



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 February contract rose 4.6 cents (1.3%) to \$3.724 on a 23.2 cent range.

Price Outlook: Prices were higher on the week, but well off the weekly high. The strength early in the week easily established a new high. Prices retreated as updated forecast question the sustainability of the cold currently projected this week and next. The recent weekly storage changes do emphasize an underlying bullish supply/demand balance and if even normal temperatures materialize in coming weeks, prices could easily continue higher. CFTC data indicated another increase in the managed money net long position as both longs and shorts liquidated. The position is the largest since June 24, 2014. Total open interest rose to 3.697 million as of December 27. Aggregated CME futures open interest rose to 1.251 million as of December 30.

Weekly Storage: US working gas storage for the week ending December 23 indicated a net withdrawal of (237) bcf that dropped total working gas inventories to 3,360 bcf. Current inventories fall (396) bcf (10.5%) below last year and (90) bcf (2.6%) below the 5-year average.

Storage Outlook: Our EIA weekly storage estimate was mathematically 10 bcf higher than the actual EIA report and well above our tolerance range. The 5-week summation of our error rose to 32 bcf and is above our tolerance. The EIA has reported a net implied flow of (685) bcf compared to our estimated (653) bcf flow. Our estimation for early April inventories is 1,438 bcf.

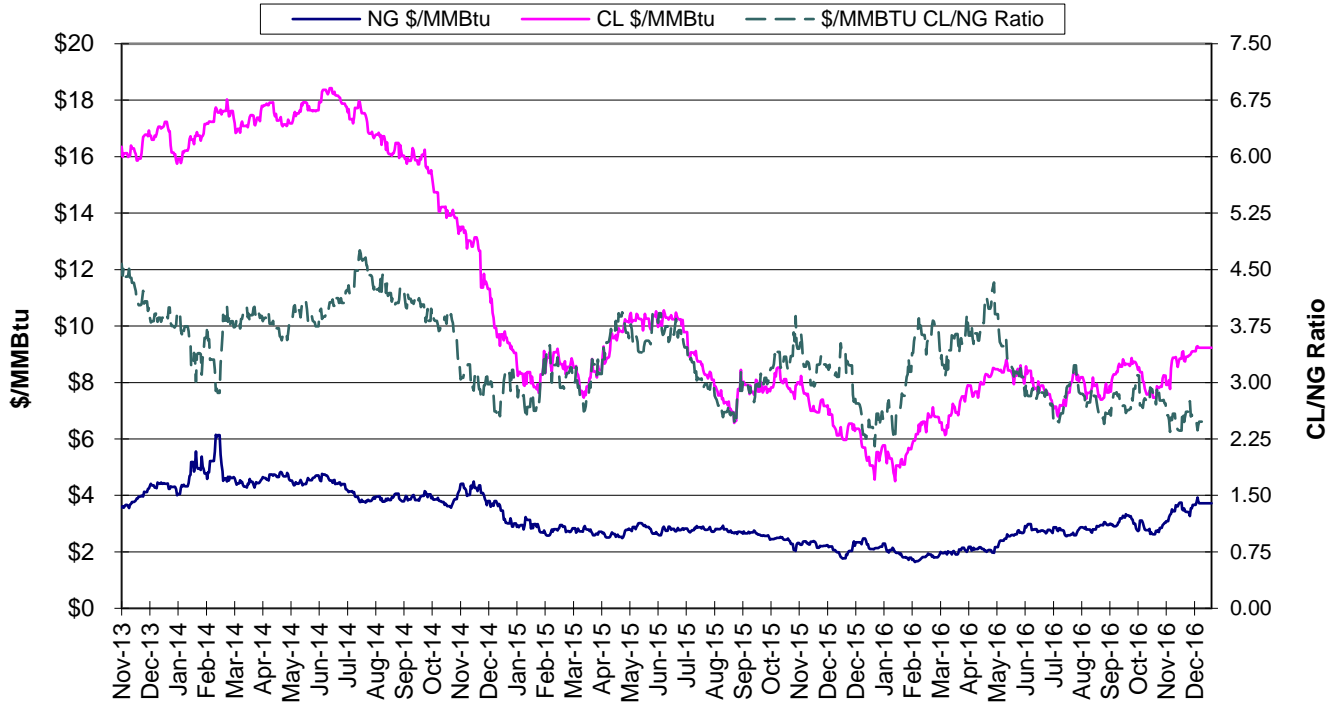
Supply Trends: Total supply fell (0.9) bcf/d to 70.4 bcf/d. Canadian imports and LNG and Mexican exports rose. US production and LNG imports were lower. The US Baker Hughes rig count rose 5 as both oil and natural gas activity increased. The total US rig count now stands at 658. The Canadian rig count fell 67 to 224. Thus, the total North American rig count fell 62 to 815 and now exceeds last year by 34. The higher efficiency US horizontal rig count rose 6 to 532 and falls 17 below last year.

Demand Trends: Total demand rose +3.3 bcf/d to 103.7 bcf/d. R&C lead demand higher while industrial demand was slightly lower. Electricity demand fell 136 gigawatt-hrs to 81,466 which exceeds last year by 11,286 (16.1%) and the 5-year average by 7,581 (10.3%). **EIA electricity data indicated a YOY drop in natural gas fired generation in October. This was the 1st monthly YOY decline since December 2014.**

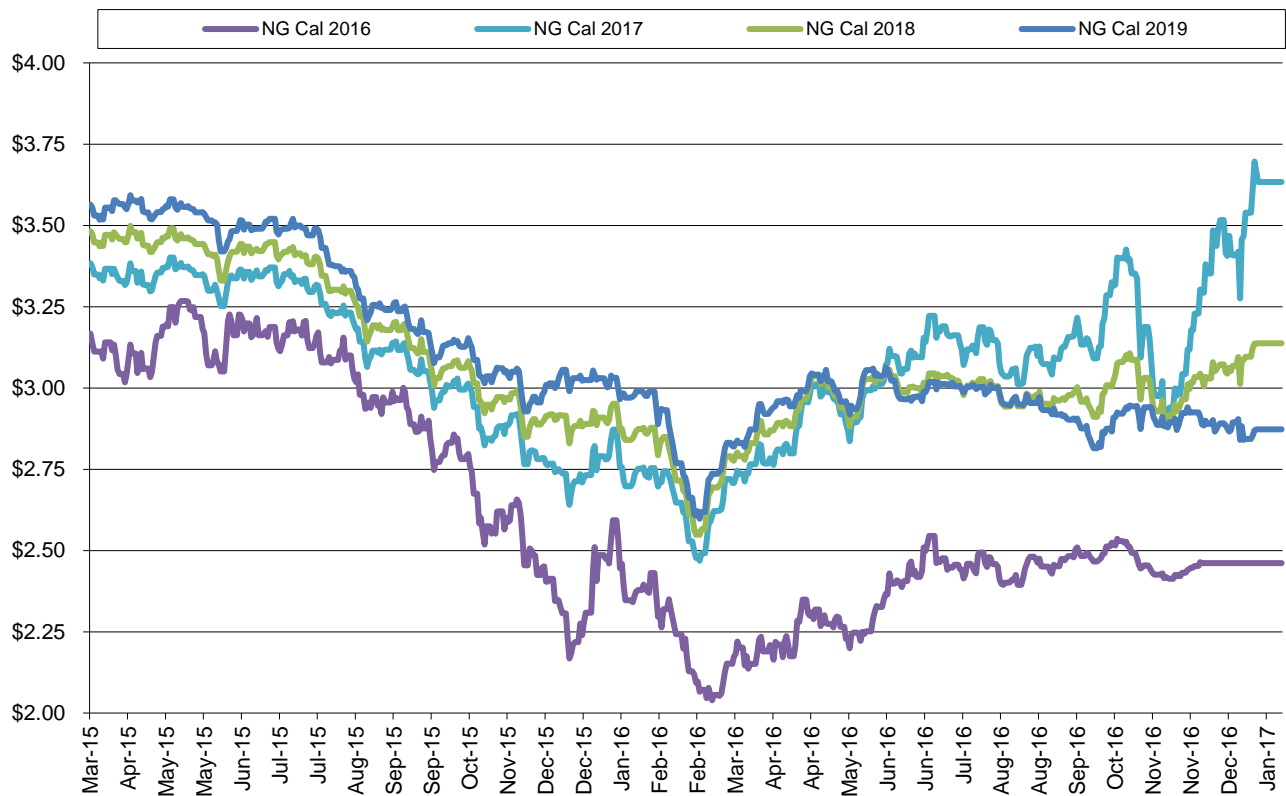
Other Factors: Nuclear generation fell 86 MW in the reference week to 90,839 MW. This is 2,491 MW lower than last year and 2,454 lower than the 5-year average. Recent output is near 94,000.

- The 2016/17 heating season continues. With a forecast through January 13, the 2016/17 total heating index is at 1,165 compared to 1,039 for 2015/16, 1,344 for 2014/15, 1,516 for 2013/14, 1,286 for 2012/13 and 1,286 for 2011/12.

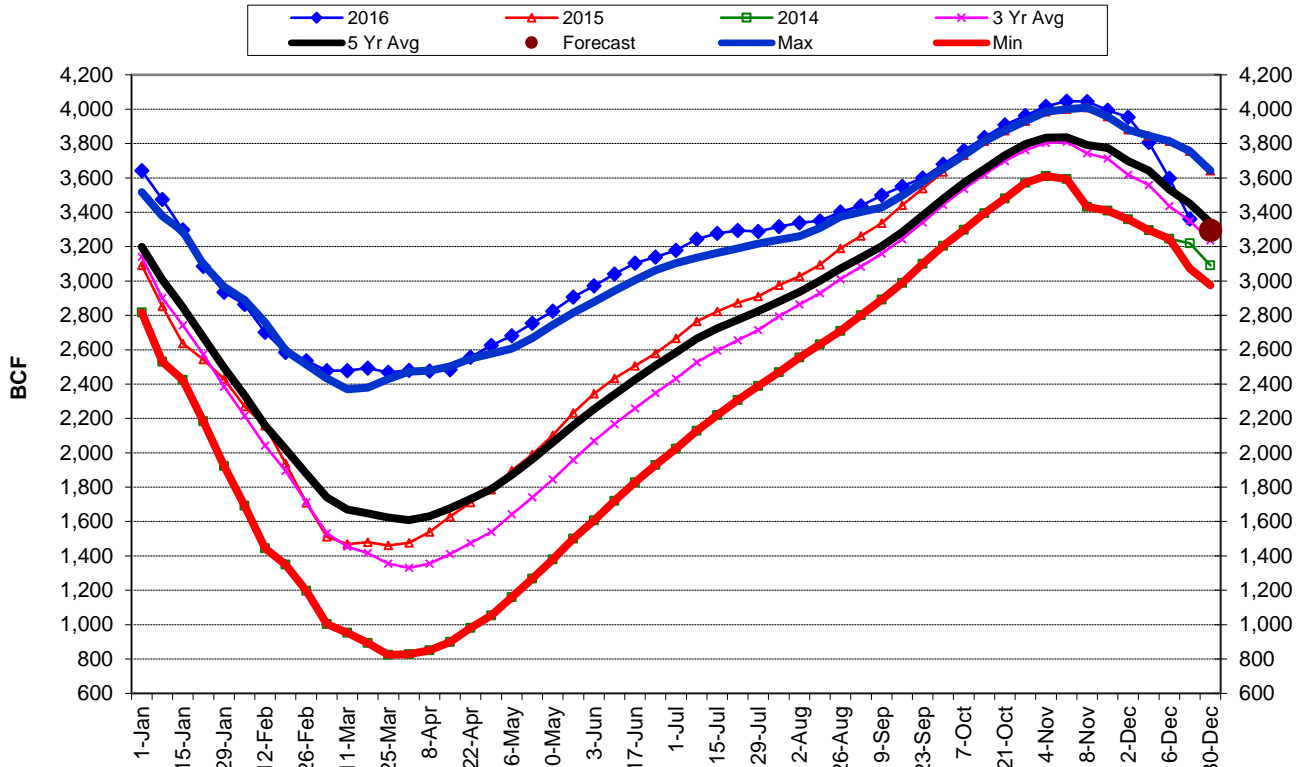
\$/MMBtu Ratio of NYMEX CL and NG



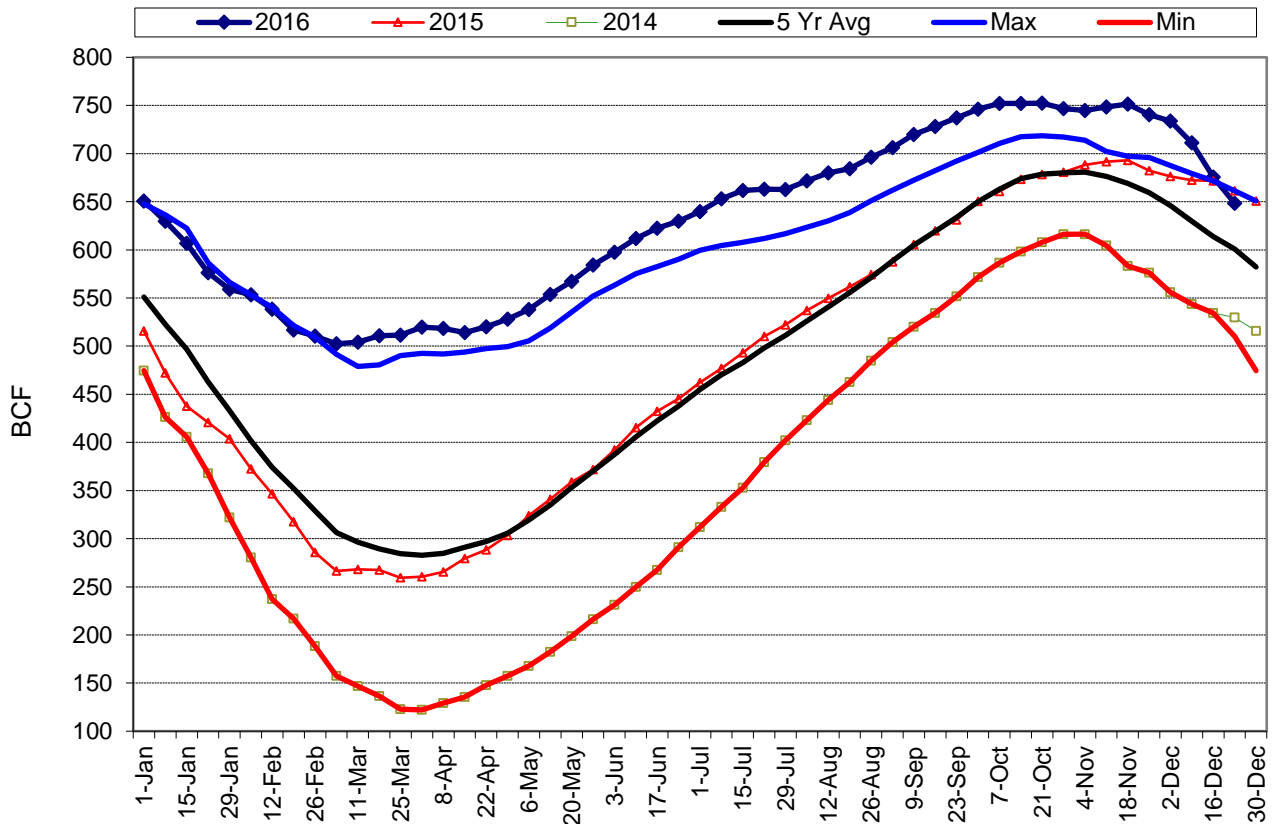
NYMEX Calendar Strips



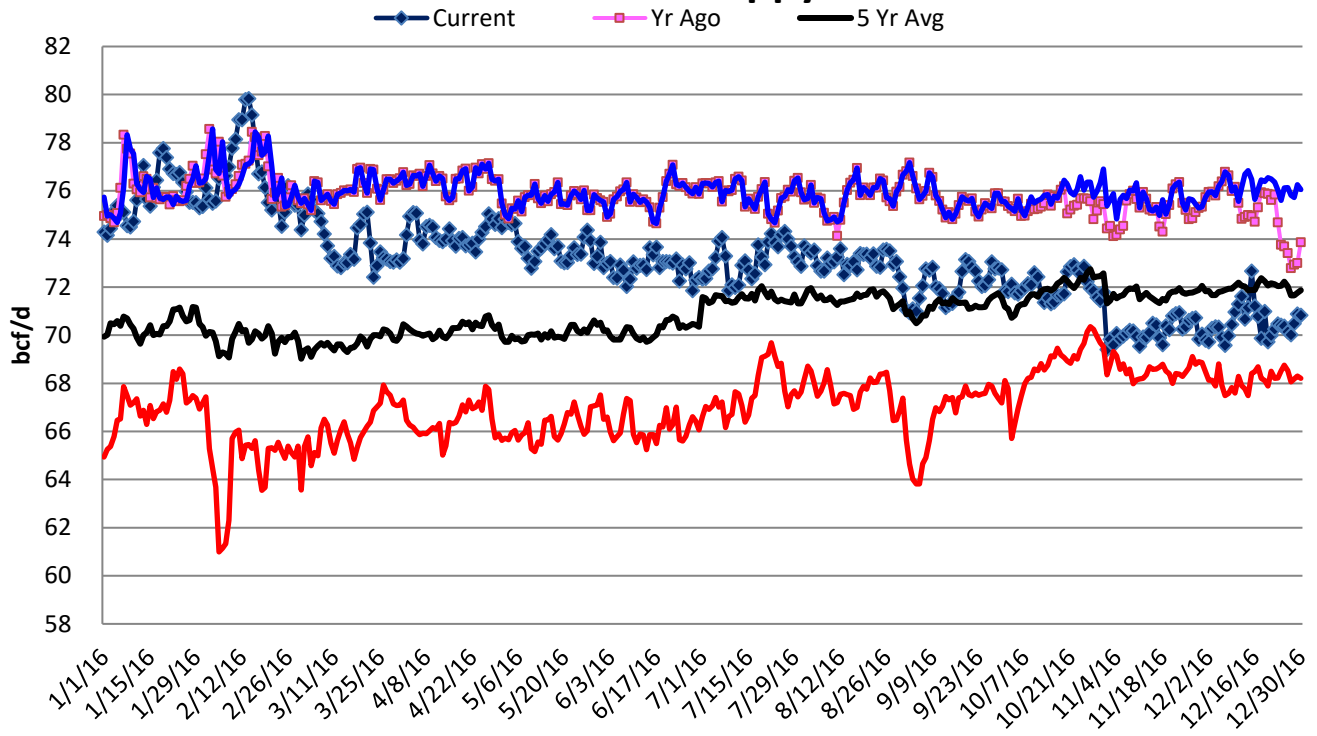
US Total Working Gas Storage - Source - EIA



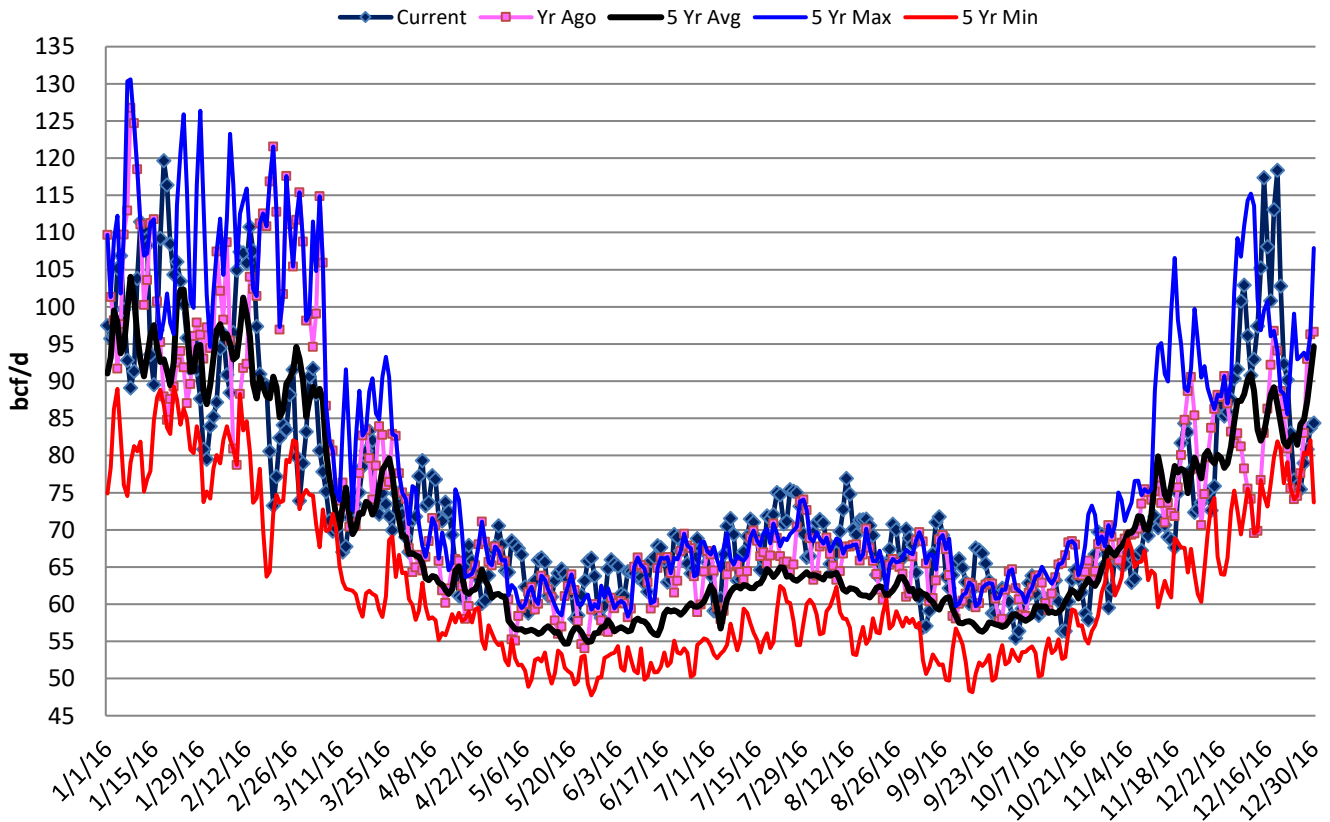
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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