



## 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 January contract rose 31.0 cents (9.0%) to \$3.746 on a 32.7.0 cent range..

**Price Outlook:** The market continued higher as weather forecasts were again bullish. The forecast for the week ending December 23 will place temperatures as the coldest witnessed since the 2013/14 winter. At the same time, moderate temperatures last year resulted in small withdrawals and inventories are expected to fall below year ago levels from the first time since December 5, 2104. Cognizant of the recent price advance and sensitivity to a change in weather forecasts, the market will continue to move higher considering supportive weather forecasts and a still bullish underlying supply/demand balance. CFTC data indicated a sizable increase in the managed money net long position as longs added and shorts liquidated. The position is the largest since October 25. Total open interest rose to 3.608 million as of December 6. Aggregated CME futures open interest rose to 1.221 million as of December 9.

**Weekly Storage:** US working gas storage for the week ending December 2 indicated a net withdrawal of (42) bcf that dropped total working gas inventories to 3,953 bcf. Current inventories rise 73 bcf (1.9%) above last year while surpassing the 5-year average by 255 bcf (6.9%).

**Storage Outlook:** Our EIA weekly storage estimate was mathematically 9 bcf higher than the actual EIA report and well above our tolerance range. The 5-week summation of our error rose to 6 bcf and is within our tolerance. The EIA has reported a net implied flow of (10) bcf compared to our estimated (4) bcf flow. Our estimation for early April inventories is 1,464 bcf.

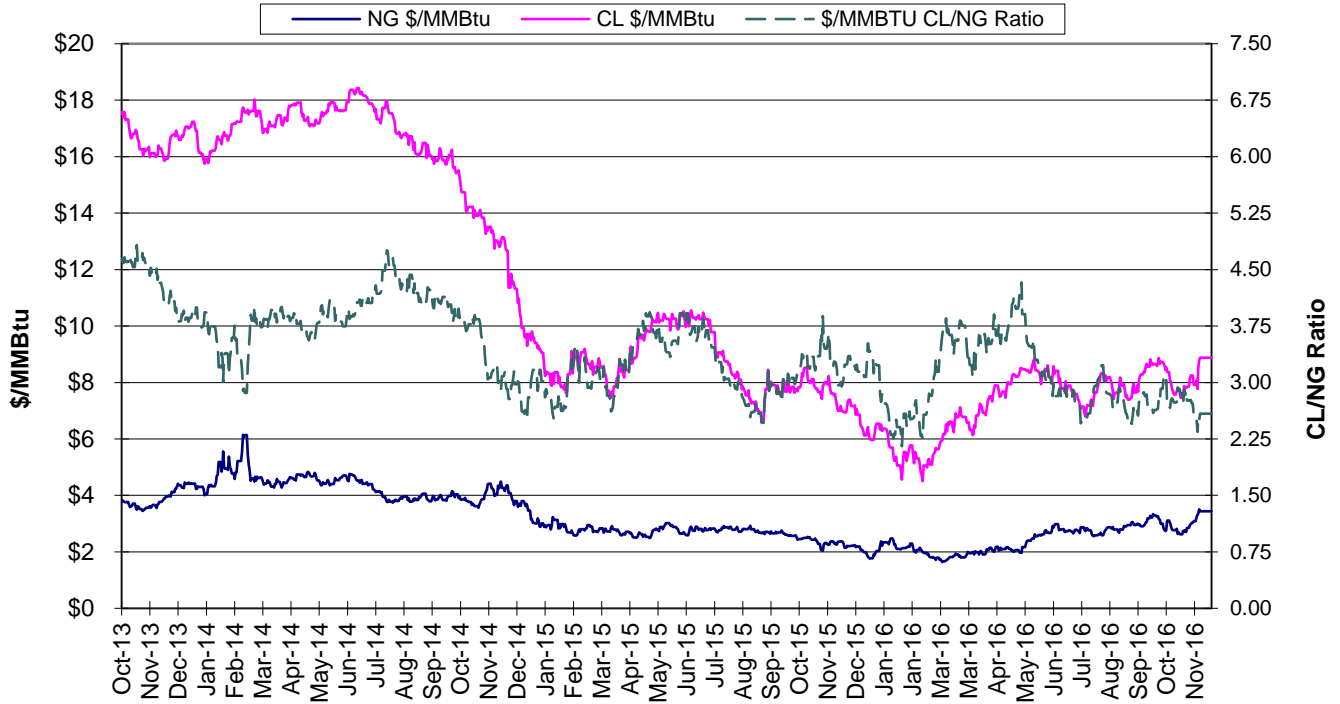
**Supply Trends:** Total supply fell (0.2) bcf/d to 70.3 bcf/d. All components were lower or little changed. The US Baker Hughes rig count rose 27 as both oil and natural gas activity increased. The total US rig count now stands at 624. The Canadian rig count rose 30 to 230. Thus, the total North American rig count rose 57 to 854 and now trails last year by 29, 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 503 and falls 51 below last year.

**Demand Trends:** Total demand fell (1.6) bcf/d to 75.9 bcf/d. All sectors were slightly lower. Electricity demand rose 4,939 gigawatt-hrs to 73,146 which trails last year by 1,345 (1.8%) and the 5-year average by 1,531 (2.1%). The EIA monthly electricity data did witness a drop in September natural gas power generation compared to August. Still, the September generation set a September generation record.

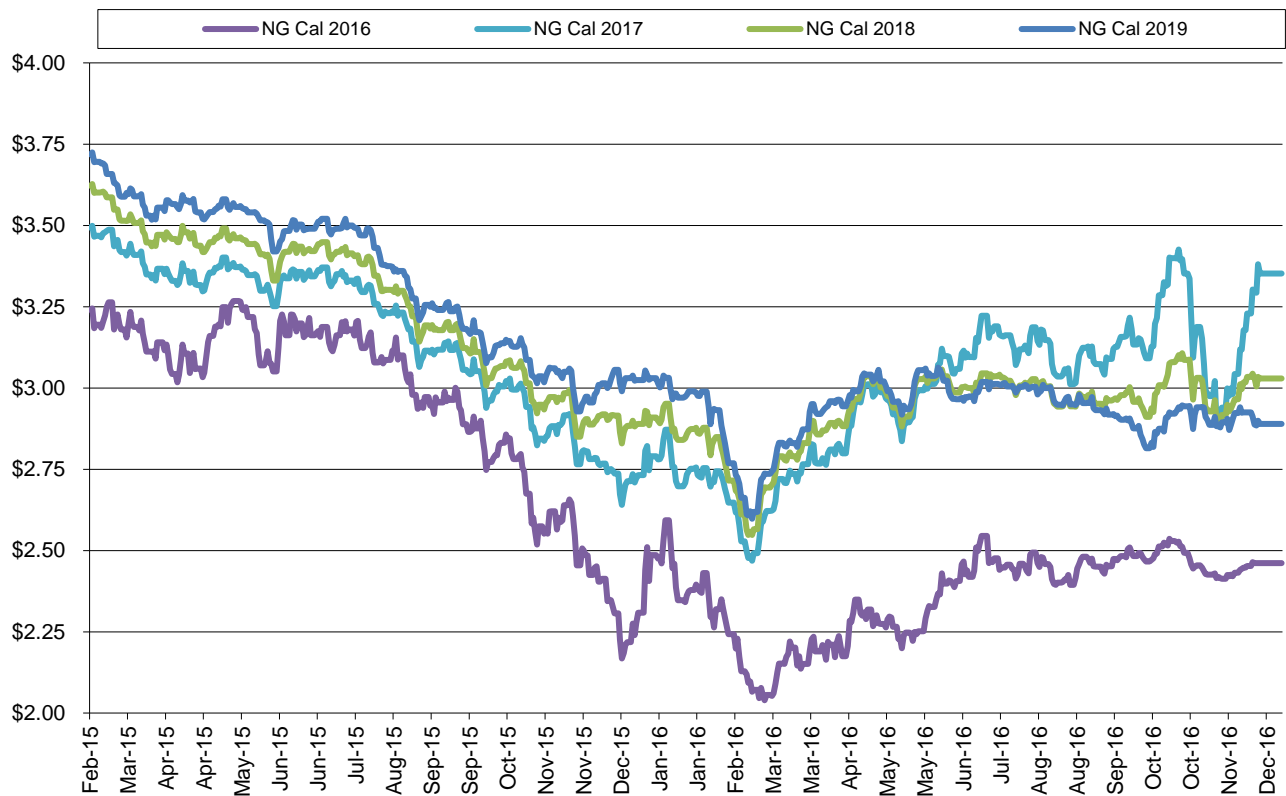
**Other Factors:** Nuclear generation fell (45) MW in the reference week to 89,774 MW. This is 4,468 MW higher than last year and 1,426 higher than the 5-year average. Recent output is near 92,500 MW.

- The 2016/17 heating season continues. With a forecast through December 23, the 2016/17 total heating index is at 719 compared to 646 for 2015/16, 858 for 2014/15, 1,010 for 2013/14, 814 for 2012/13 and 823 for 2011/12.

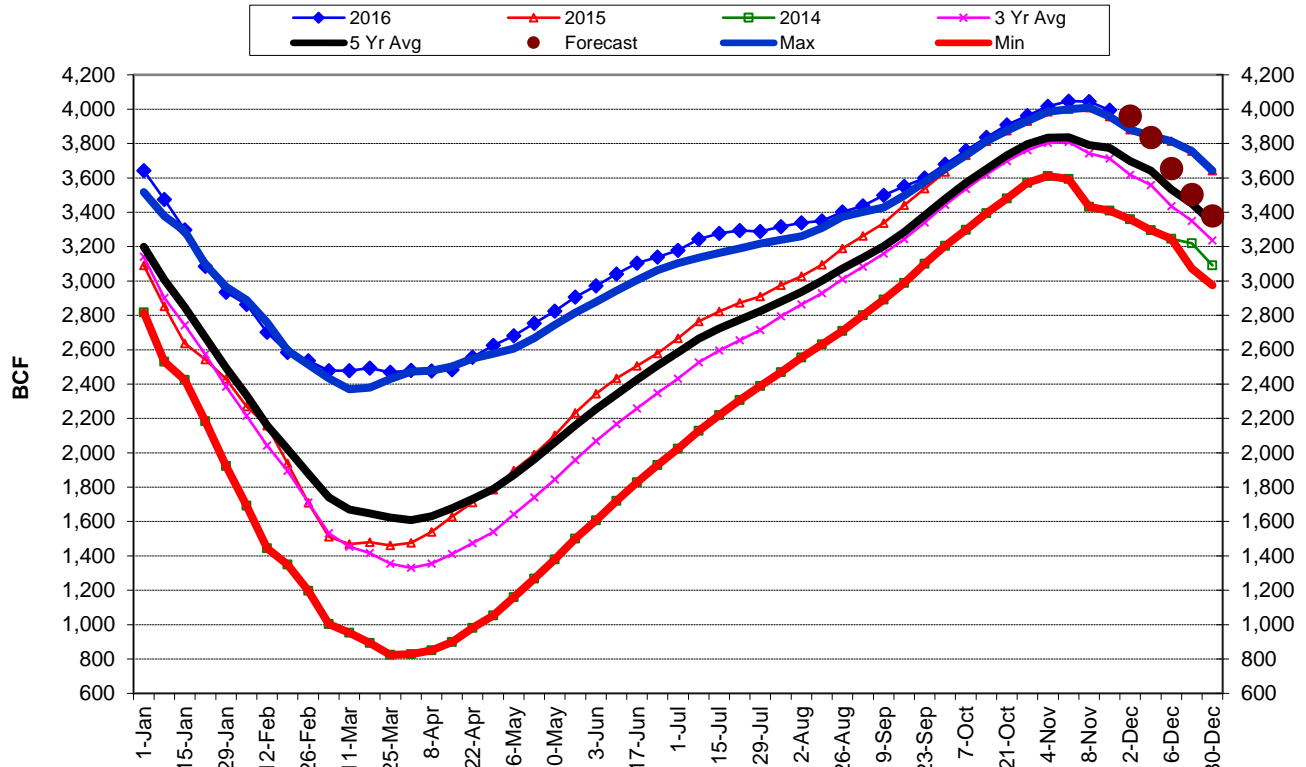
## \$/MMBtu Ratio of NYMEX CL and NG



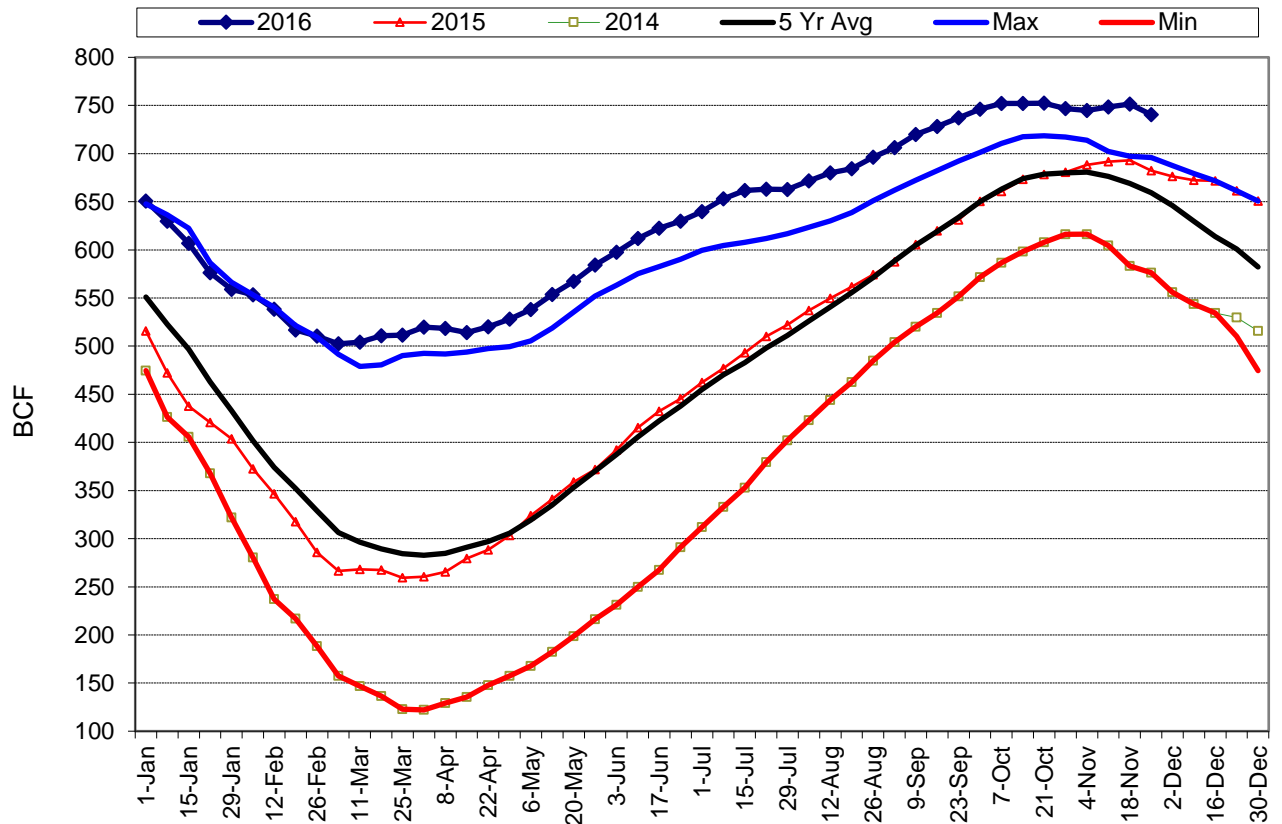
## NYMEX Calendar Strips



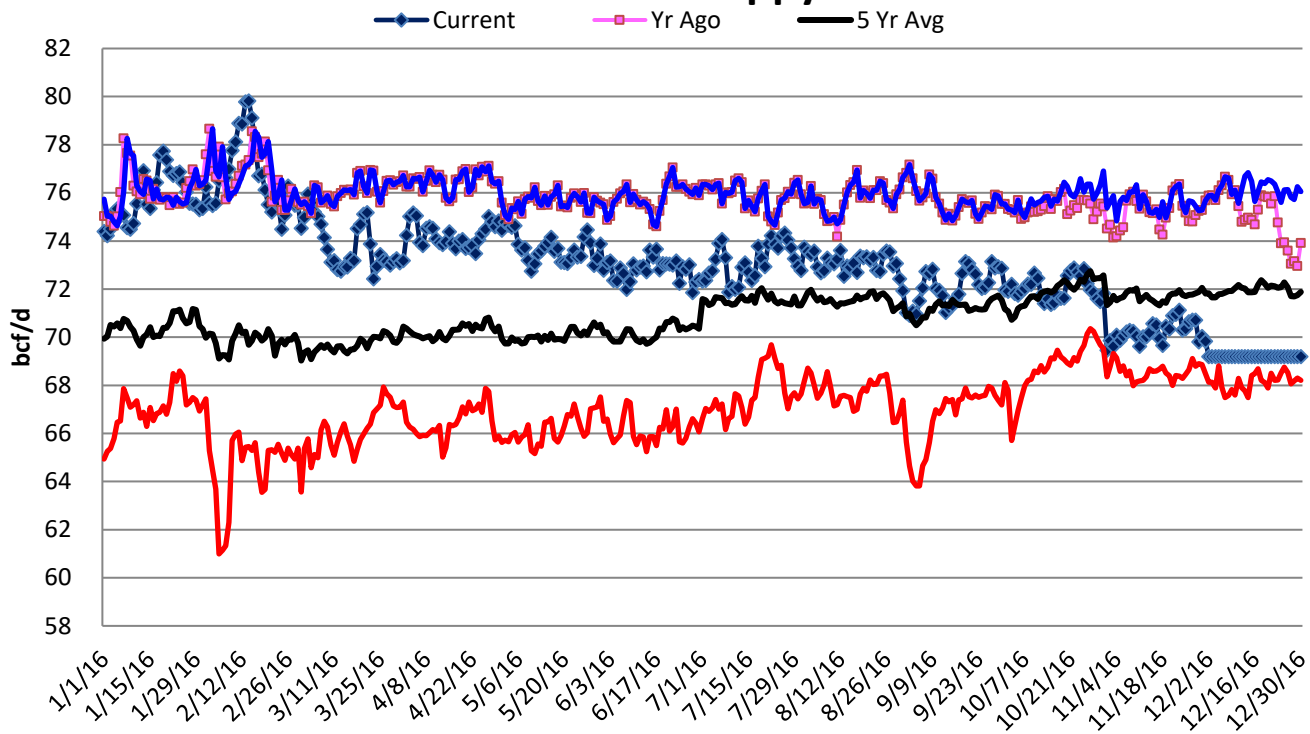
## US Total Working Gas Storage - Source - EIA



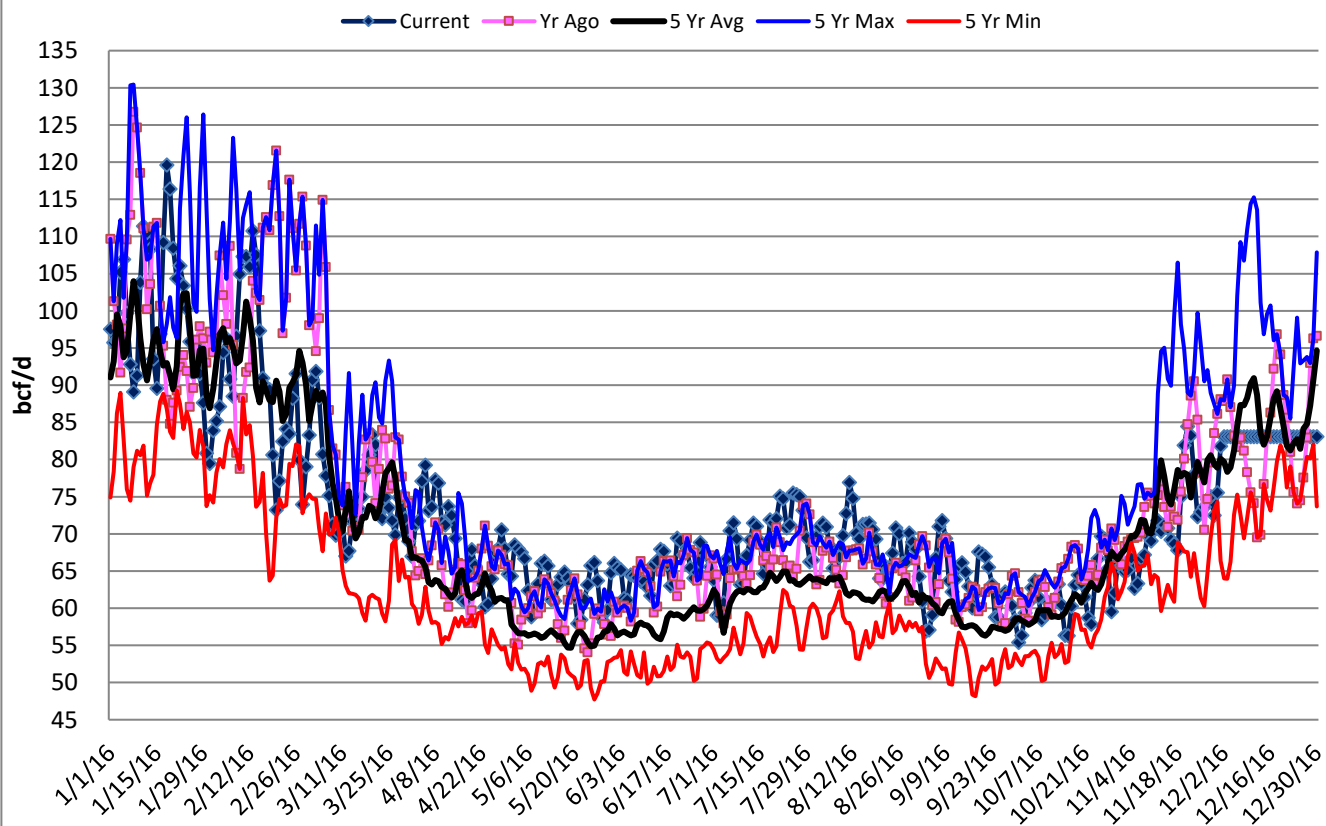
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



## **ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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