



Energy Market Outlook

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January 6, 2016

Please contact me to review a joint RBN Energy daily publication detailing natural gas fundamentals.

Price Action: The February contract fell 43.9 cents (11.8%) to \$3.285 on a 39.6 cent range.

Price Outlook: Prices collapsed as weather forecasts turned incredibly bearish with the weather forecast change on Tuesday the largest deviation from previous forecasts in our database. Even as temperatures turned coddle during the week, forecasts for moderation in temperatures kept prices on the defensive and highlights the sensitivity of the market to weather forecasts. Mother Nature remains the primary price driver for natural gas. CFTC data indicated another increase in the managed money net long position as both longs and shorts added. The position is the largest since June 24, 2014. Total open interest fell to 3.539 million as of January 3. Aggregated CME futures open interest rose to 1.253 million as of January 6.

Weekly Storage: US working gas storage for the week ending December 30 indicated a net withdrawal of (49) bcf that dropped total working gas inventories to 3,311 bcf. Current inventories fall (332) bcf (9.1%) below last year and (28) bcf (0.8%) below the 5-year average.

Storage Outlook: Our EIA weekly storage estimate was mathematically 12 bcf smaller than the actual EIA report and again well above our tolerance range. The 5-week summation of our error fell 19 bcf and is closer to our tolerance. The EIA has reported a net implied flow of (684) bcf compared to our estimated (665) bcf flow. Our estimation for early April inventories is 1,543 bcf.

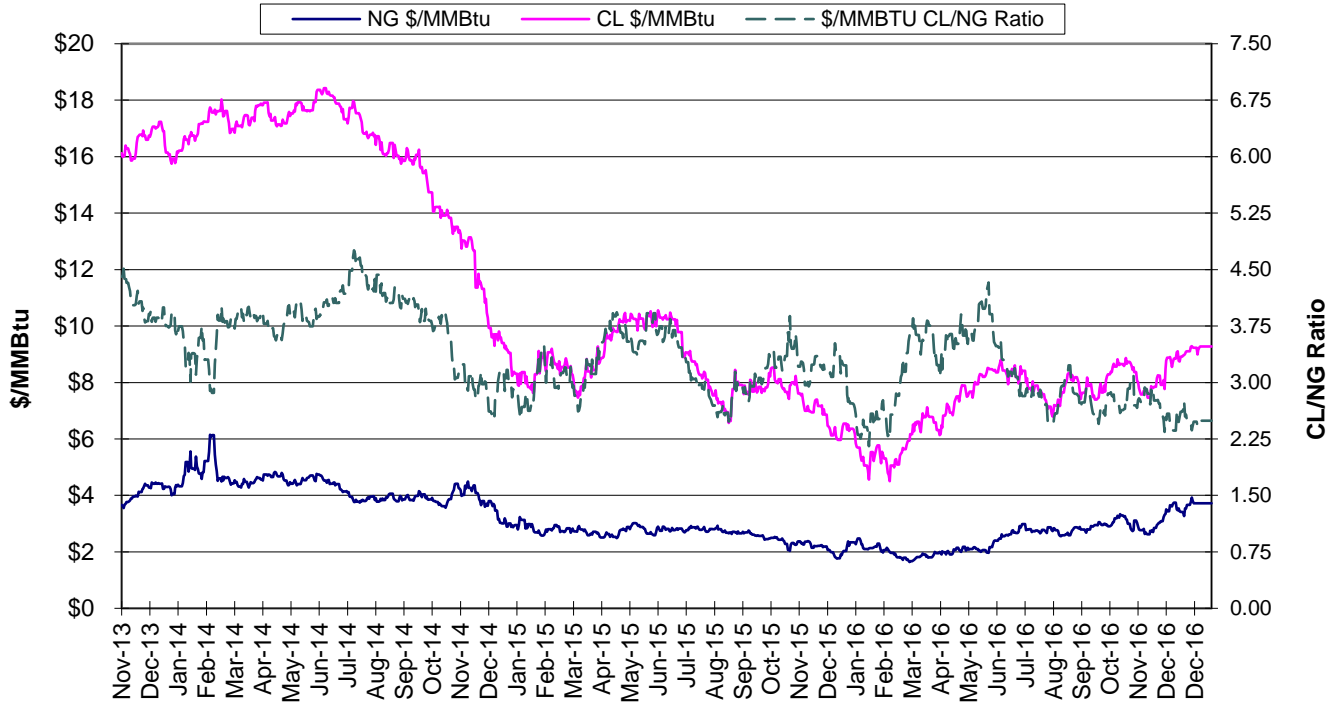
Supply Trends: Total supply was unchanged at 69.0 bcf/d. US production and LNG exports rose. Canadian imports fell. LNG imports and Mexican exports were unchanged. EIA data indicated another drop in US natural gas production to the lowest level since June 2014. Demand was lower compared to last year as temperatures were very bearish.

Demand Trends: Total demand fell (24.5) bcf/d to 78.4 bcf/d. R&C lead demand lower with all sectors down. Electricity demand fell 8,648 gigawatt-hrs to 72,818 which trails last year by 1,535 (2.1%) and the 5-year average by 2,995 (4.0%). EIA demand was lower compared to last year as temperatures were very bearish.

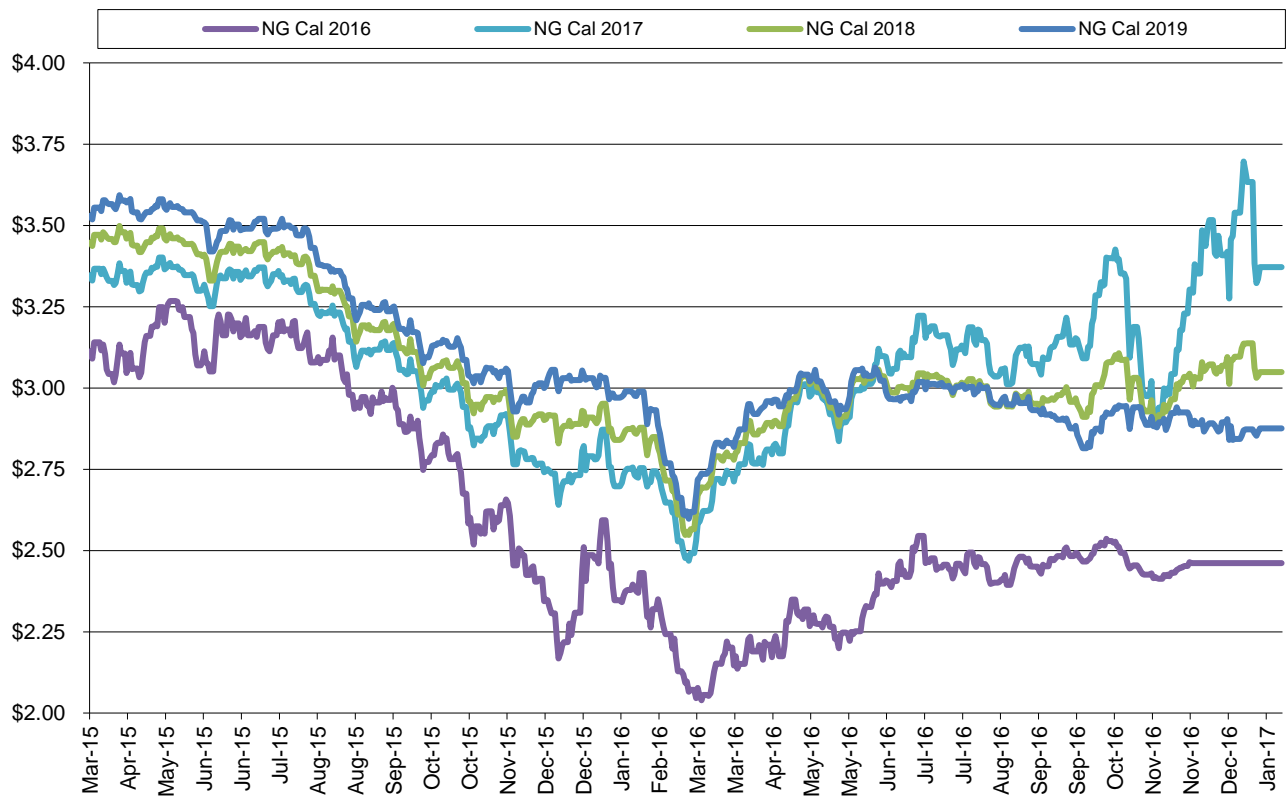
Other Factors: Nuclear generation rose 1,504 MW in the reference week to 92,342 MW. This is 2,749 MW lower than last year and 1,785 lower than the 5-year average. Recent output is near 95,000 MW.

- The 2016/17 heating season continues. With a forecast through January 20, the 2016/17 total heating index is at 1,285 compared to 1,198 for 2015/16, 1,508 for 2014/15, 1699 for 2013/14, 1,457 for 2012/13 and 1,459 for 2011/12.

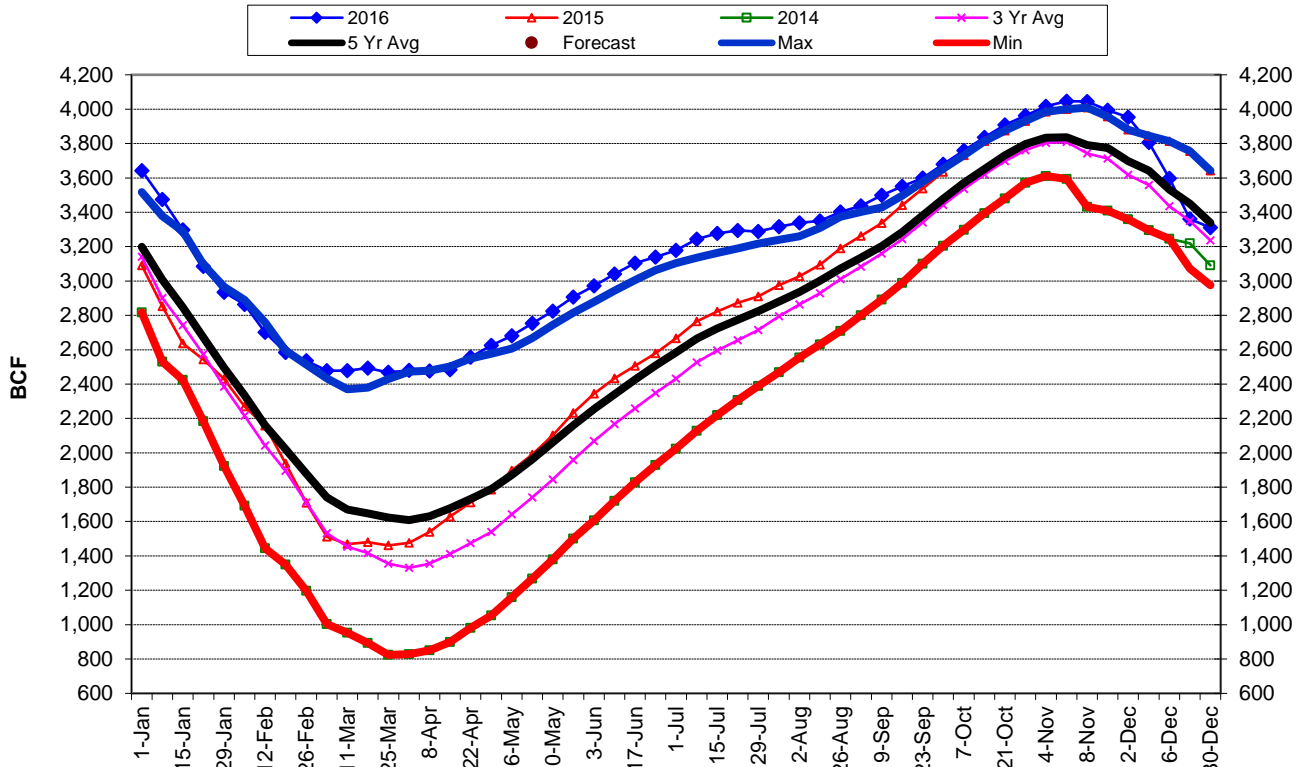
\$/MMBtu Ratio of NYMEX CL and NG



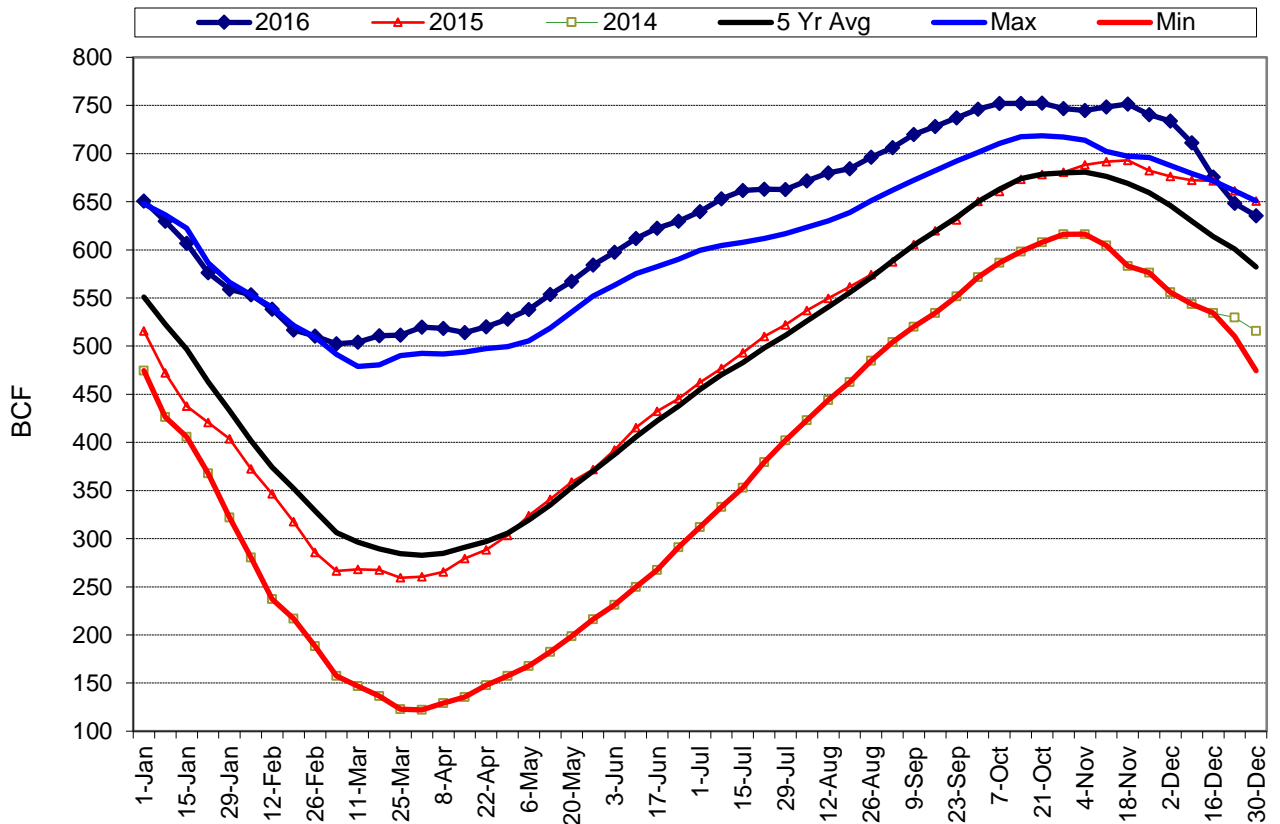
NYMEX Calendar Strips



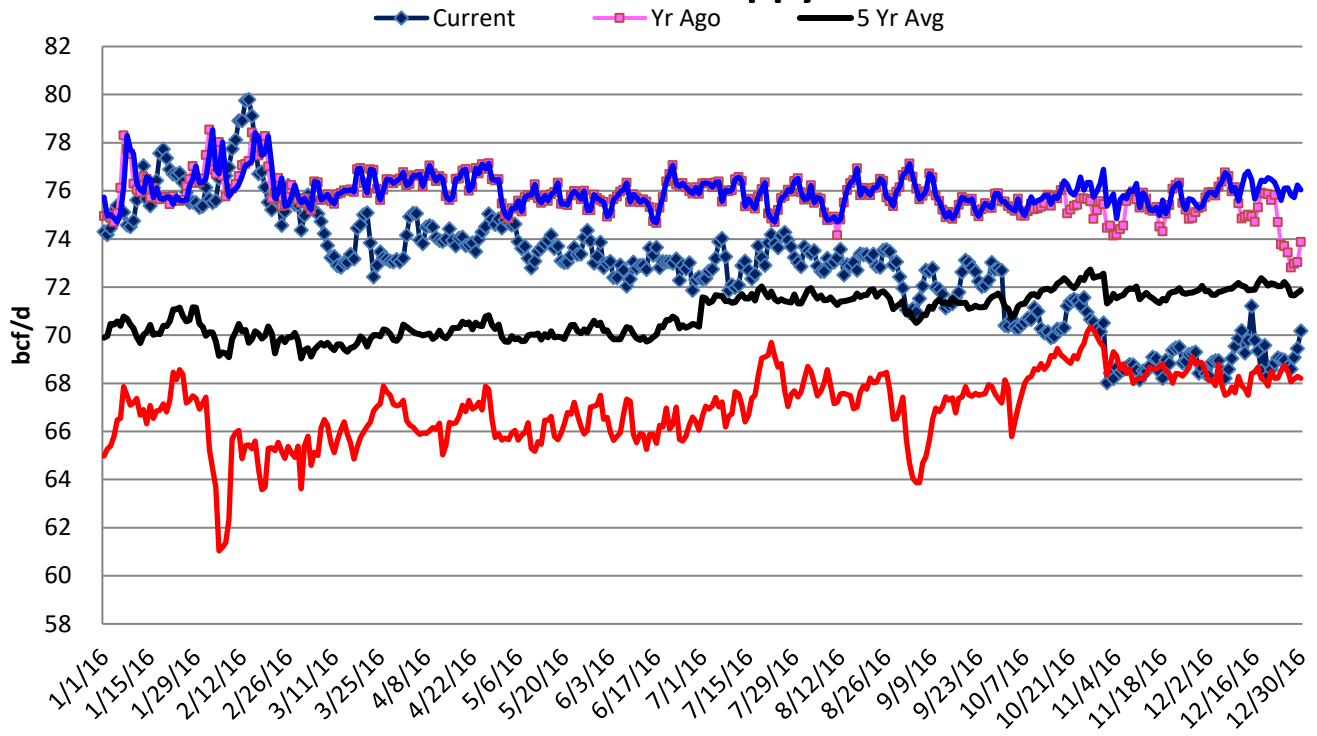
US Total Working Gas Storage - Source - EIA



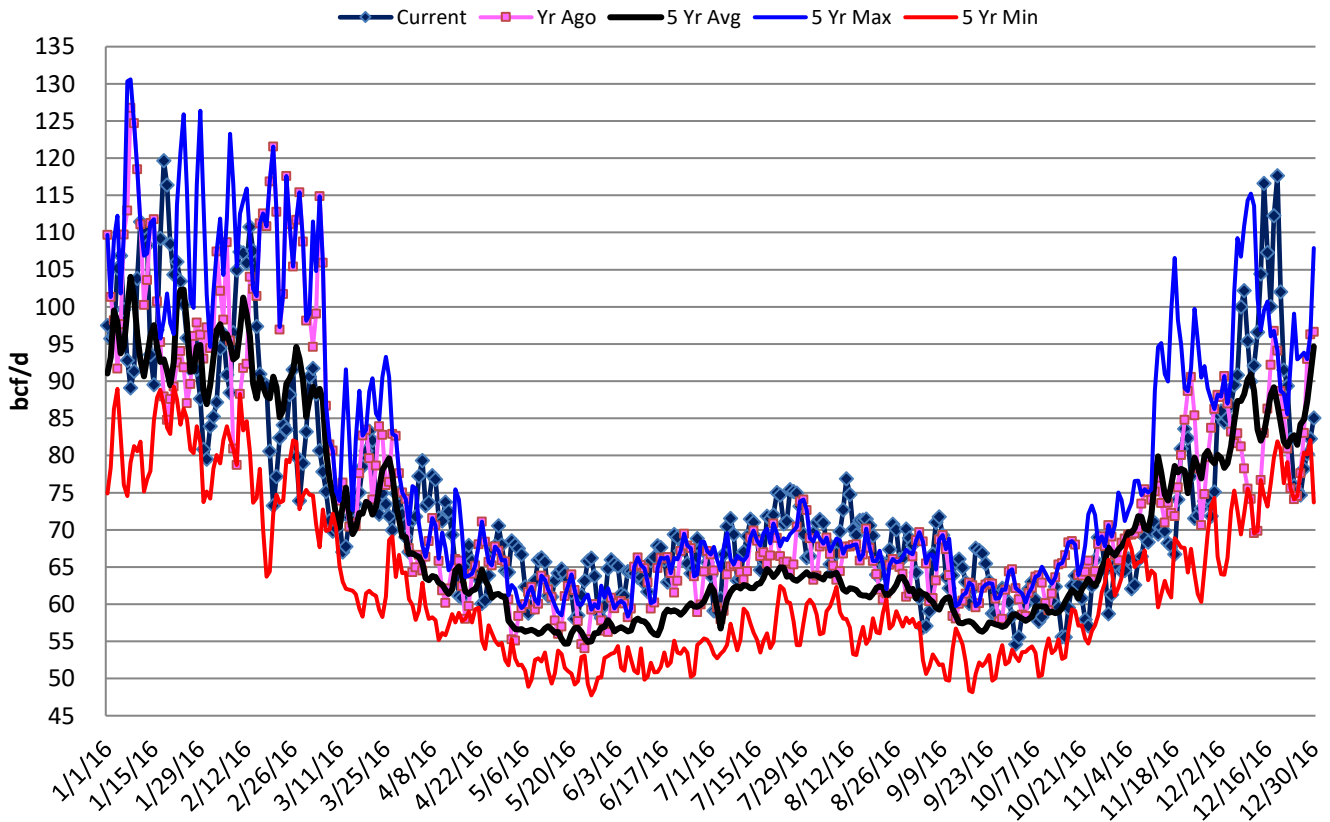
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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