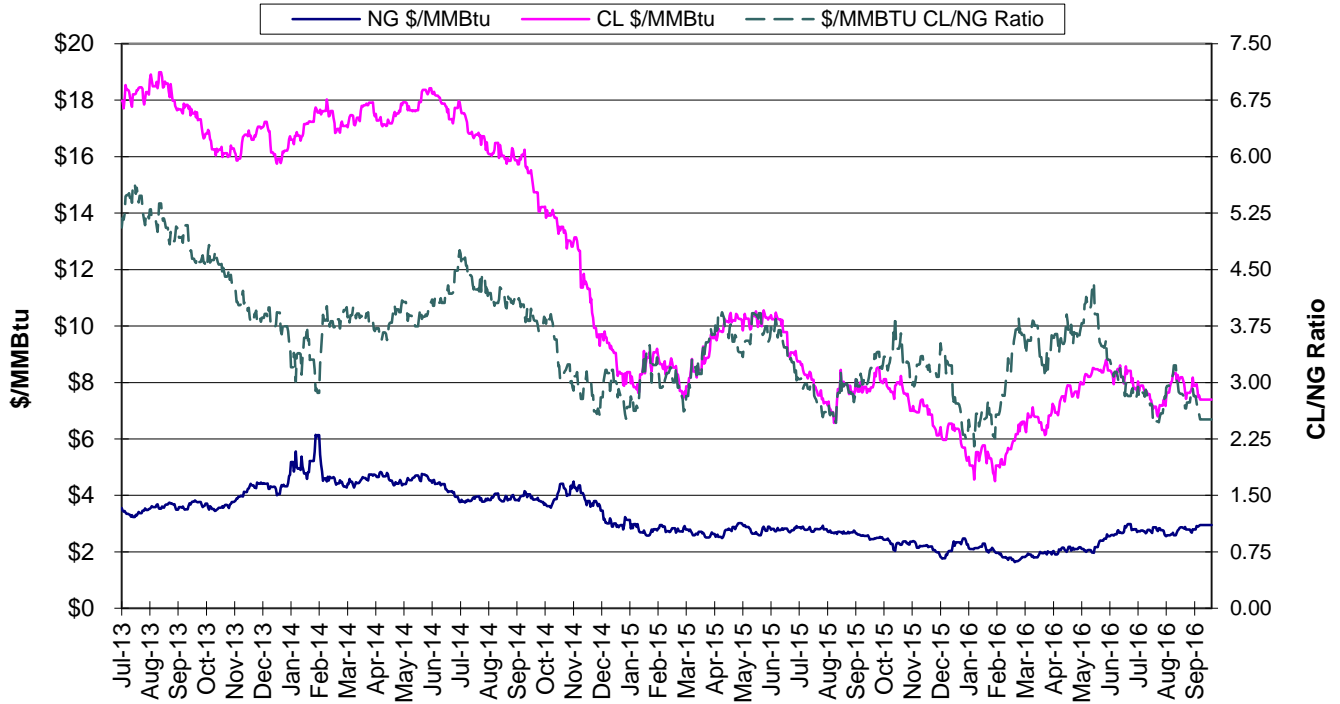
Supply Trends: Total supply fell 1.0 bcf/d to 73.9 bcf/d. US production rose. Canadian and LNG imports fell. Mexican exports were unchanged. The US Baker Hughes rig count fell 2 as oil activity rose while natural gas slipped. The total US rig count now stands at 506. The Canadian rig count fell 2 to 132. Thus, the total North American rig count fell 4 to 638 and now trails last year by 386, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. The higher efficiency US horizontal rig count fell 2 to 394 and falls 246 below last year.

Demand Trends: Total demand fell 4.1 bcf/d to 63.5 bcf/d. Lower power and industrial demand more than offset higher R&C demand. Electricity demand rose 1,012 gigawatt-hrs to 85,369 which exceeds last year by 425 (0.5%) and the 5 year average by 3,807 (4.7%).

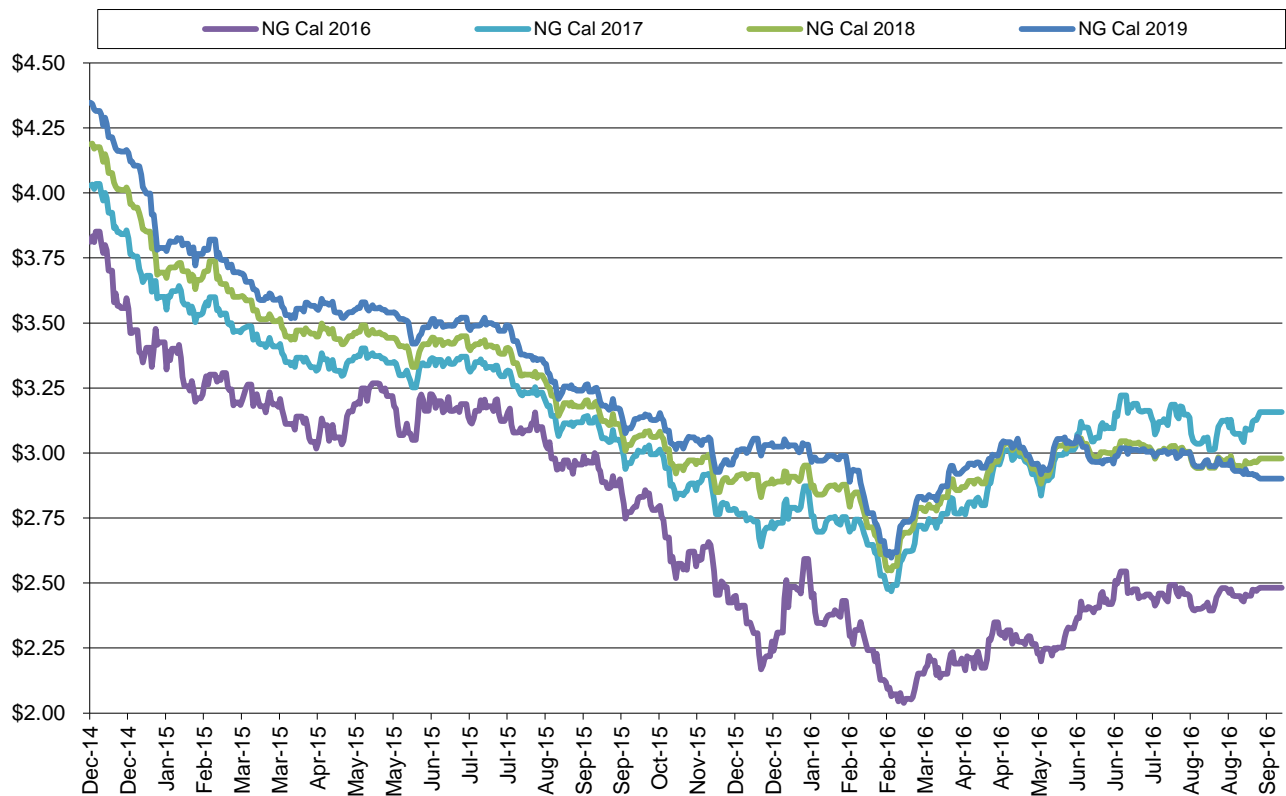
Other Factors: Nuclear generation fell 2,149 MW in the reference week to 92,597 MW. This is 3,072 MW lower than last year and 729 MW lower than the 5 year average. Recent output is near 89,750 MW.

- The 2016 cooling season is winding down. With a forecast through September 30, the 2016 total cooling index is at 5,349 compared to 4,310 for 2015, 3,370 for 2014, 4,804 for 2013, 7,176 for 2012 and 6,704 for 2011. The heat is primarily concentrated in the West.

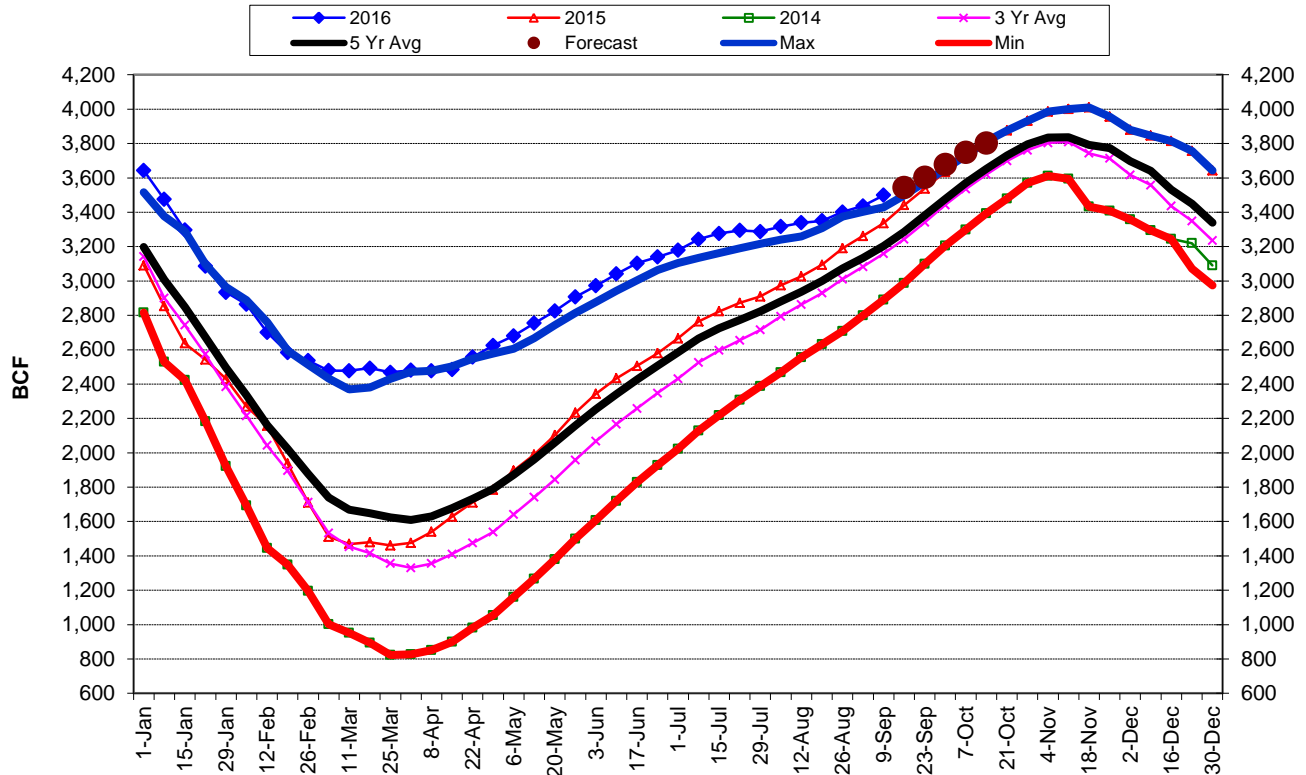
\$/MMBtu Ratio of NYMEX CL and NG



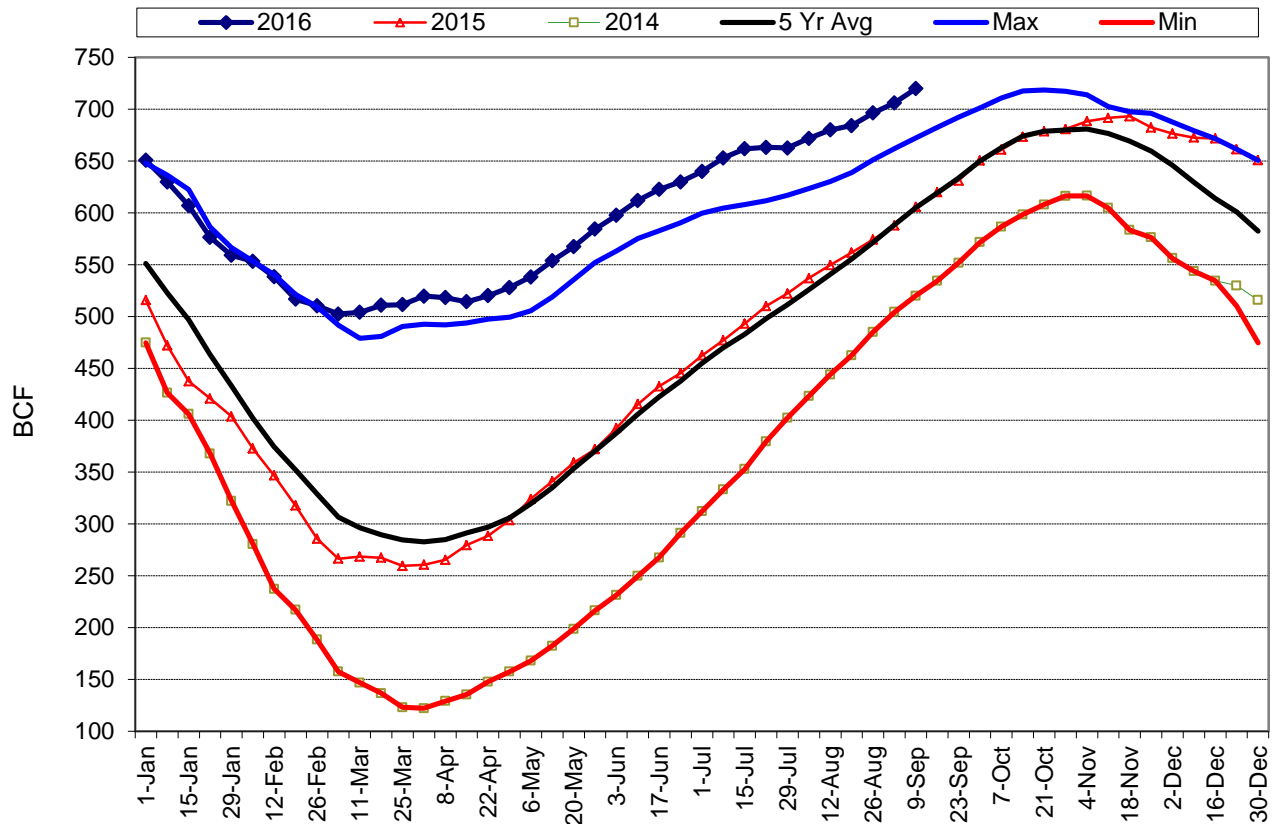
NYMEX Calendar Strips



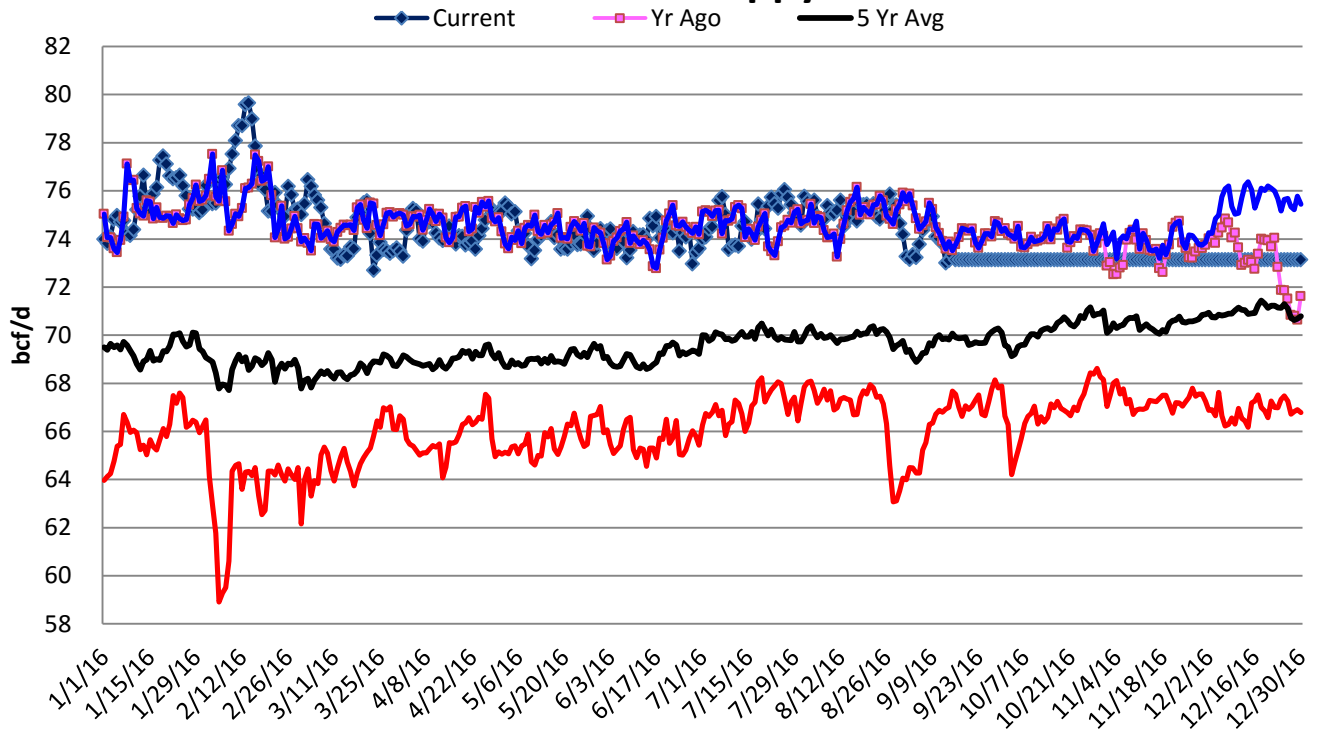
US Total Working Gas Storage - Source - EIA



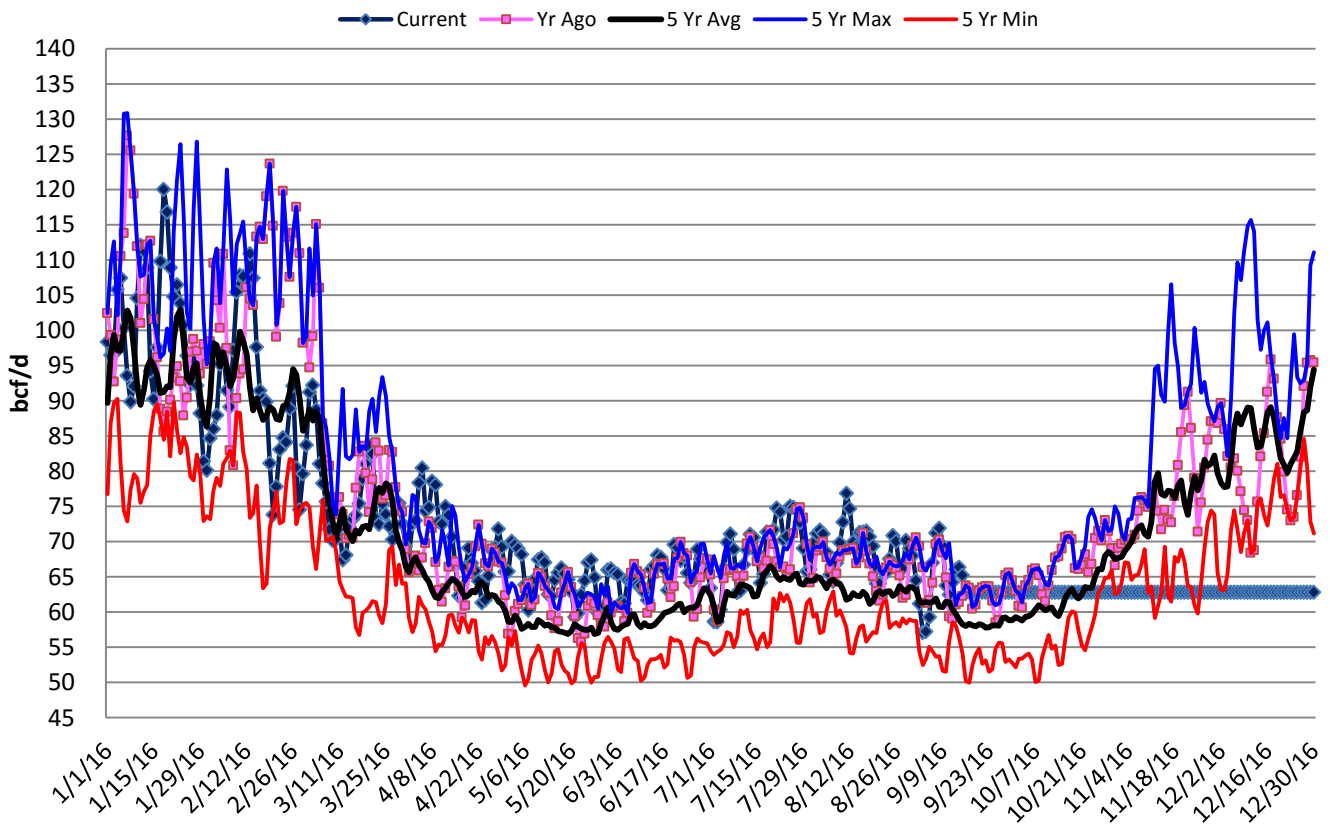
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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