



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 December contract rose 22.4 cents (8.6%) to \$2.843 on a 20.8 cent range.

Price Outlook: The market rebounded as weather forecasts were no longer considered incredibly bearish. Rather after weeks of weather forecasting demand losses compared to normal, this week had a very small demand increase, the first such increase since late September. While the price action reinforces our view of a risk/reward situation still skewed to the upside, one week hardly changes the entrenched warmer than normal temperatures and a return to above normal temperatures could easily push prices lower again. CFTC data indicated another notable drop in the managed money and the position has fallen almost 120,000 contracts since mid-October and is the smallest since September 6. Aggregated CME futures open interest fell to 1.169 million as of November 18.

Weekly Storage: US working gas storage for the week ending November 11 indicated a net injection of +30 bcf that lifted total working gas inventories to 4,047 bcf. Current inventories rise 47 bcf (1.2%) above last year while surpassing the 5 year average by 211 bcf (5.5%). **This represents a new record storage level.**

Storage Outlook: Our EIA weekly storage estimate was mathematically 6 bcf lower than the actual EIA report and slightly above our tolerance range. The 5 week summation of our error rose to 8 bcf as the EIA has reported a net implied flow of +288 bcf compared to our estimated +280 bcf. For a 5 week period, this is within our tolerance range. Our estimation for early April inventories is 1,516 bcf.

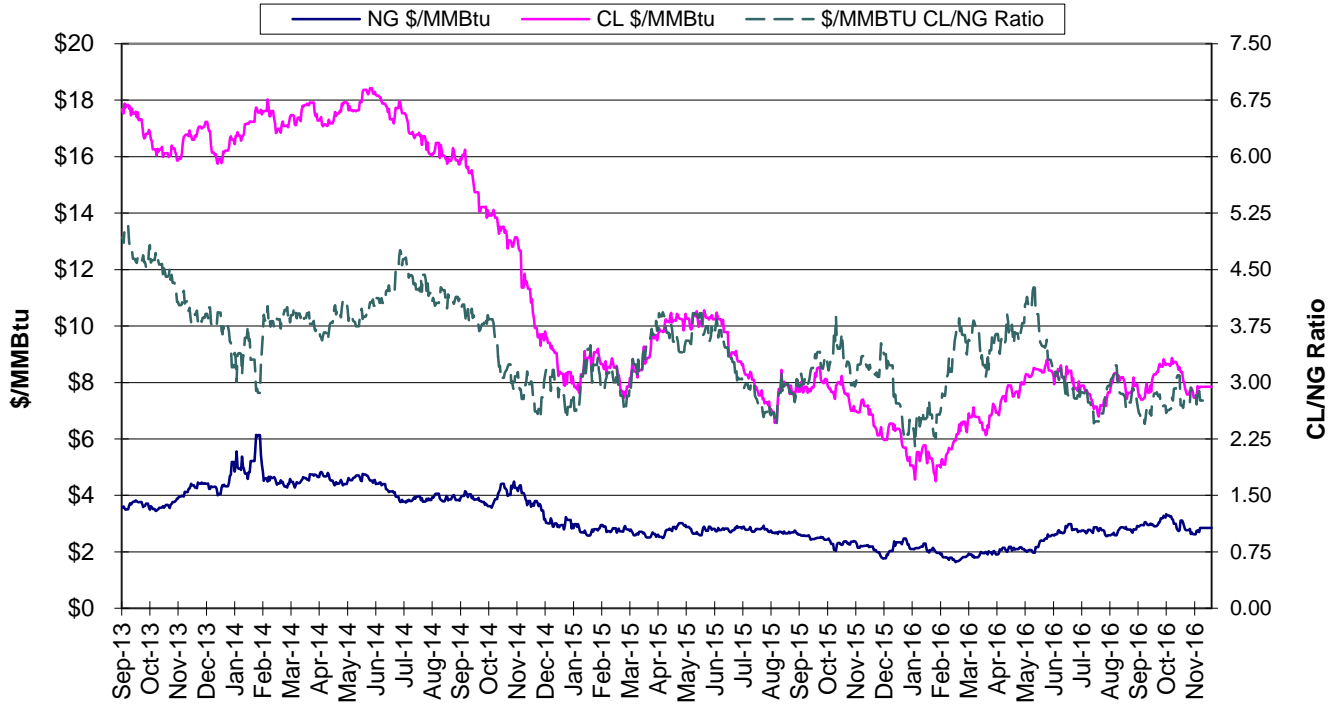
Supply Trends: Total supply fell (0.7) bcf/d to 70.0 bcf/d. US production was higher. Canadian and LNG imports were lower. LNG exports were higher. Mexican exports were unchanged. The US Baker Hughes rig count rose 20 as both oil and natural gas activity increased. The total US rig count now stands at 588. The Canadian rig count rose 8 to 184. Thus, the total North American rig count rose 28 to 772 and now trails last year by 151, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. **The higher efficiency US horizontal rig count rose 13 to 470 and falls 111 below last year. The EIA's Drilling Productivity report has routinely witnessed large revisions. However, this month's was extremely large with an over 1 bcf/d upward revision to Shale production.**

Demand Trends: Total demand rose +2.4 bcf/d to 66.6 bcf/d. Higher R&C and industrial demand offset lower power demand. Electricity demand fell 1,665 gigawatt-hrs to 68,087 which trails last year by 1,257 (1.8%) and the 5 year average by 3,375 (4.7%).

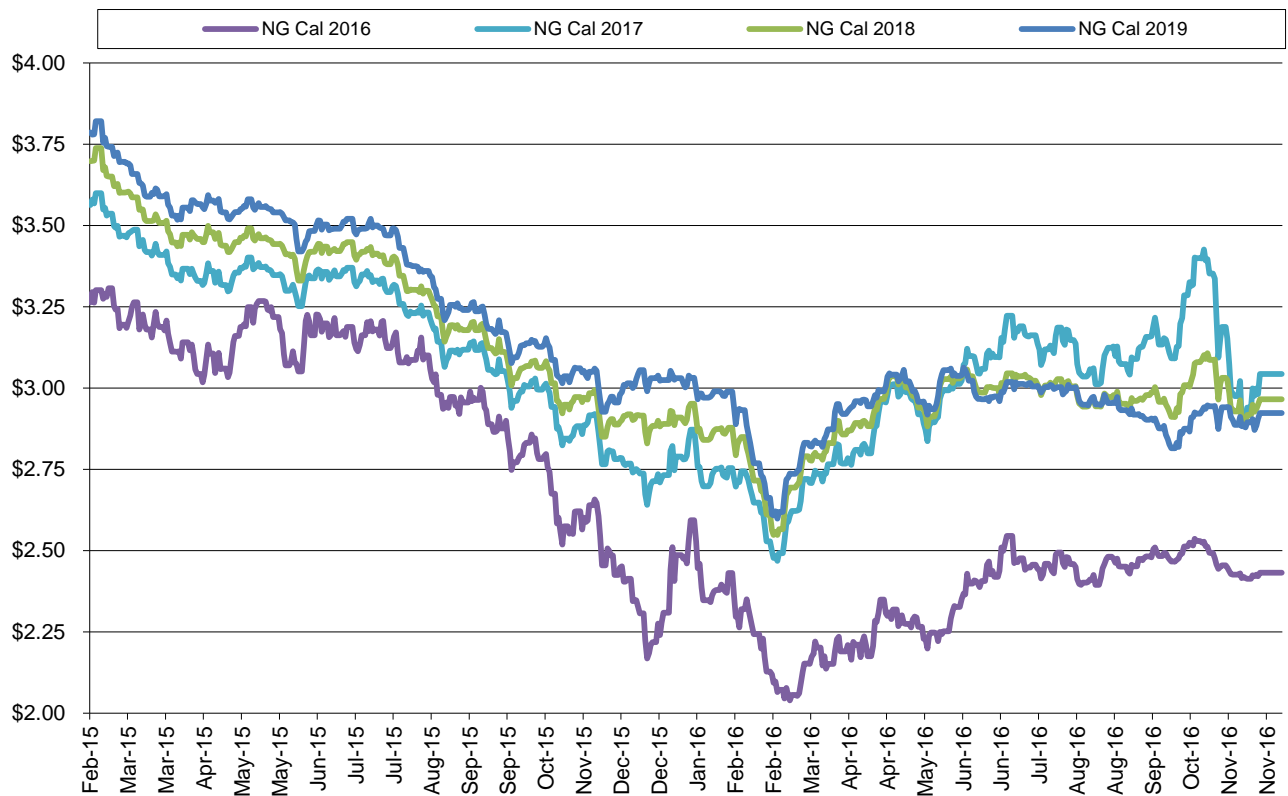
Other Factors: Nuclear generation rose 1,729 MW in the reference week to 80,831 MW. This is 4,929 MW higher than last year and 271 MW higher than the 5 year average. Recent output is near 89,000 MW.

- The 2016/17 heating season has officially begun. With a forecast through December 2, the 2016/17 total heating index is at 292 compared to 410 for 2015/16, 552 for 2014/15, 548 for 2013/14, 502 for 2012/13 and 432 for 2011/12.

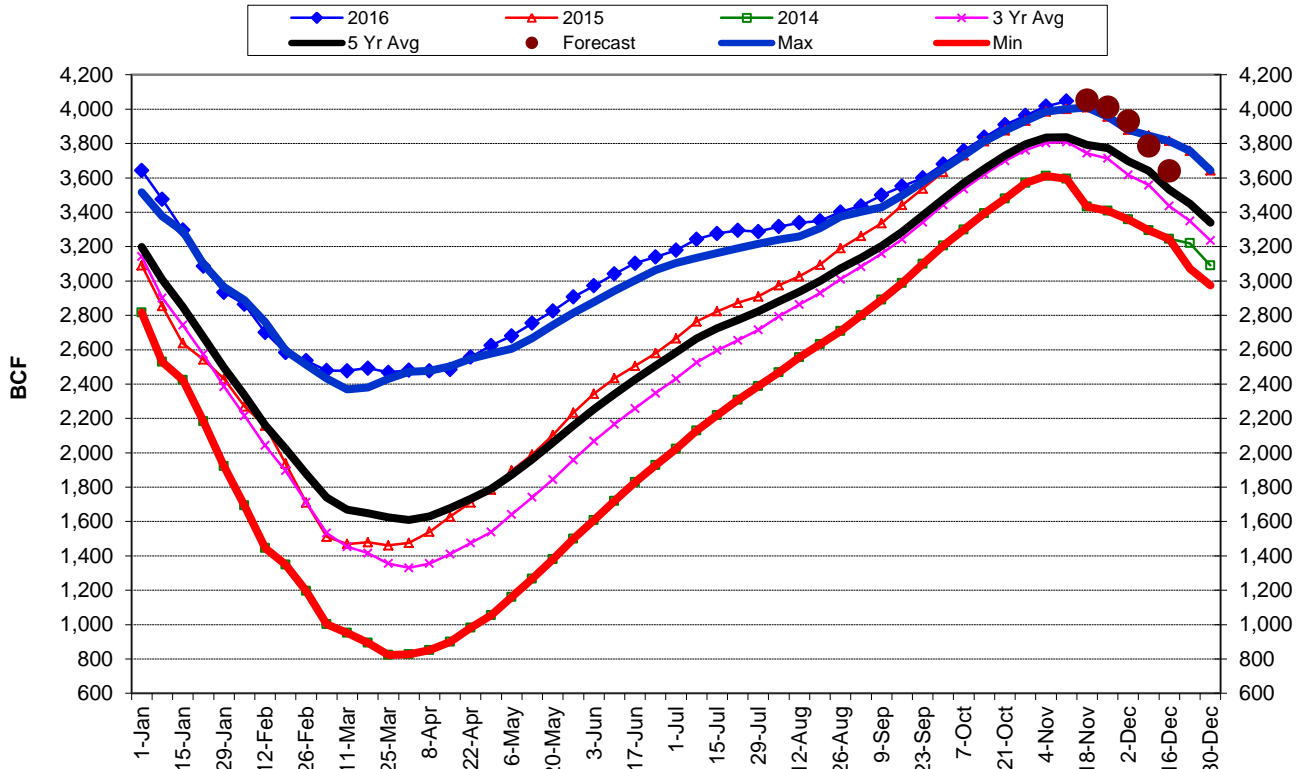
\$/MMBtu Ratio of NYMEX CL and NG



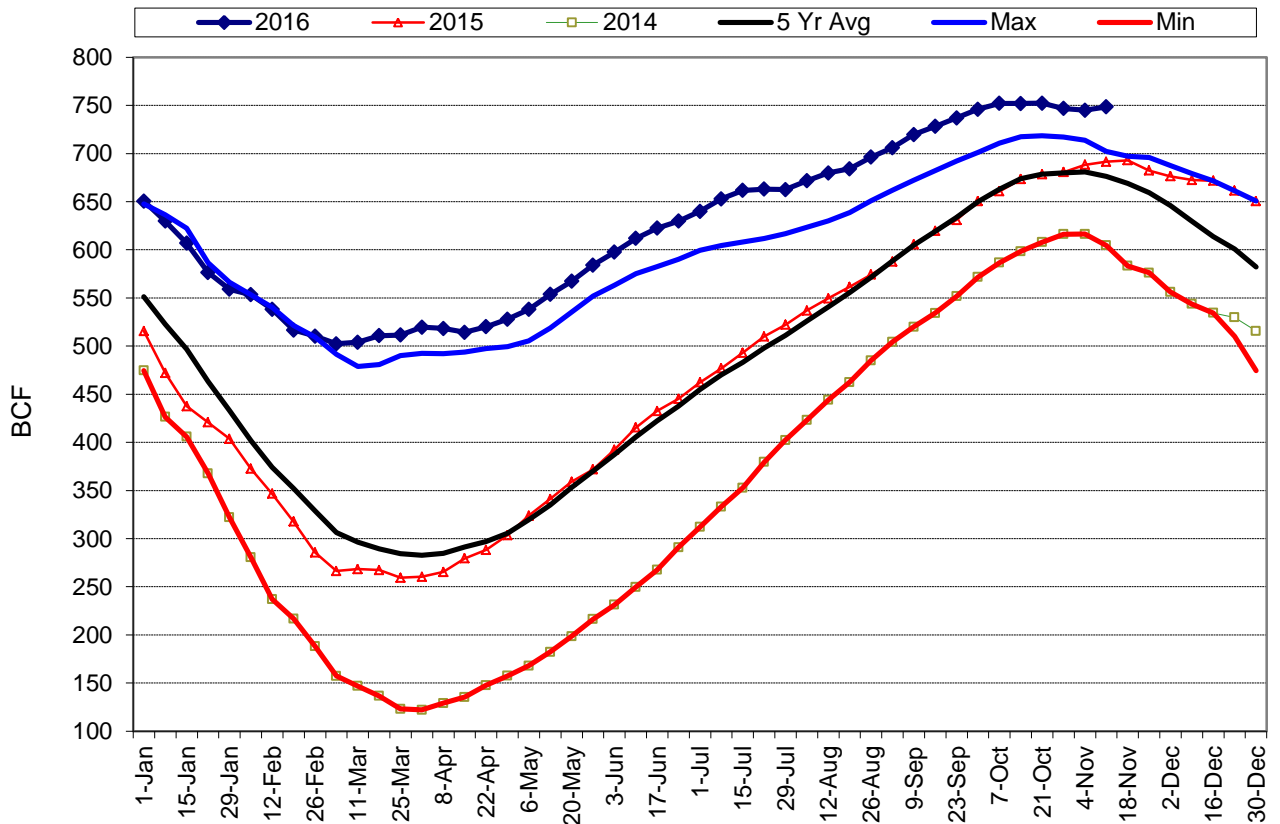
NYMEX Calendar Strips



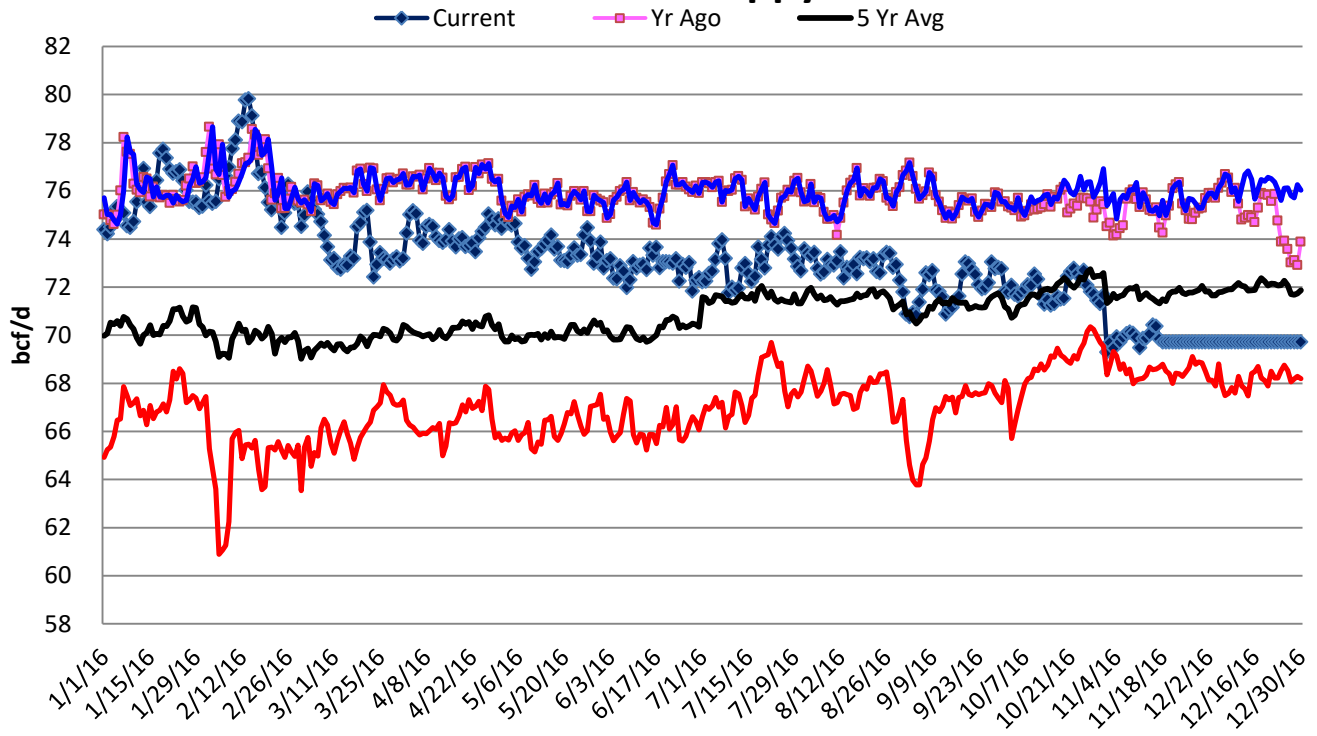
US Total Working Gas Storage - Source - EIA



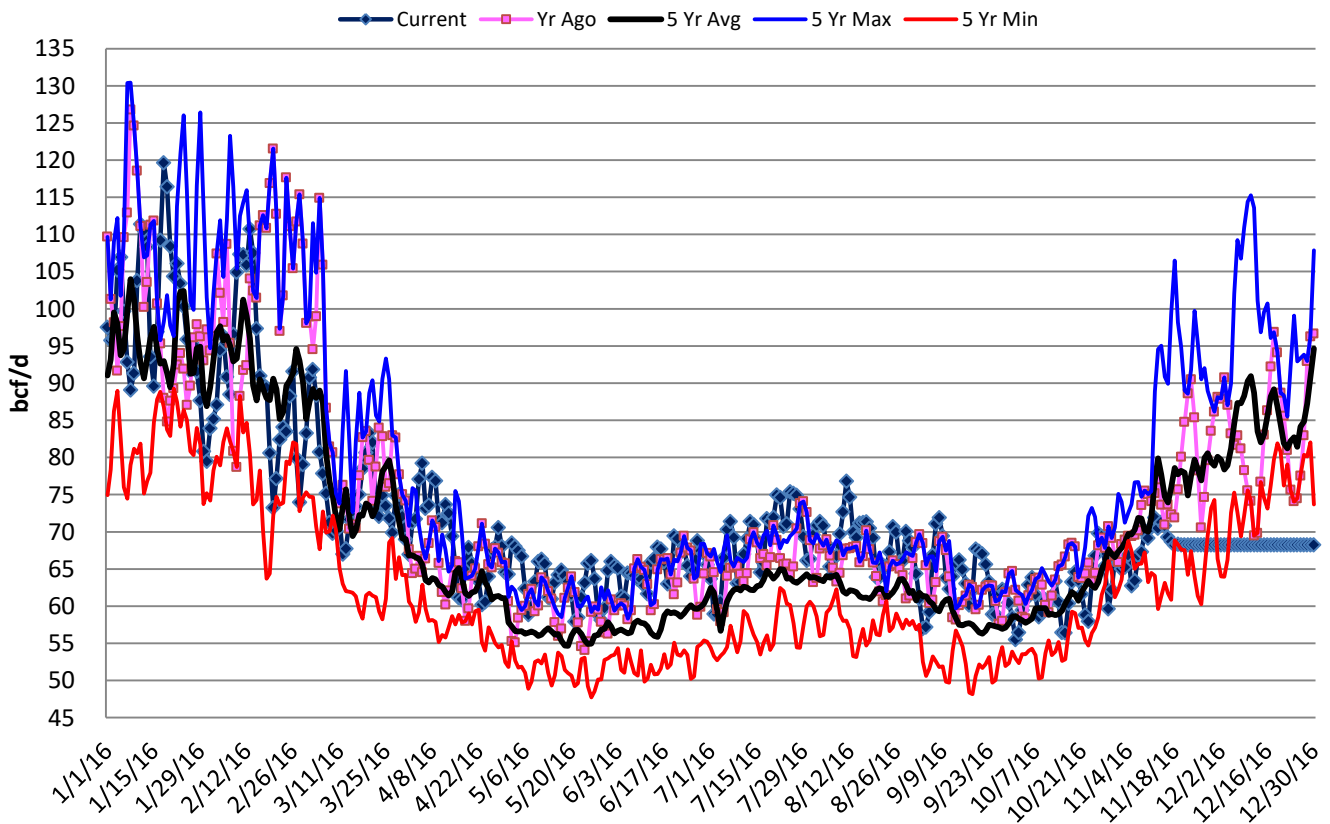
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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