



## Energy Market Outlook

Kyle Cooper, (713) 248-3009 [Kyle.Cooper@IAFAdvisors.com](mailto:Kyle.Cooper@IAFAdvisors.com)

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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 24.2 cents (8.5%) to \$3.085 on a 23.0 cent range.

**Price Outlook:** The market continued higher despite a return to bearish weather forecasts as the EIA reported an unexpected draw. Despite very moderate temperatures in the reference week, inventories slipped and reinforce a very bullish underlying supply/demand. Thus, while Mother Nature remains the primary natural gas price driver, the risk/reward situation is likely still skewed to the upside unless temperatures actualize even warmer than forecast. CFTC data was not updated. Aggregated CME futures open interest fell to 1.159 million as of November 23.

**Weekly Storage:** US working gas storage for the week ending November 18 indicated a net withdrawal of (2) bcf that dropped total working gas inventories to 4,045 bcf. Current inventories rise 36 bcf (0.9%) above last year while surpassing the 5 year average by 254 bcf (6.7%).

**Storage Outlook:** Our EIA weekly storage estimate was mathematically 8 bcf higher than the actual EIA report and above our tolerance range. The 5 week summation of our error however fell to 1 bcf as the EIA has reported a net implied flow of +209 bcf compared to our estimated +210 bcf. For a 5 week period, this is within our tolerance range. Our estimation for early April inventories is 1,527 bcf.

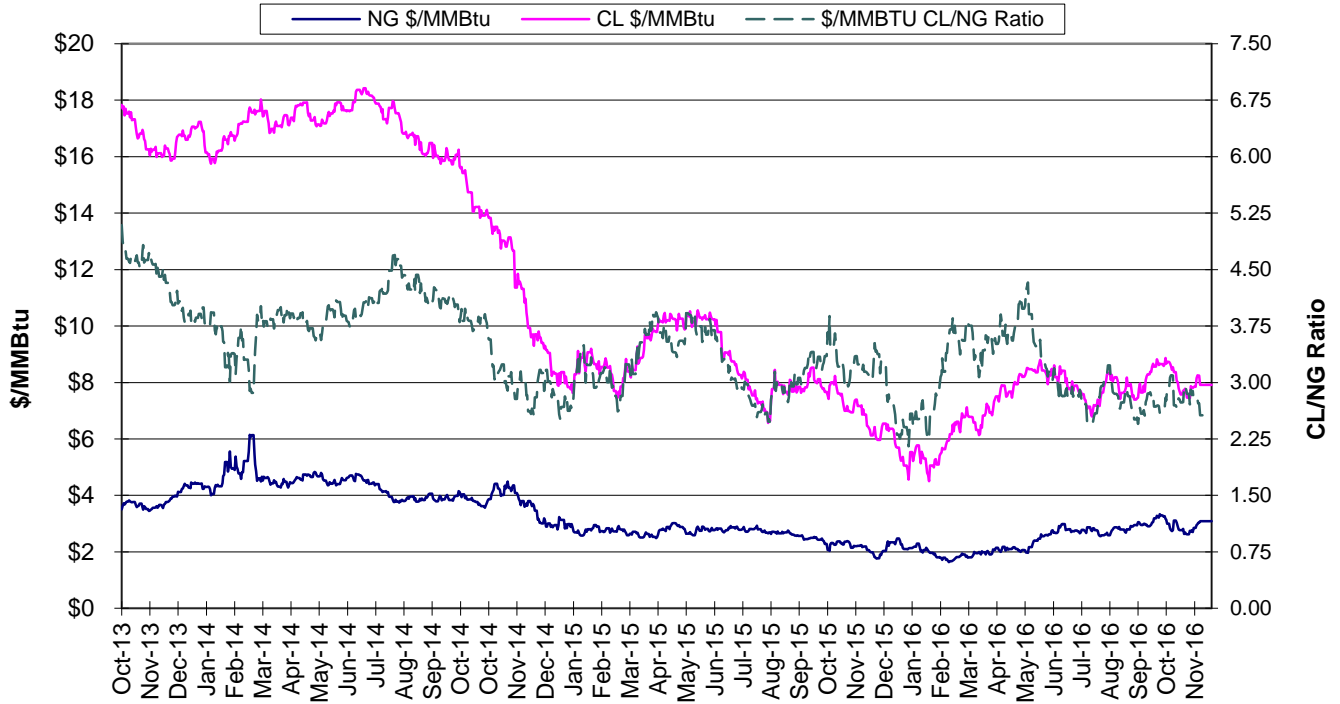
**Supply Trends:** Total supply was unchanged at 70.0 bcf/d. US production was higher. Canadian imports were lower. LNG exports were higher. LNG imports and Mexican exports were unchanged. The US Baker Hughes rig count rose 5 as both oil and natural gas activity increased. The total US rig count now stands at 593. The Canadian rig count fell 10 to 174. Thus, the total North American rig count fell 5 to 767 and now trails last year by 161, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. The higher efficiency US horizontal rig count rose 5 to 475 and falls 94 below last year. Our review of US E&P company reports continues to highlight improving efficiencies and suggests rising production volumes in the next few quarters.

**Demand Trends:** Total demand rose +3.9 bcf/d to 70.5 bcf/d. All sectors were higher and was led by R&C. Electricity demand rose 748 gigawatt-hrs to 68,835 which trails last year by 1,298 (1.9%) and the 5 year average by 4,284 (5.9%).

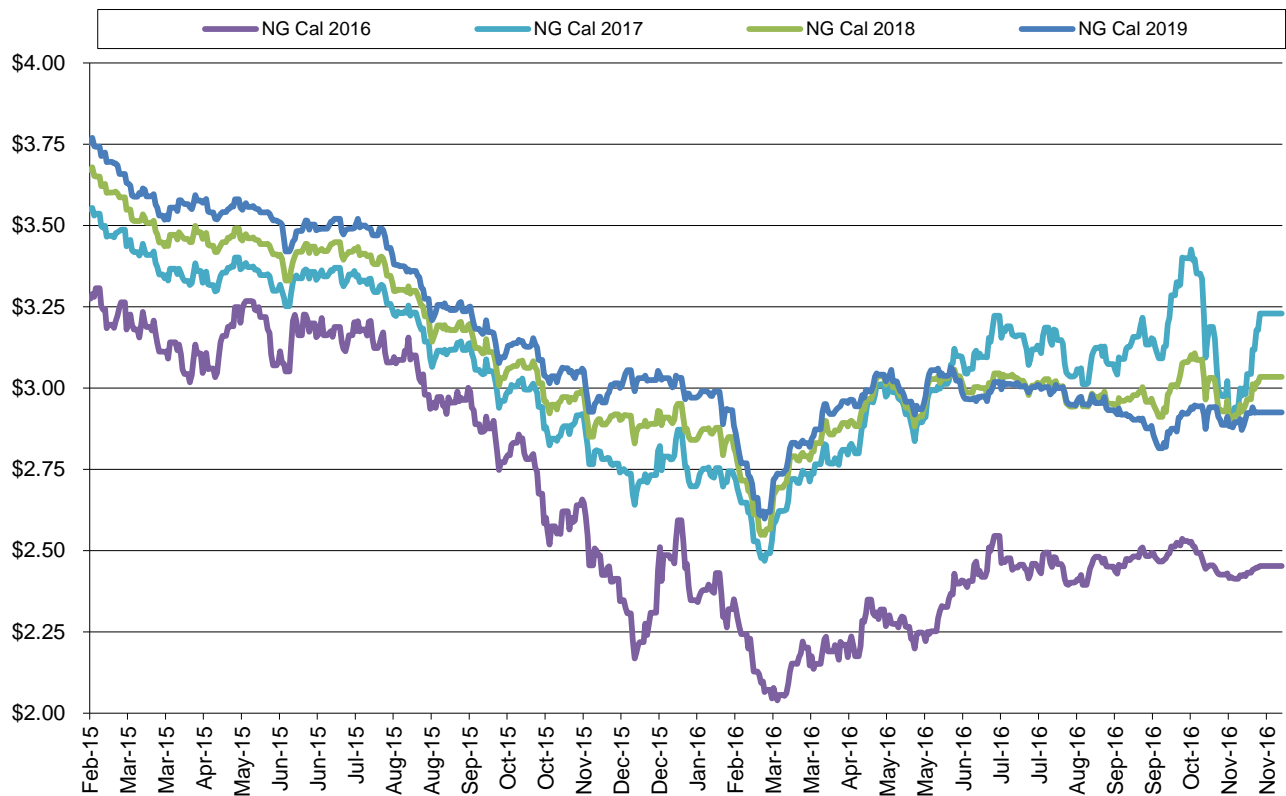
**Other Factors:** Nuclear generation rose 6,003 MW in the reference week to 86,835 MW. This is 6,897 MW higher than last year and 3,850 MW higher than the 5 year average. Recent output is near 91,250 MW.

- The 2016/17 heating season has officially begun. With a forecast through December 9, the 2016/17 total heating index is at 432 compared to 481 for 2015/16, 655 for 2014/15, 692 for 2013/14, 561 for 2012/13 and 570 for 2011/12.

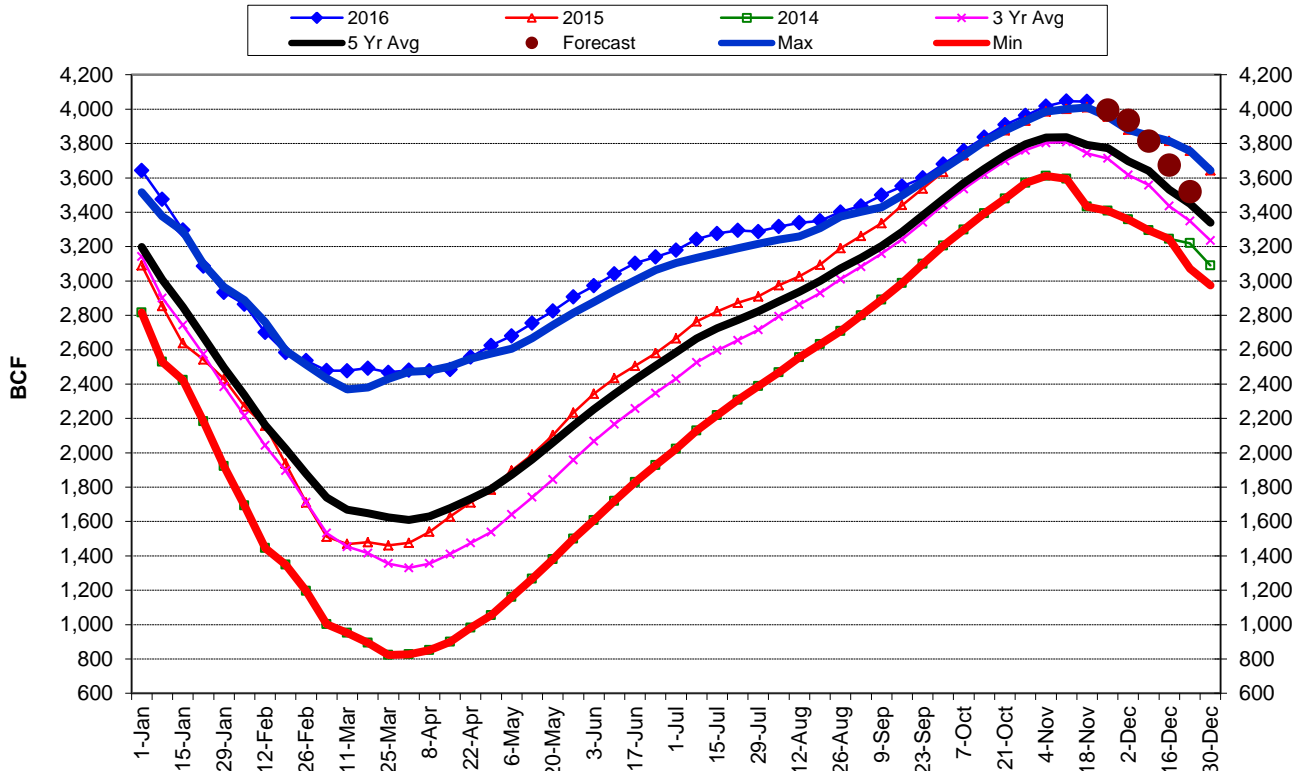
## \$/MMBtu Ratio of NYMEX CL and NG



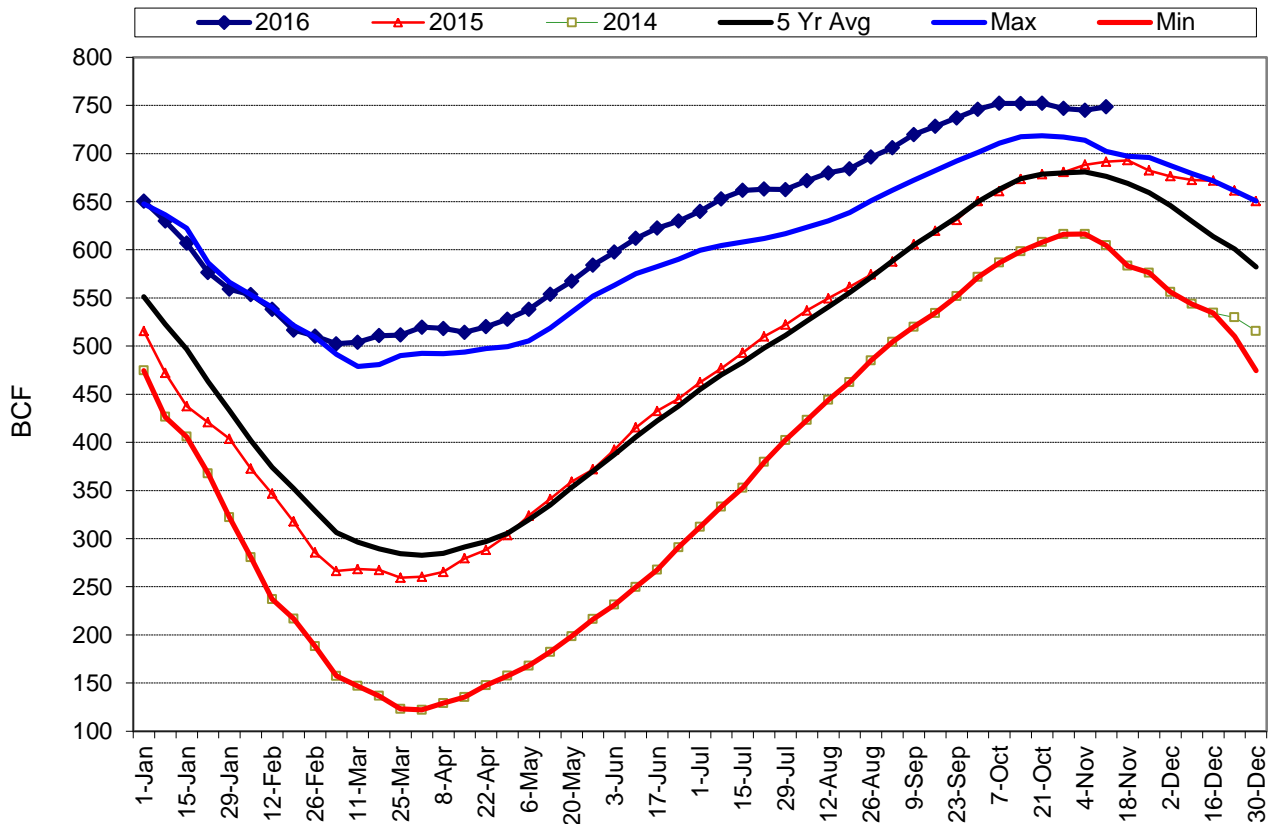
## NYMEX Calendar Strips



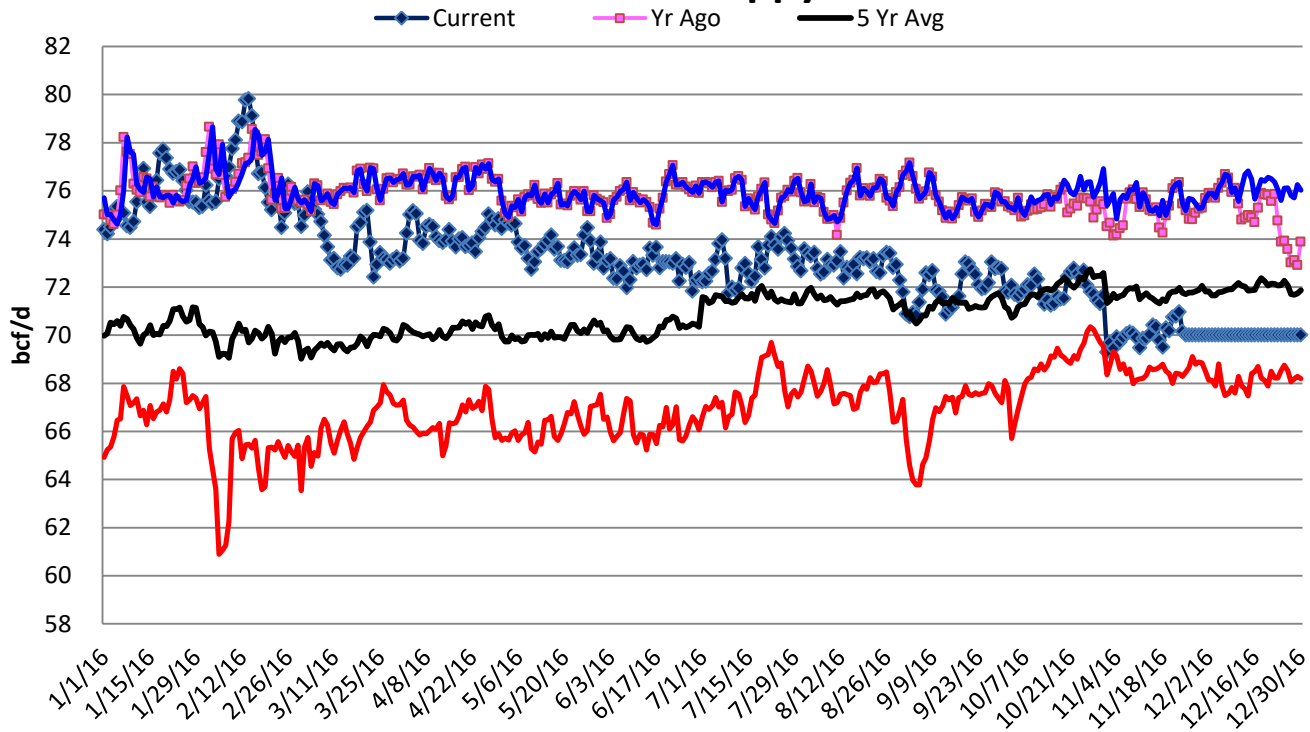
## US Total Working Gas Storage - Source - EIA



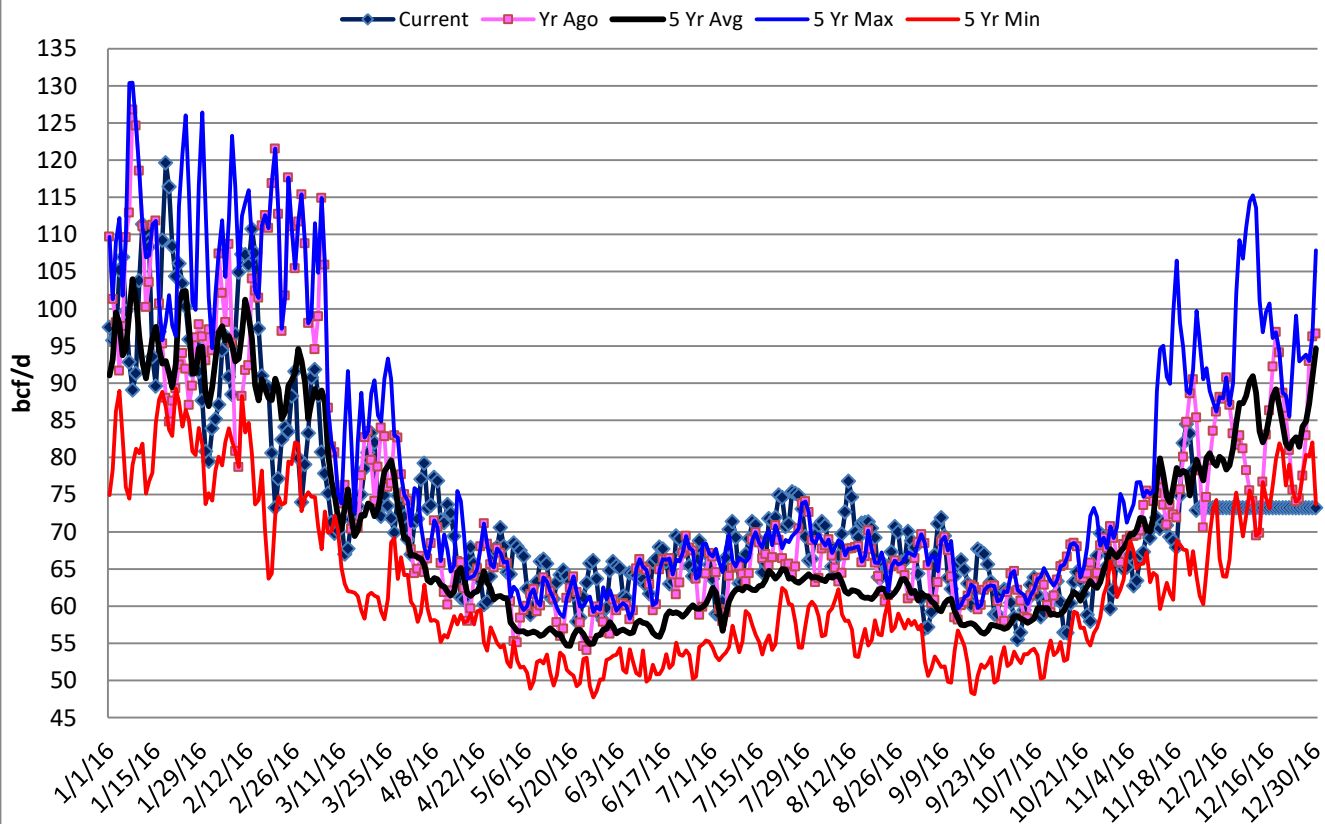
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



## **ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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