



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 now prompt December contract fell 33.8 cents (10.9%) to \$2.767 on a 43.8 cent range.

Price Outlook: The market plummeted further as weather forecasts now project well above normal temperatures into mid November. The weather forecasts since September have added an incredible 221 bcf to projected storage compared to a normal weather profile. In comparison, the incredibly bearish weather of 2015 added 155 bcf over this same period. While the underlying supply/demand is still considered very bullish, the overwhelmingly bearish weather is keeping downward pressure on price. While any return to normal temperatures is expected to be quite bullish, temperatures must at least turn closer to normal for prices to meaningfully rebound. CFTC data indicated a massive reduction in the managed money net long position as longs liquidated and new shorts entered. Total open interest fell to 3.434 million as of November 1. Aggregated CME futures open interest rose to 1.168 million as of November 4.

Weekly Storage: US working gas storage for the week ending October 28 indicated a net injection of +54 bcf that lifted total working gas inventories to 3,963 bcf. Current inventories rise 32 bcf (0.8%) above last year while surpassing the 5 year average by 167 bcf (4.4%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 3 bcf higher than the actual EIA report and still within our tolerance range. The 5 week summation of our error remained at 6 bcf as the EIA has reported a net implied flow of +363 bcf compared to our estimated +369 bcf. For a 5 week period, this is within our tolerance range. Our current estimation for early April inventories is 1,490 bcf.

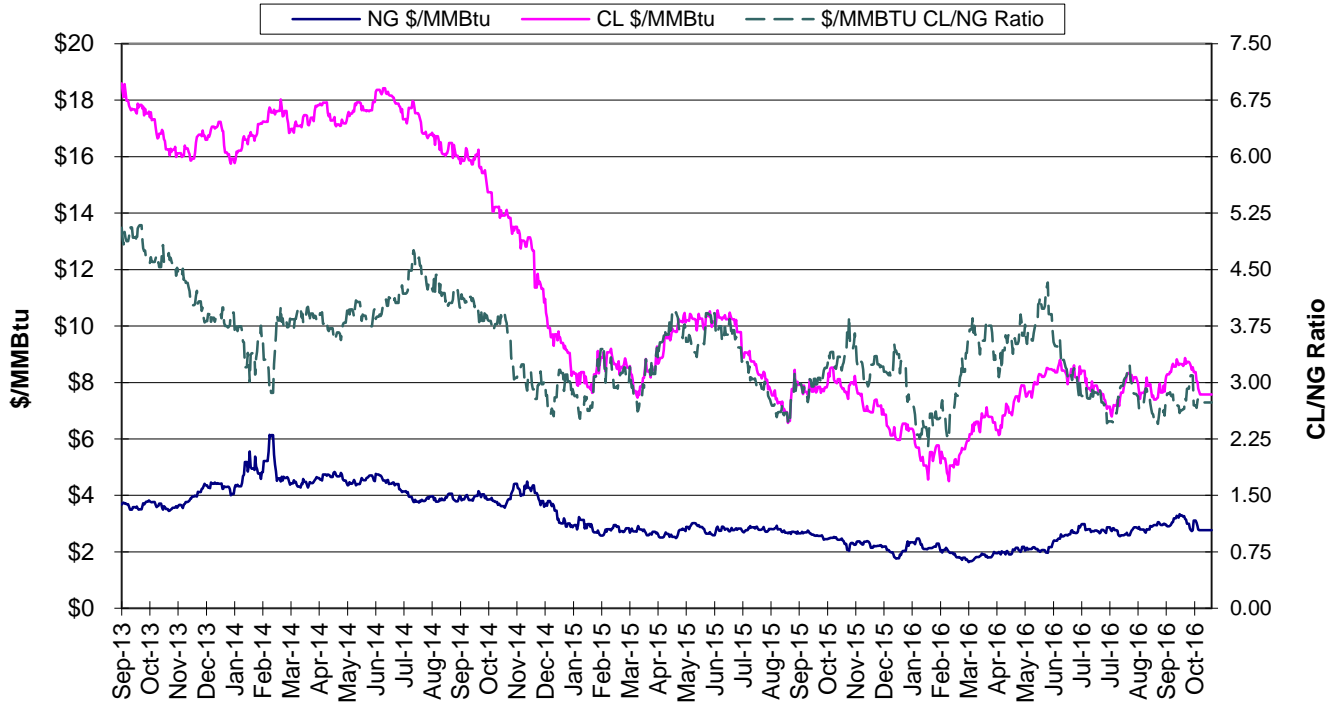
Supply Trends: Total supply rose +0.8 bcf/d to 72.5 bcf/d. US production, Canadian imports and Mexican exports were higher. LNG imports were lower. The US Baker Hughes rig count rose 12 as both oil and natural gas activity rose. The total US rig count now stands at 569. The Canadian rig count rose 1 to 154. Thus, the total North American rig count rose 13 to 723 and now trails last year by 233, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. The higher efficiency US horizontal rig count rose 9 to 459 and falls 126 below last year. The EIA Monthly Natural Gas Report indicated a rather large increase in US production.

Demand Trends: Total demand rose +3.2 bcf/d to 63.9 bcf/d. Higher R&C and industrial demand easily offset lower power demand. Electricity demand fell 3,647 gigawatt-hrs to 68,955 which exceeds last year by 662 (1.0%) while trailing the 5 year average by 245 (0.4%). The EIA Monthly Natural Gas Report indicated a new monthly demand record driven primarily by power demand.

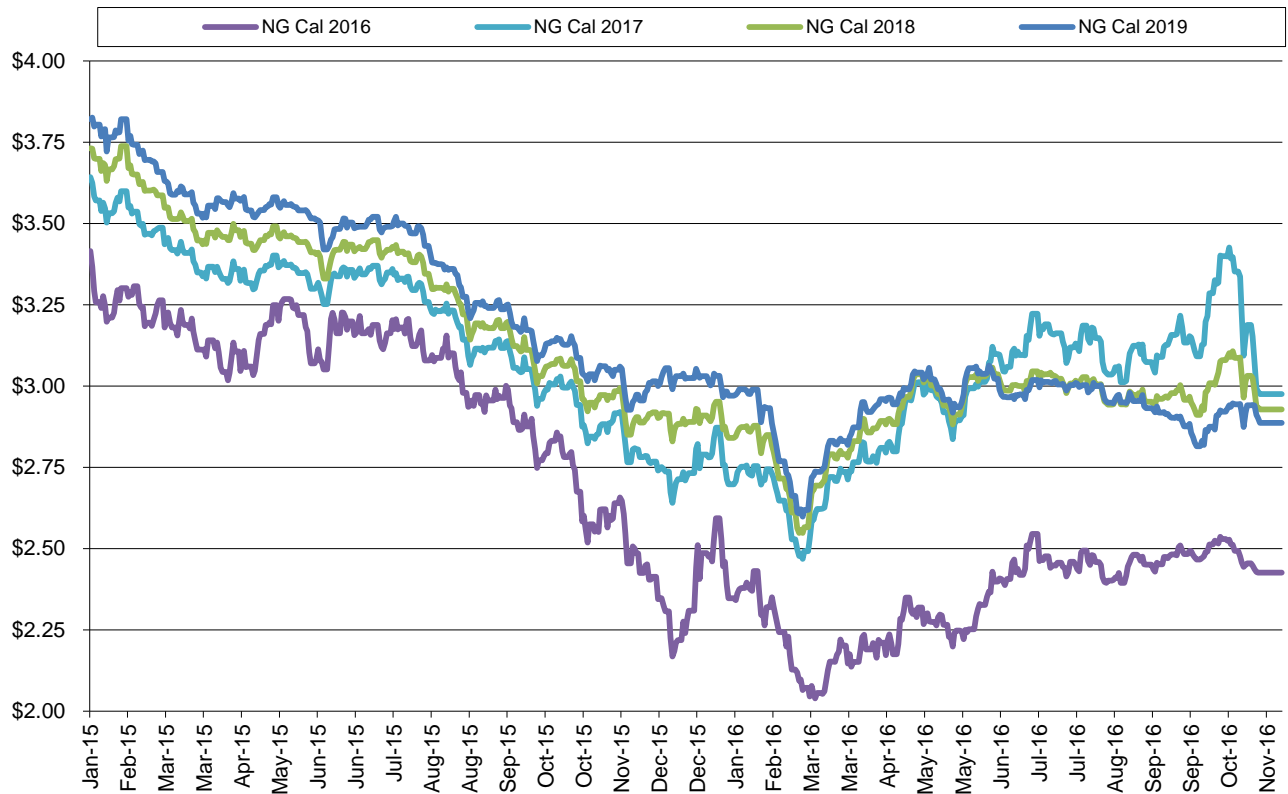
Other Factors: Nuclear generation fell 630 MW in the reference week to 77,986 MW. This is 1,225 MW higher than last year while (1,985) MW lower than the 5 year average. Recent output is near 80,750 MW. Fort Calhoun in Nebraska permanently powered down in late October.

- The 2016/17 heating season is beginning. With a forecast through November 18, the 2016/17 total heating index is at 61 compared to 171 for 2015/16, 299 for 2014/15, 269 for 2013/14, 312 for 2012/13 and 273 for 2011/12.

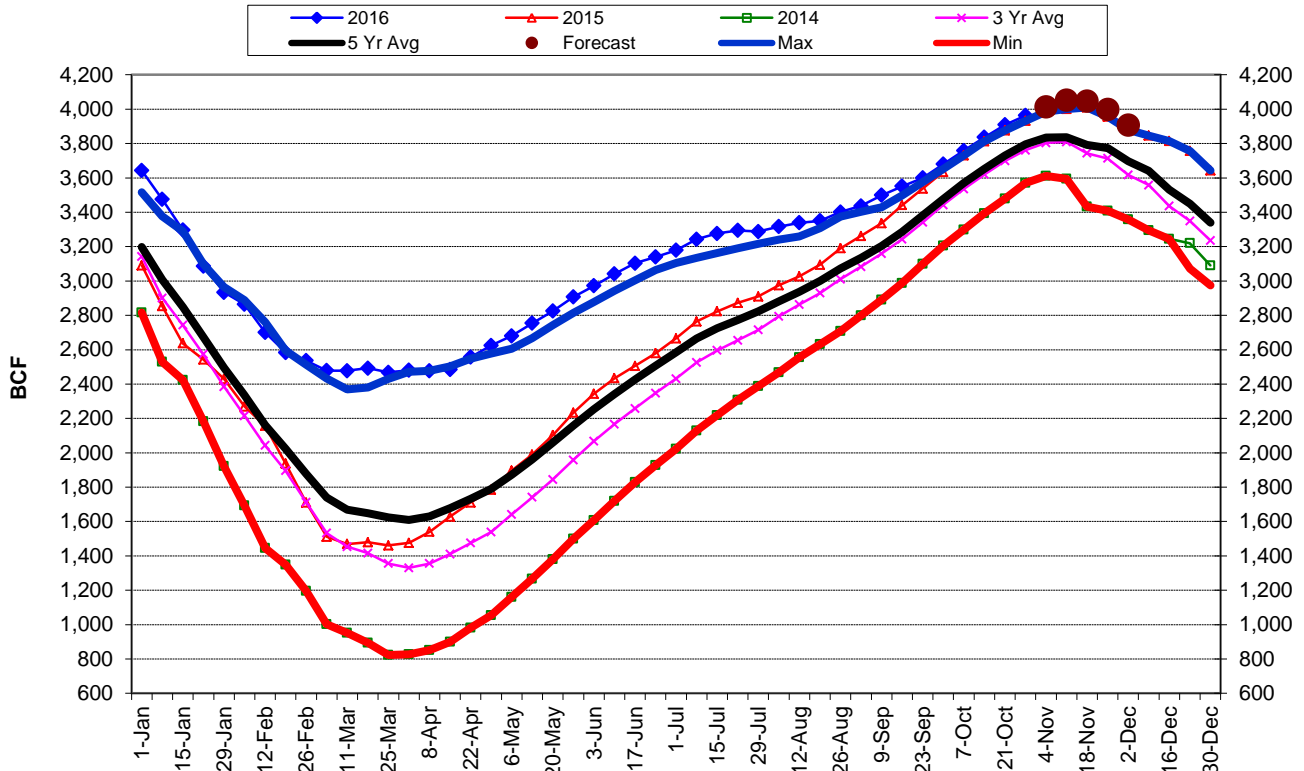
\$/MMBtu Ratio of NYMEX CL and NG



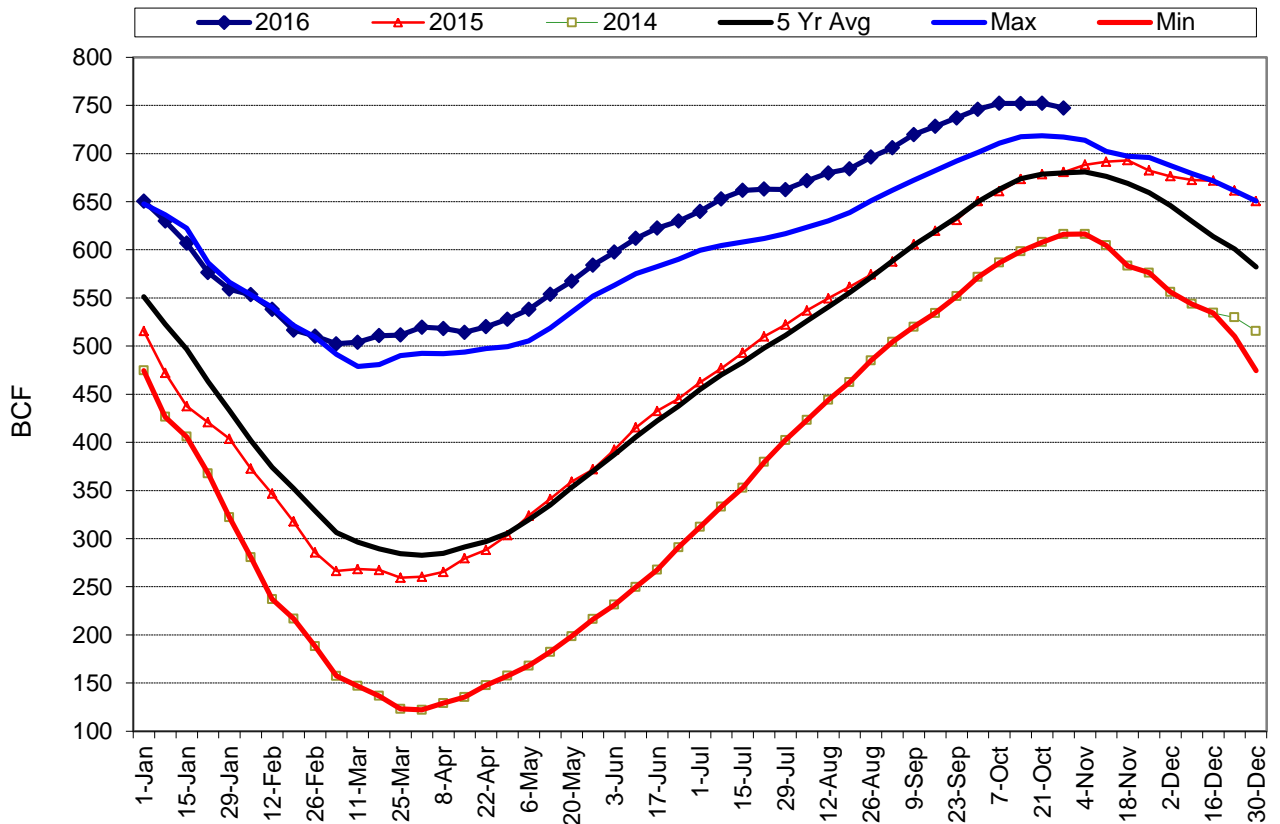
NYMEX Calendar Strips



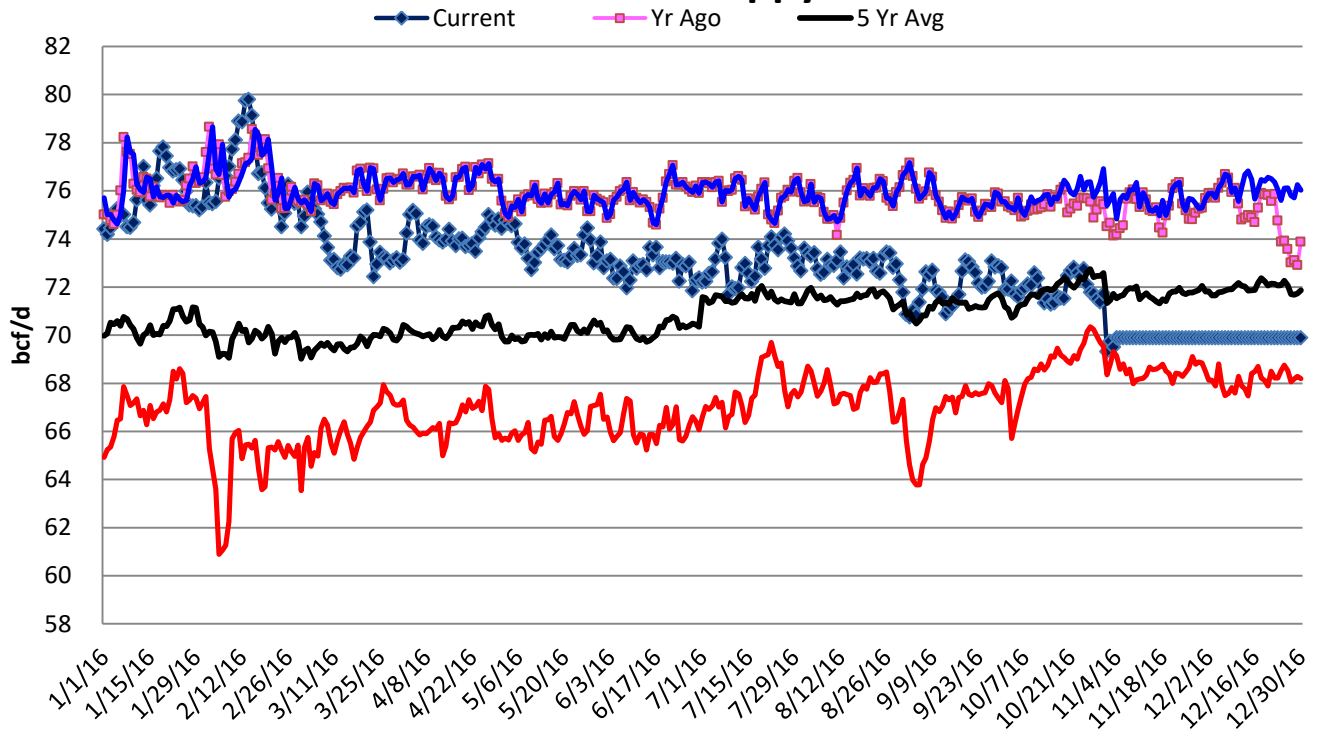
US Total Working Gas Storage - Source - EIA



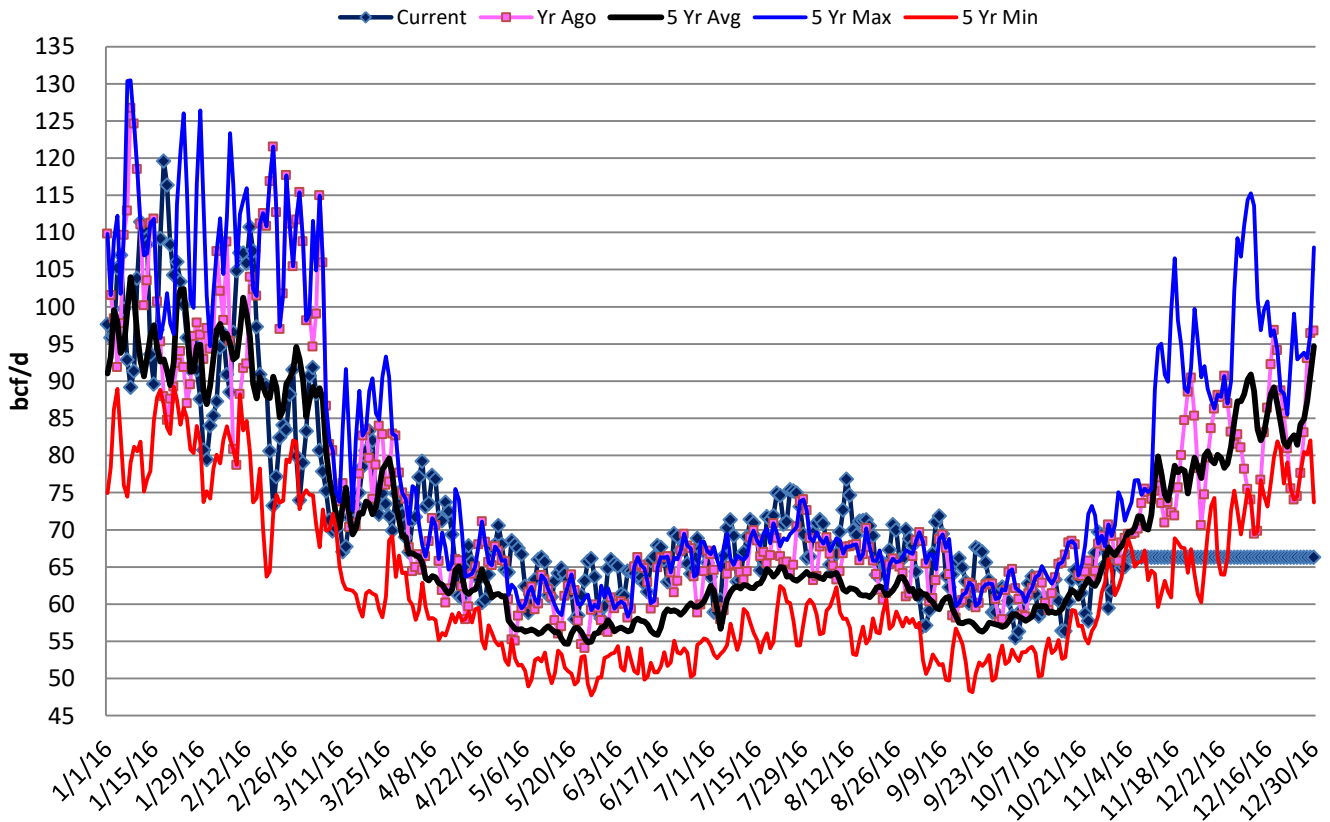
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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