



Energy Market Outlook

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Please contact me to review a joint RBN Energy daily publication detailing natural gas fundamentals.

Price Action: The November contract rose 9.2 cents (2.9%) to \$3.285 on a 35.2 cent range.

Price Outlook: The market moved higher as new speculative length entered the market and the EIA reported a much smaller than expected storage injection. Even though temperature forecasts are considered bearish with well above normal temperatures projected, the underlying supply/demand remains bullish and the huge yearly storage surplus has basically evaporated. Still prices have advanced significantly and if temperatures remain meaningfully above normal, prices may retreat. CFTC data indicated a notable increase in the managed money net long position as some shorts liquidated while longs added. Total open interest rose to 3.471 million as of October 11. Aggregated CME futures open interest rose to 1.160 million as of October 14.

Weekly Storage: US working gas storage for the week ending October 7 indicated a net injection of +79 bcf that lifted total working gas inventories to 3,759 bcf. Current inventories rise 28 bcf (0.8%) above last year while surpassing the 5 year average by 189 bcf (5.3%).

Storage Outlook: Our current estimation for early November inventories is 3,969 bcf. Canadian working gas storage for the week ending October 7 rose 6.1 bcf. Thus total working gas inventories rose to 752.2 bcf. Current inventories exceed last year by 91.4 bcf (13.8%) and the 5 year average by 89.3 bcf (13.5%). Canadian inventories are 33.7 bcf higher (4.7%) than previous record.

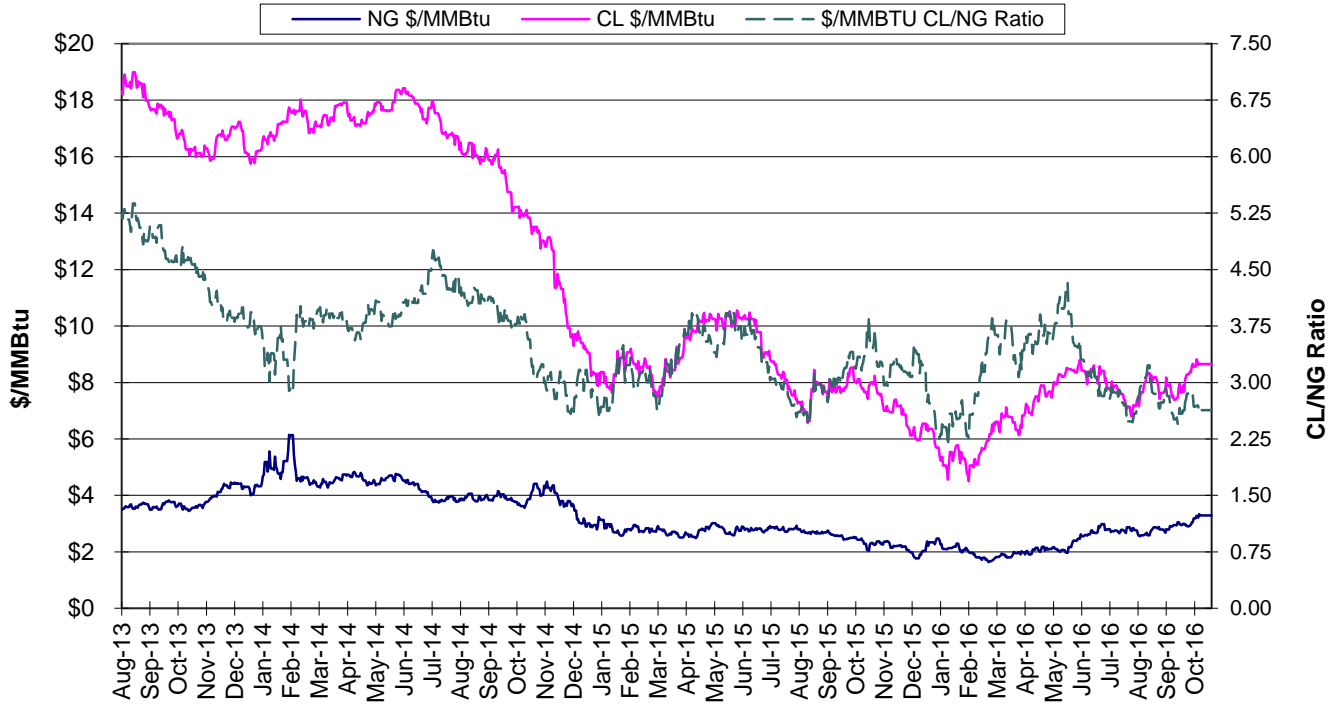
Supply Trends: Total supply fell (0.5) bcf/d to 73.4 bcf/d. Canadian imports were higher. US production and Mexican exports fell. LNG imports were unchanged. The US Baker Hughes rig count rose 15 with both oil and natural gas activity higher. The total US rig count now stands at 539. The Canadian rig count was unchanged at 165. Thus, the total North American rig count rose 15 to 704 and now trails last year by 264, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. The higher efficiency US horizontal rig count rose 18 to 431 and falls 160 below last year. The EIA revised marketed production in prior years in the latest Short Term Energy Outlook (STEO). There were both higher and lower revisions throughout 2014 and 2015. While dry gas volumes are much more important, the revision is noteworthy with supply changes such as important market dynamic.

Demand Trends: Total demand fell 1.6 bcf/d to 60.1 bcf/d. Lower power and industrial demand offset higher R&C demand. Electricity demand fell 245 gigawatt-hrs to 72,741 which exceeds last year by 1,639 (2.3%) and the 5 year average by 1,385 (1.9%).

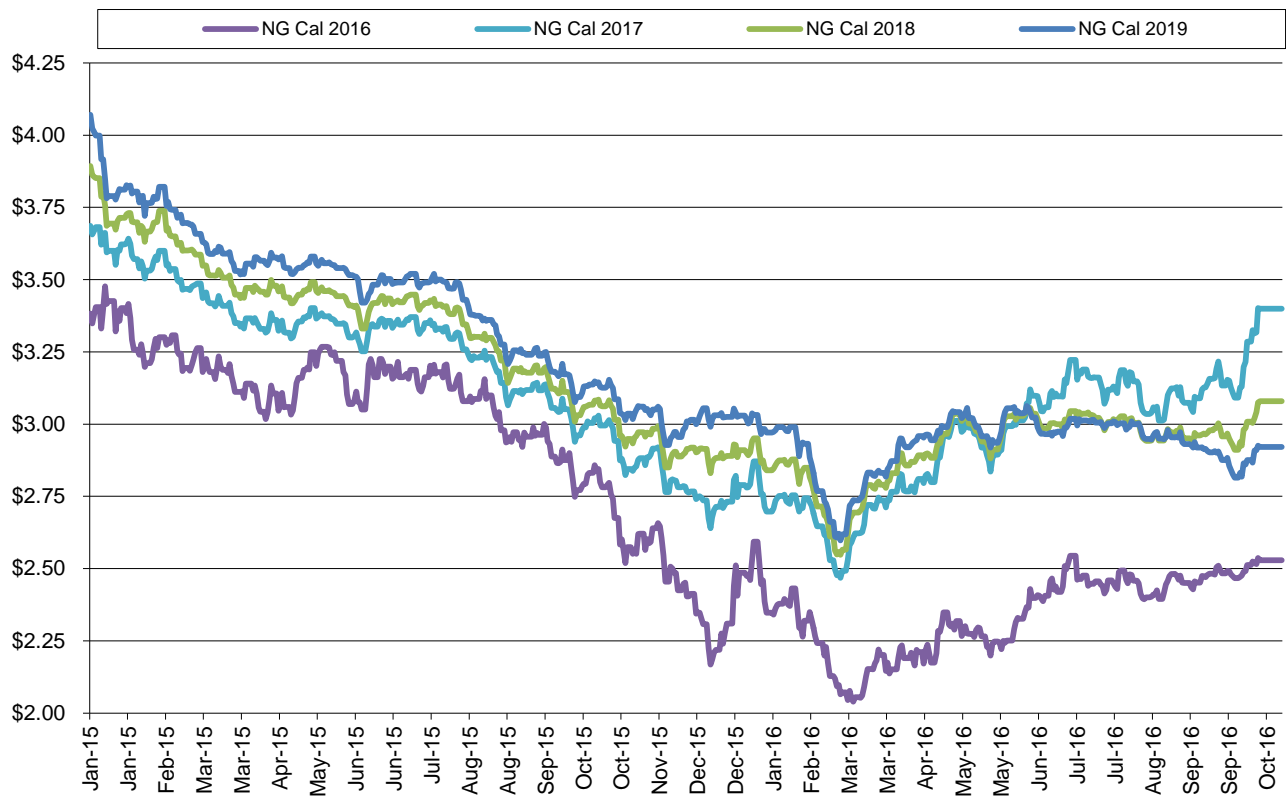
Other Factors: Nuclear generation fell 4,424 MW in the reference week to 82,402 MW. This is 1,120 MW higher than last year while (2,223) MW lower than the 5 year average. Recent output is near 79,250 MW.

- The 2016 cooling season is over and next week will transition to the heating index. With a forecast through October 28, the 2016 total cooling index is at 5,482 compared to 4,402 for 2015, 3,451 for 2014, 4,811 for 2013, 7,212 for 2012 and 6,709 for 2011. The heat is primarily concentrated in the West.

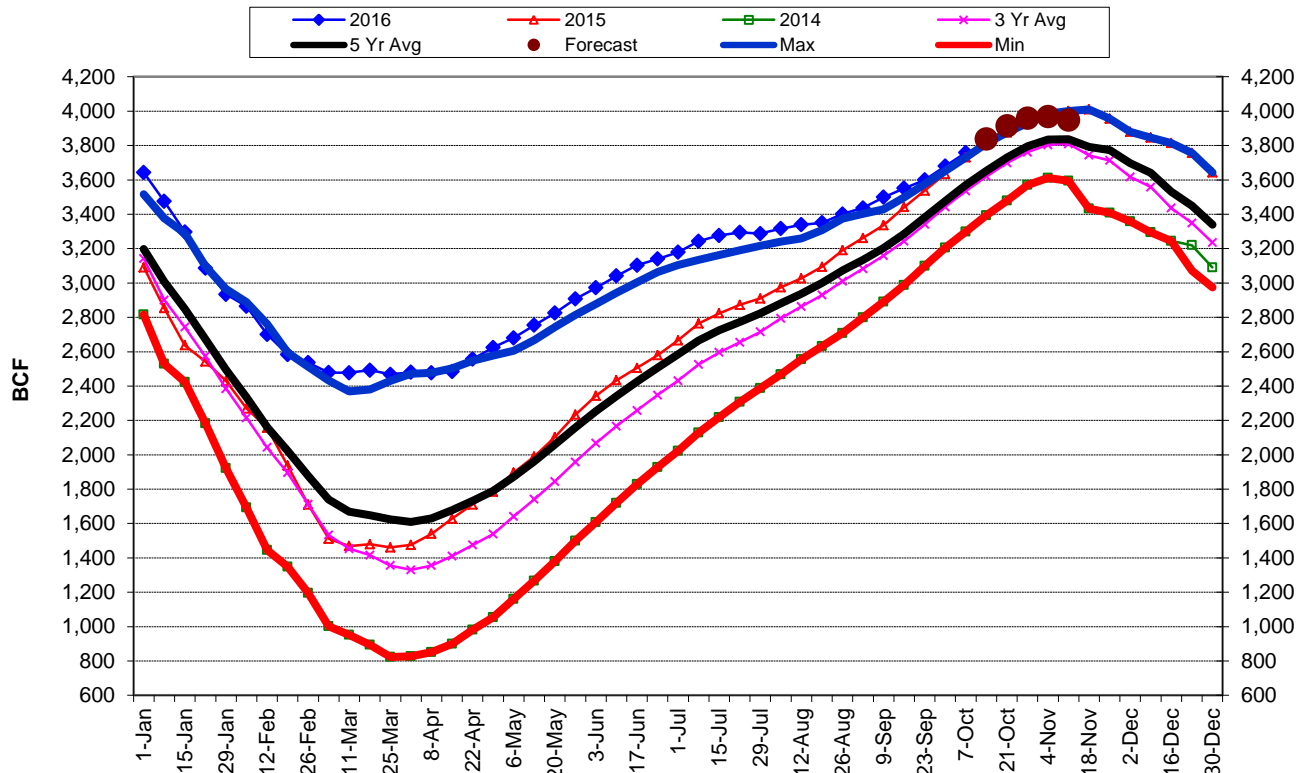
\$/MMBtu Ratio of NYMEX CL and NG



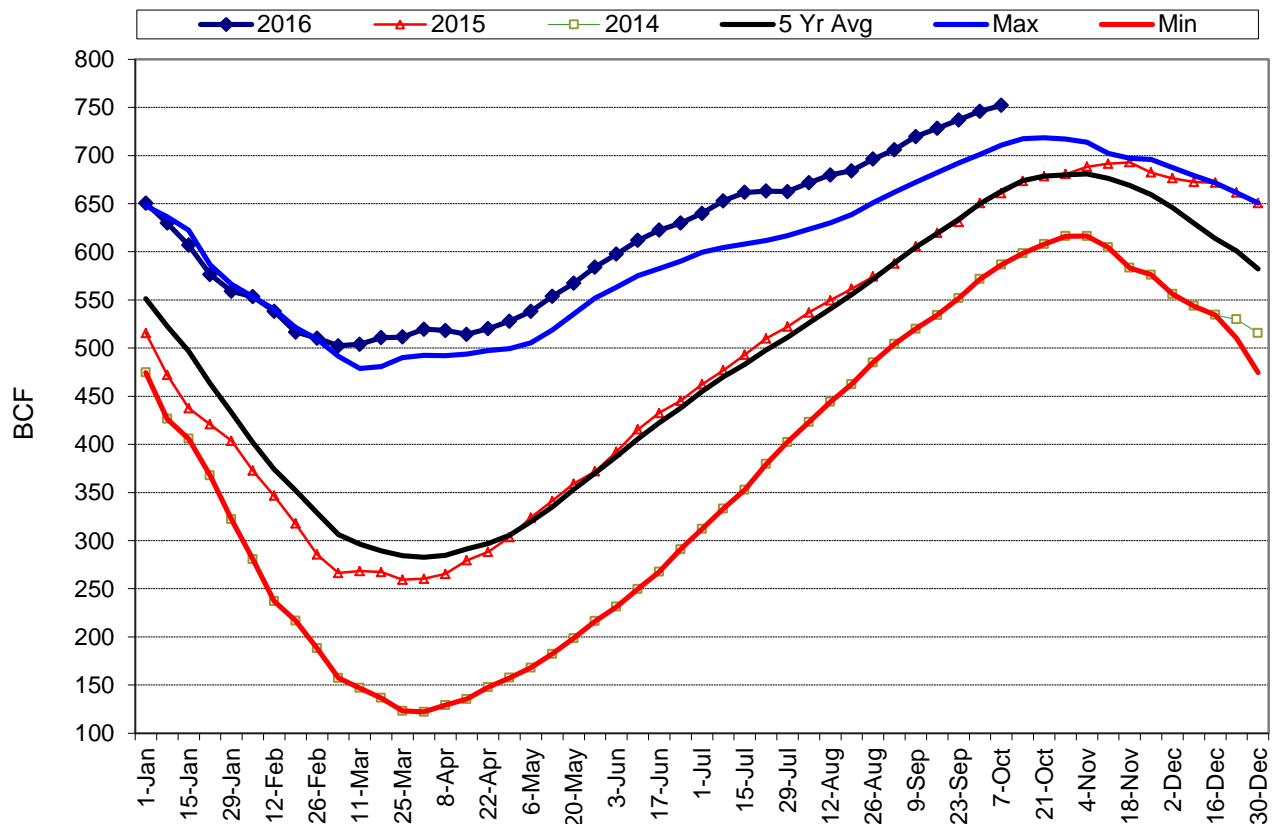
NYMEX Calendar Strips



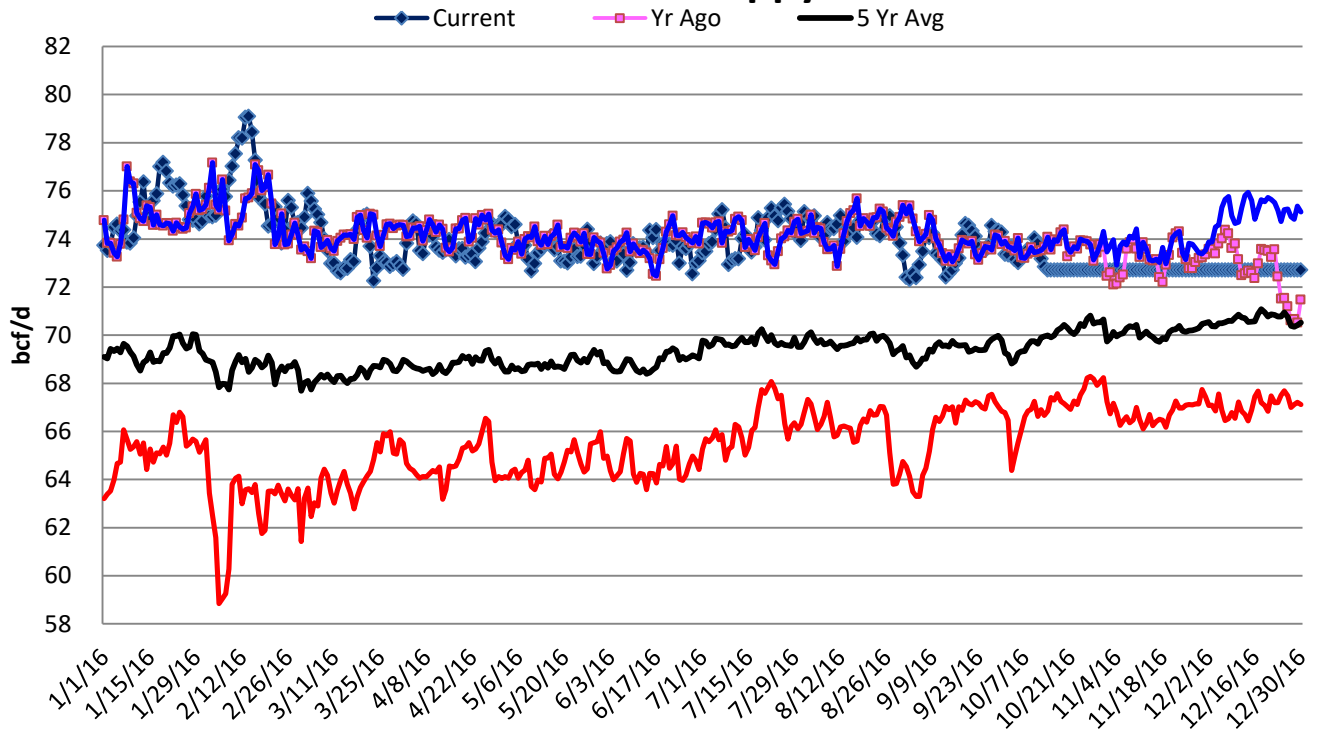
US Total Working Gas Storage - Source - EIA



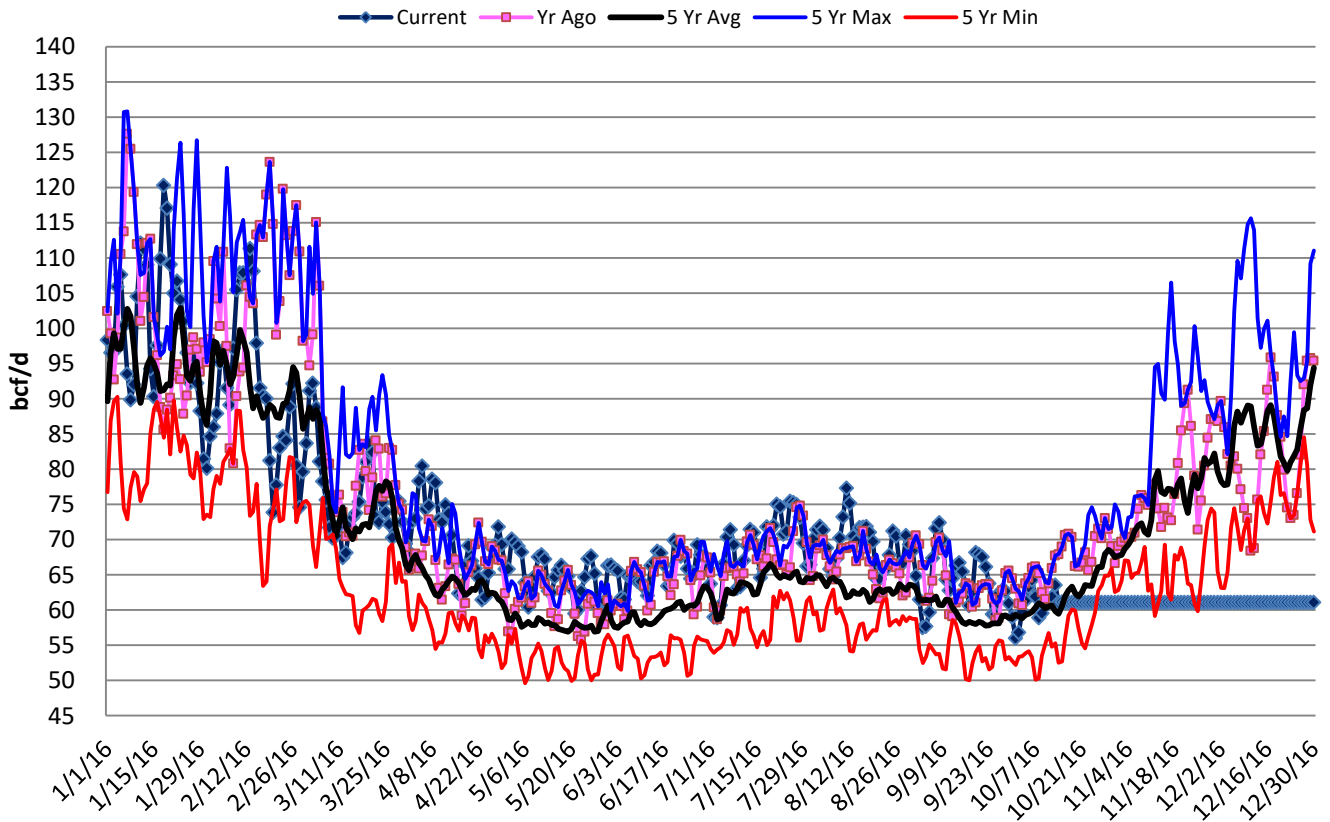
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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