



## 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 January contract rose 23.4 cents (7.3%) to \$3.436 on a 31.7.0 cent range.

**Price Outlook:** The market continued higher as weather forecasts were quite bullish. Cognizant of the recent price advance and sensitivity to a change in weather forecasts, the market will also likely be facing very bullish storage comparisons in coming weeks. Last December was extremely warm and current forecasts are for temperatures to be well below last year, leading to much larger draws and taking inventory levels well below last year. While a simple metric, the change in the yearly storage comparison is considered a primary price driver. CFTC data indicated a sizable increase in the managed money net long position as both longs and shorts liquidated. Total open interest fell to 3.381 million as of November 29. Aggregated CME futures open interest rose to 1.167 million as of December 2.

**Weekly Storage:** US working gas storage for the week ending November 25 indicated a net withdrawal of (50) bcf that dropped total working gas inventories to 3,995 bcf. Current inventories rise 39 bcf (1.0%) above last year while surpassing the 5 year average by 221 bcf (5.9%).

**Storage Outlook:** Our EIA weekly storage estimate was mathematically 1 bcf higher than the actual EIA report and back within our tolerance range. The 5 week summation of our error fell to 0 bcf as the EIA has reported a net implied flow of +86 bcf, exactly equal to our estimate. Our estimation for early April inventories is 1,515 bcf.

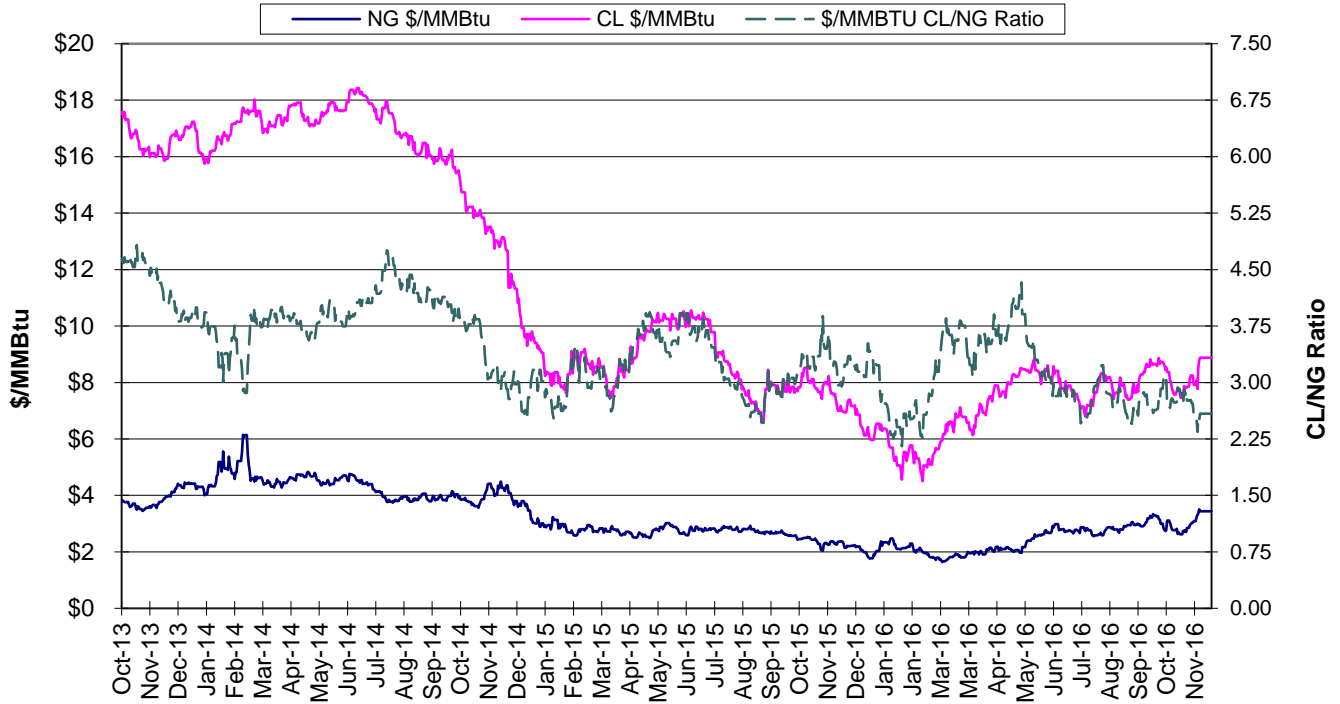
**Supply Trends:** Total supply rose +0.4 bcf/d to 70.5 bcf/d. Canadian imports were higher. All other components were little changed. The US Baker Hughes rig count rose 4 as both oil and natural gas activity increased. The total US rig count now stands at 597. The Canadian rig count rose 26 to 200. Thus, the total North American rig count rose 30 to 797 and now trails last year by 117, which is down from the record 1,441 yearly deficit recorded on December 11, 2015. The higher efficiency US horizontal rig count rose 10 to 485 and falls 84 below last year. The EIA Monthly Natural Gas indicated a small drop in US production in September that left output well below last year.

**Demand Trends:** Total demand rose +7.2 bcf/d to 77.5 bcf/d. Higher R&C and industrial demand easily offset lower power demand. Electricity demand fell 628 gigawatt-hrs to 68,207 which trails last year by 1,942 (2.8%) and the 5 year average by 3,372 (4.7%). The EIA Monthly Natural Gas reported demand set a monthly record for September as has been the case recently.

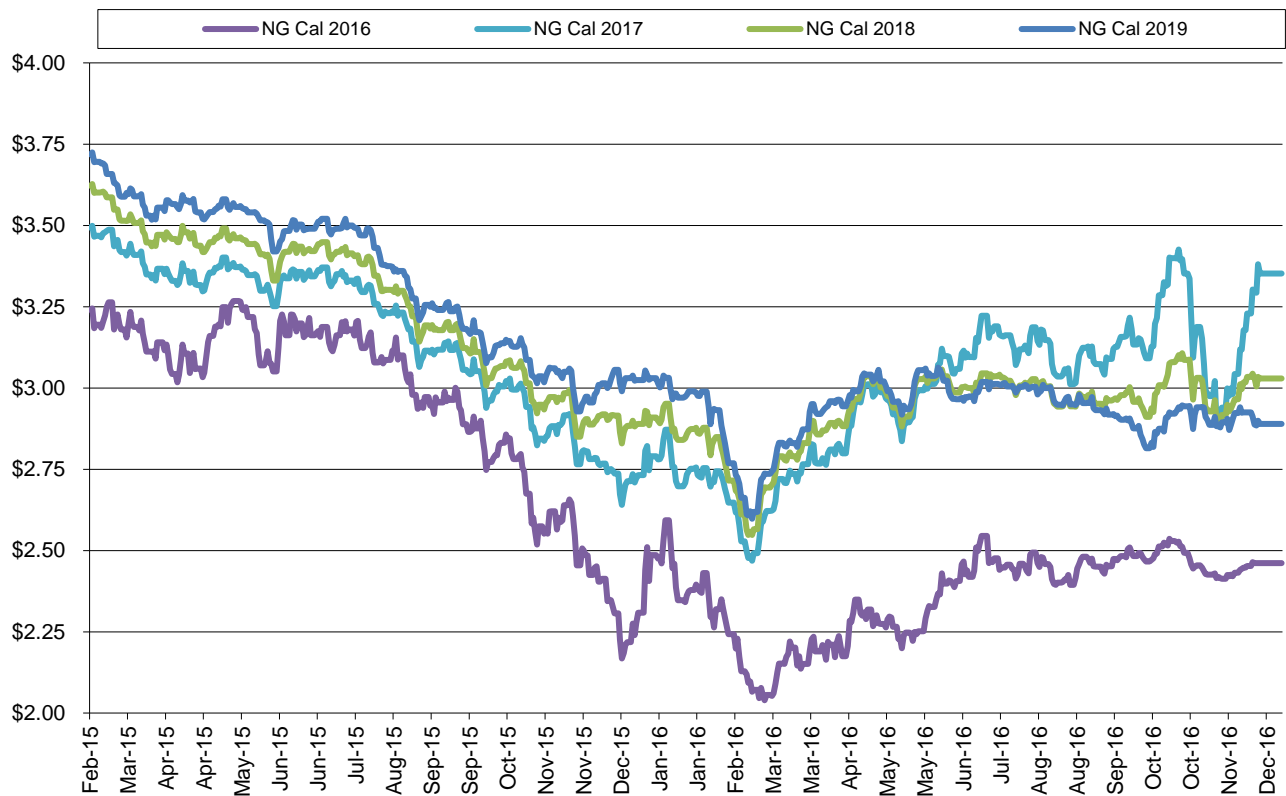
**Other Factors:** Nuclear generation rose 2,985 MW in the reference week to 89,820 MW. This is 5,480 MW higher than last year and 3,908 higher than the 5 year average. Recent output is near 89,750 MW.

- The 2016/17 heating season has officially begun. With a forecast through December 16, the 2016/17 total heating index is at 572 compared to 574 for 2015/16, 755 for 2014/15, 873 for 2013/14, 680 for 2012/13 and 697 for 2011/12.

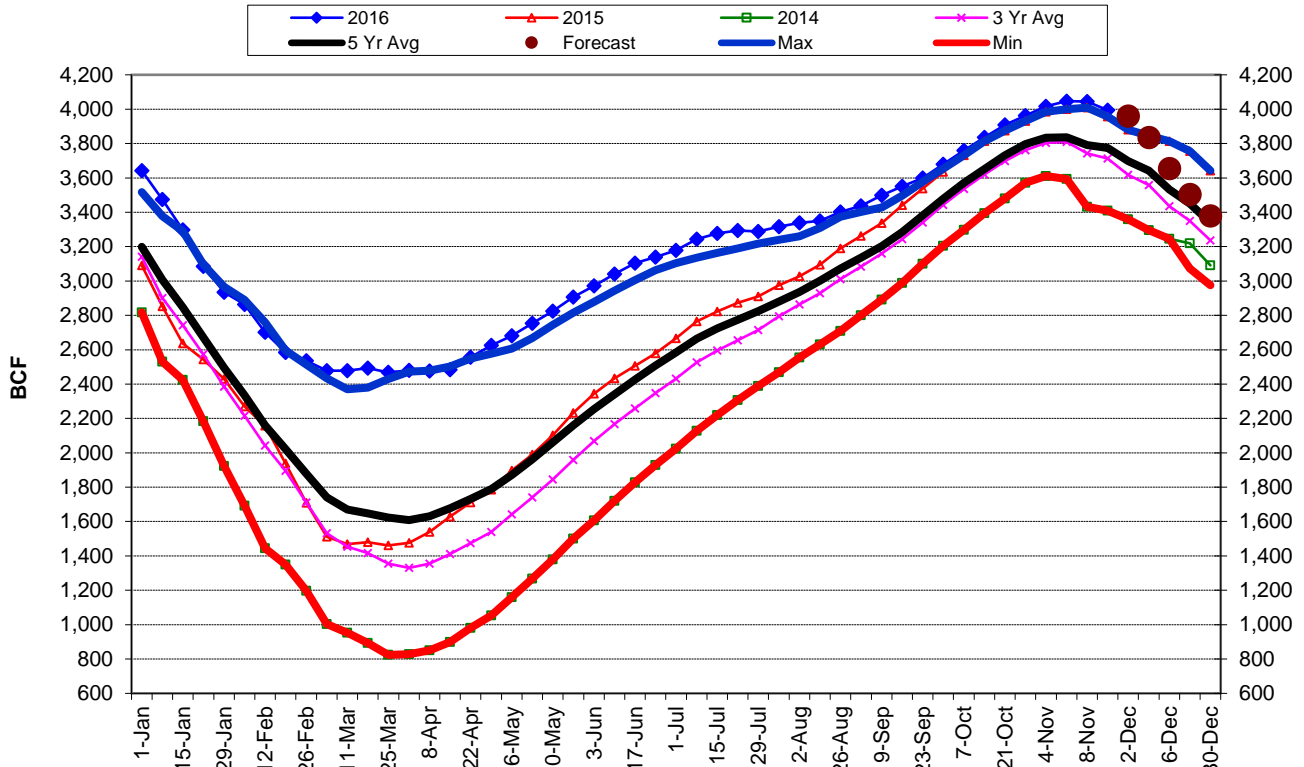
## \$/MMBtu Ratio of NYMEX CL and NG



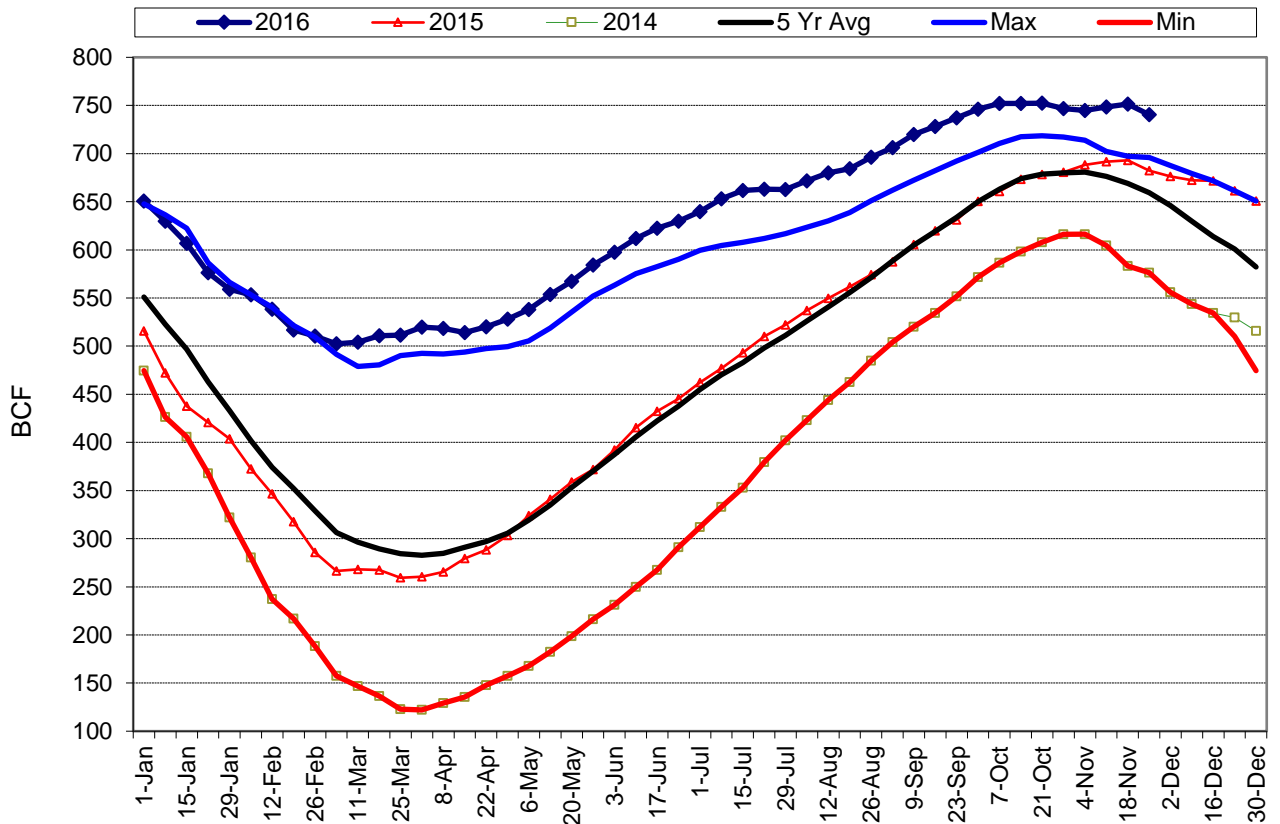
## NYMEX Calendar Strips



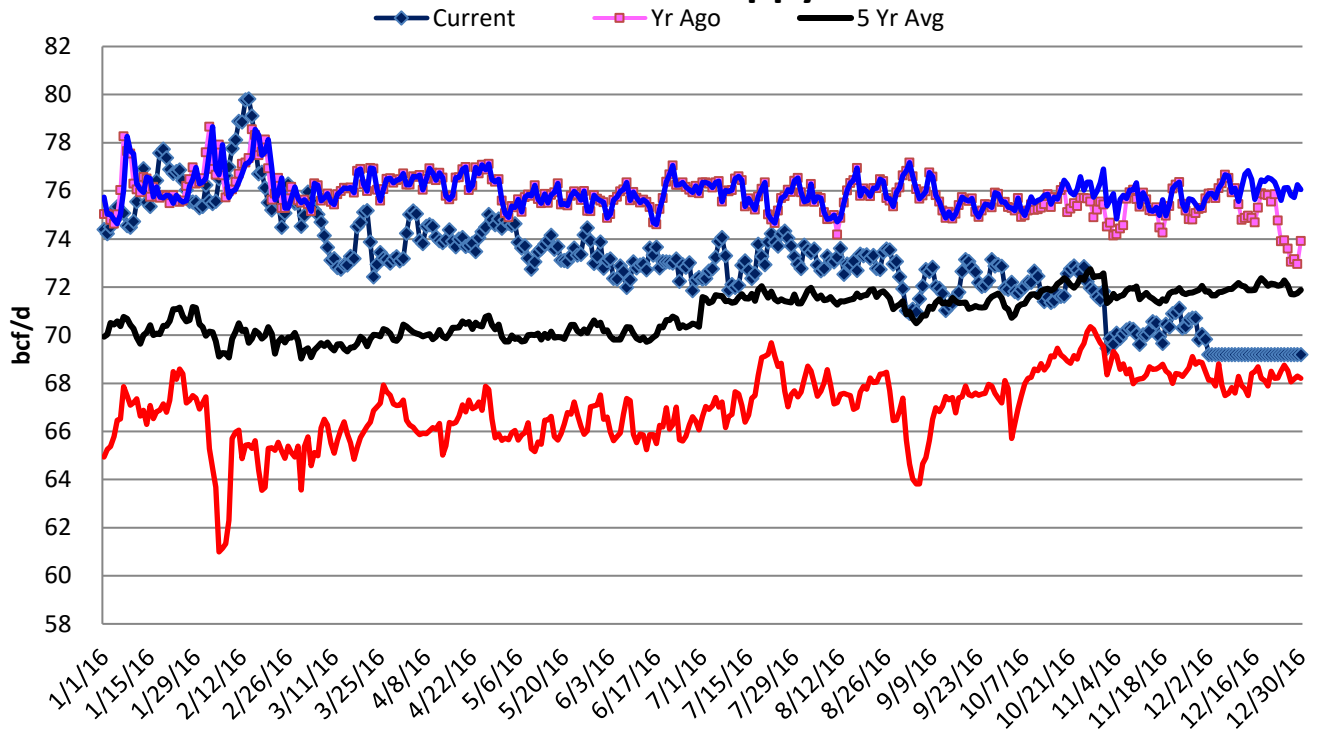
## US Total Working Gas Storage - Source - EIA



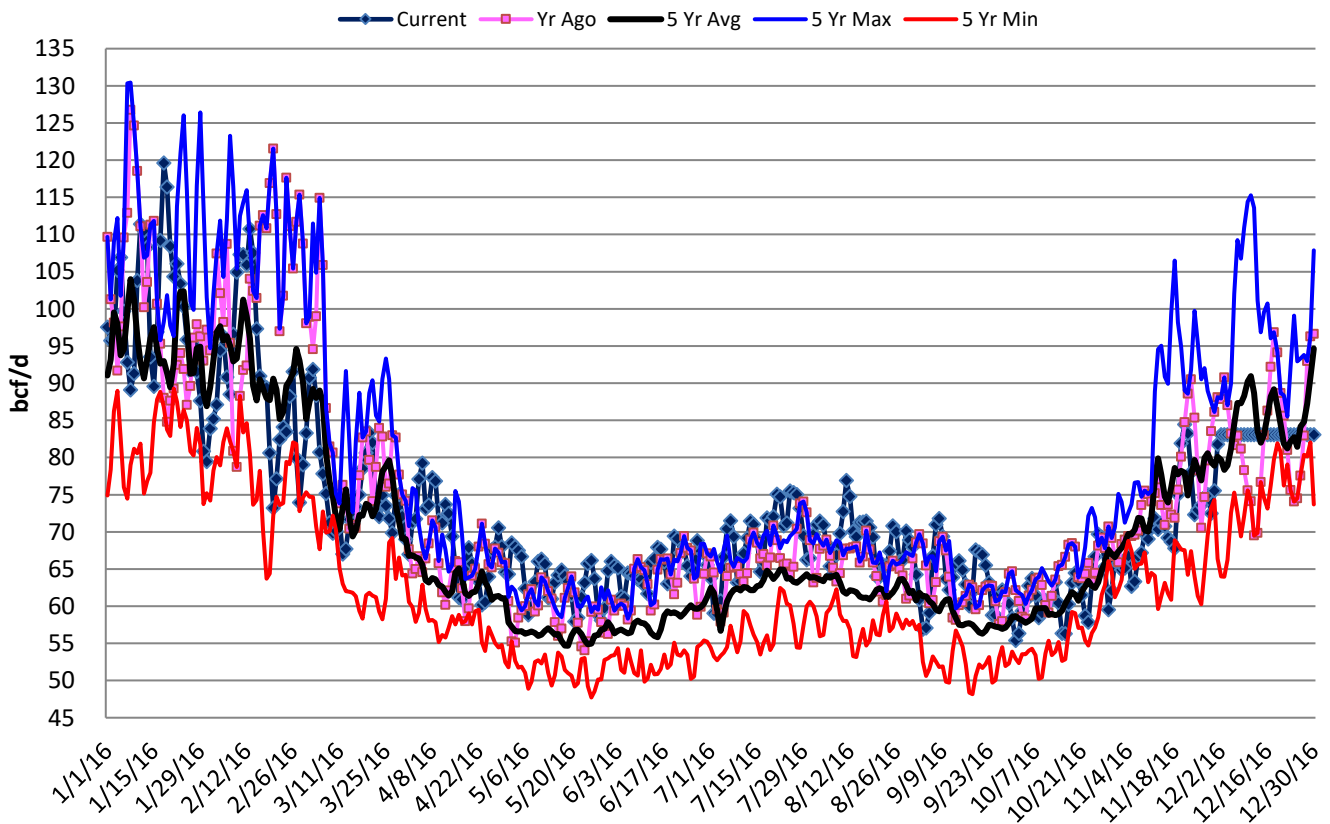
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



## **ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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