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*Week Ending January 13, 2017*

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

**Price Action:** The February contract rose 13.4 cents (4.1%) to \$3.415 on a 35.2 cent range.

**Price Outlook:** Prices rebounded despite still bearish weather forecasts. Although weather forecasts are bearish, daily physical pipeline data was very bullish with indications suggesting that over 51 bcf of natural gas was withdrawn nationally from storage facilities on January 6. January 6 was cold, but far from record levels and highlights a very bullish supply/demand balance when temperatures do turn colder. With roughly half the winter remaining, storage levels could still fall precipitously if temperatures return to normal or fall below normal. CFTC data indicated a decrease in the managed money net long position as shorts added notably. Total open interest rose to 3.591 million as of January 10. Aggregated CME futures open interest fell to 1.196 million as of January 13.

**Weekly Storage:** US working gas storage for the week ending January 6 indicated a net withdrawal of (151) bcf that dropped total working gas inventories to 3,160 bcf. Current inventories fall (315) bcf (9.1%) below last year and (8) bcf (0.3%) below the 5-year average.

**Storage Outlook:** Our EIA weekly storage estimate was mathematically 12 bcf larger than the actual EIA report and remains well above our tolerance range. The 5-week summation of our error rose 22 bcf and is still above our tolerance. The EIA has reported a net implied flow of (793) bcf compared to our estimated (771) bcf flow. Our estimation for early April inventories is 1,572 bcf. Based on proprietary storage models, this winter has been the 2nd most bearish since 2010. However, due to a very bullish supply/demand balance, actual storage changes have been the 3rd most bullish.

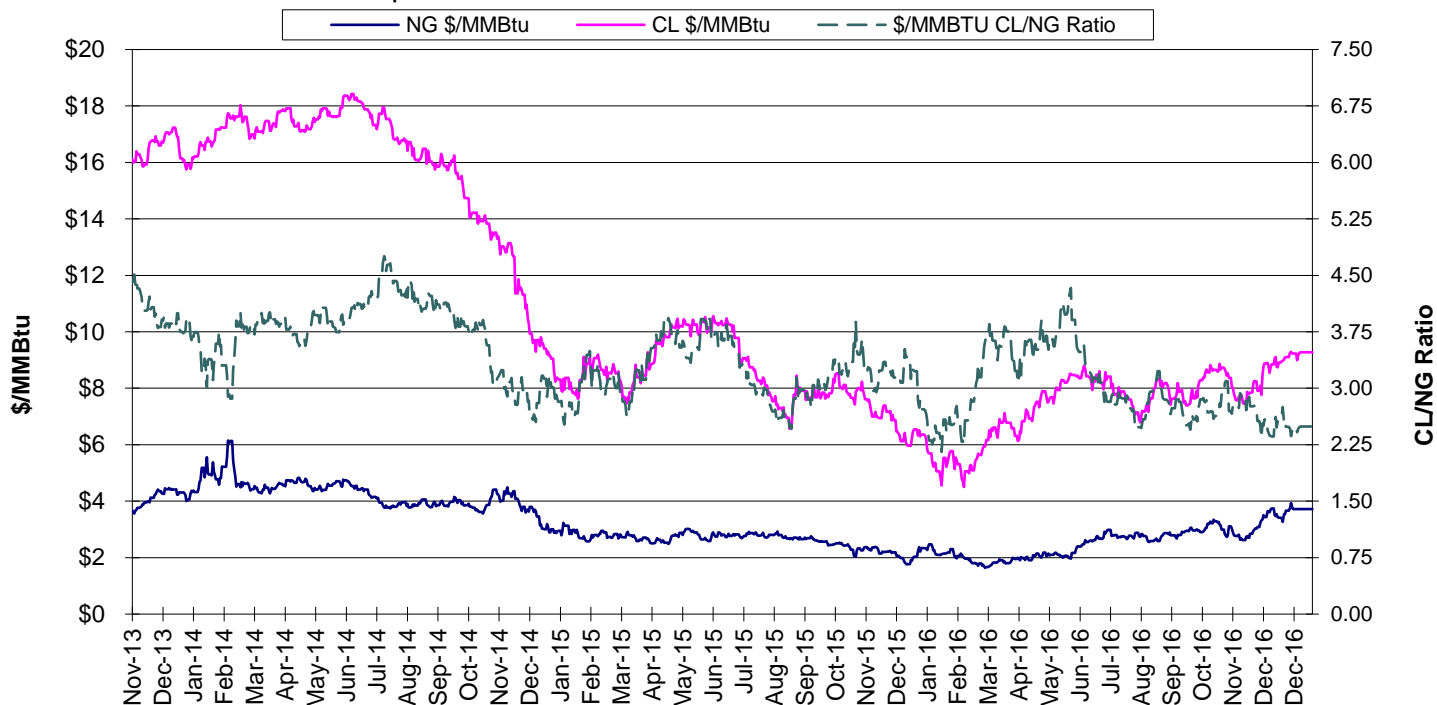
**Supply Trends:** Total supply rose +0.3 bcf/d to 69.3 bcf/d. LNG imports were higher. US production, Canadian imports and Mexican exports fell. LNG exports were unchanged. The US Baker Hughes rig count fell 6 as oil activity fell but natural gas activity increased. The total US rig count now stands at 659. The Canadian rig count rose 110 to 205. Thus, the total North American rig count rose 104 to 974 and now exceeds last year by 97. **The higher efficiency US horizontal rig count rose 3 to 537 and rises 26 above last year.**

**Demand Trends:** Total demand rose +11.0 bcf/d to 89.3 bcf/d. R&C lead demand higher with all sectors up. Electricity demand rose 9,096 gigawatt-hrs to 81,914 which exceeds last year by 2,695 (3.4%) and the 5-year average by 500 (0.6%).

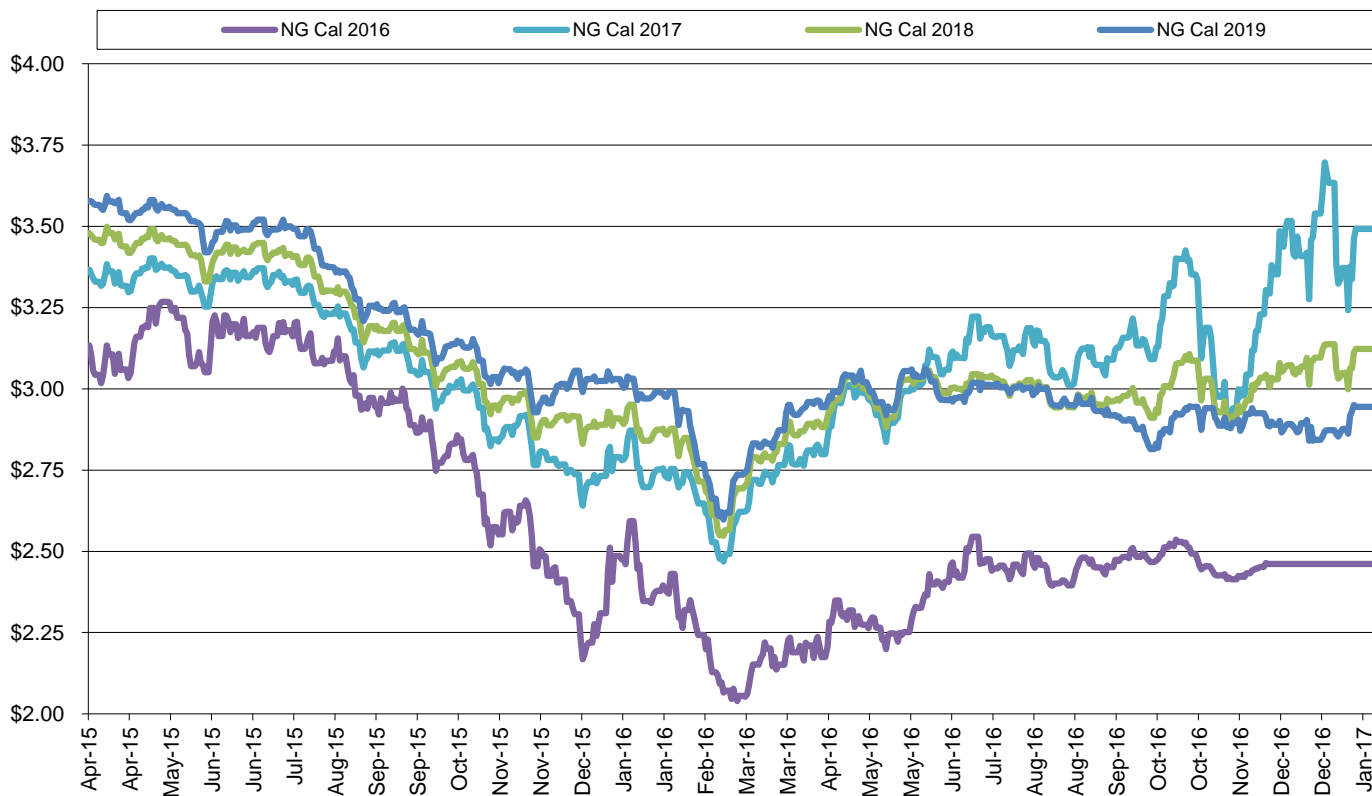
**Other Factors:** Nuclear generation rose 634 MW in the reference week to 92,976 MW. This is 2,111 MW lower than last year and 1,947 lower than the 5-year average. Recent output is near 94,500 MW.

- The 2016/17 heating season continues. With a forecast through January 27, the 2016/17 total heating index is at 1,372 compared to 1,364 for 2015/16, 1,663 for 2014/15, 1,883 for 2013/14, 1,609 for 2012/13 and 1,593 for 2011/12.

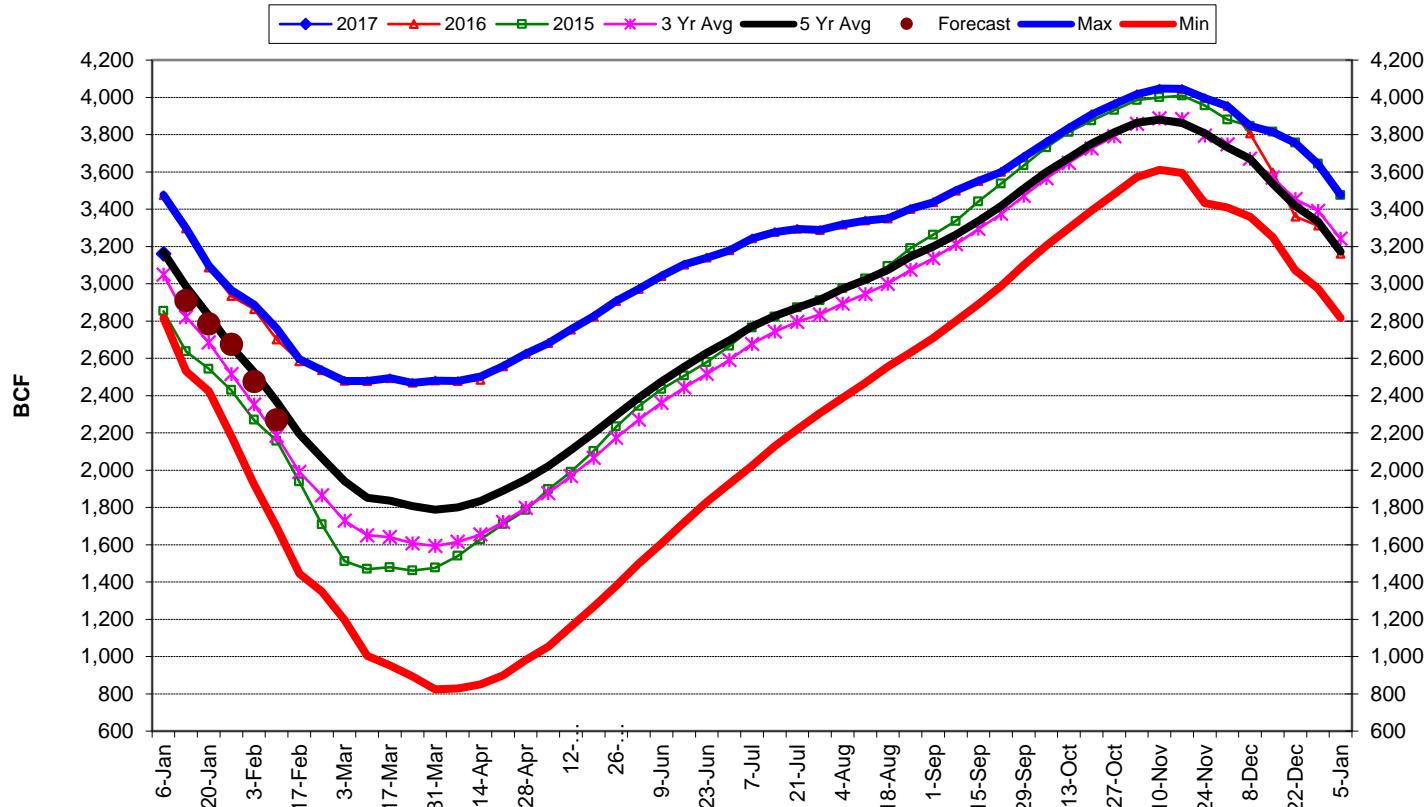
## \$/MMBtu Ratio of NYMEX CL and NG



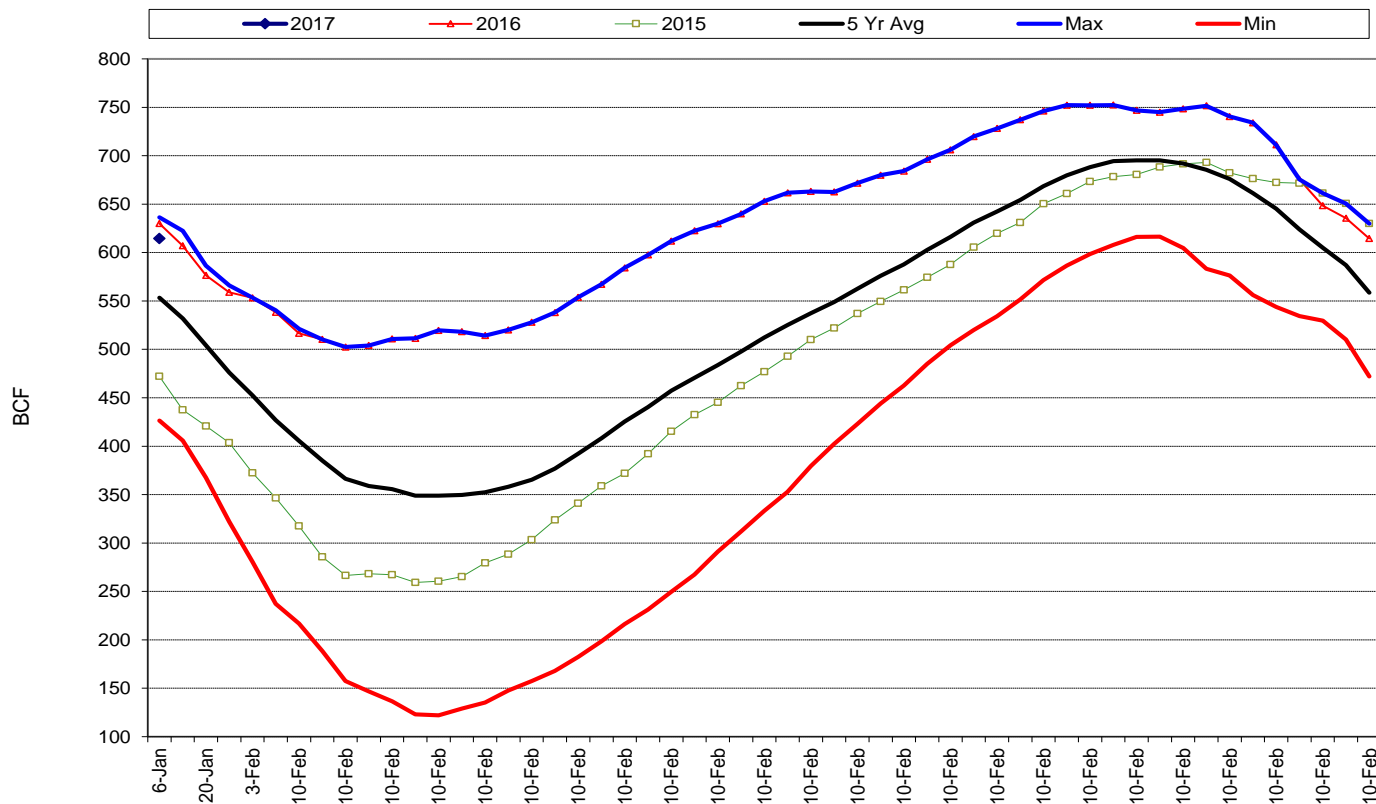
## NYMEX Calendar Strips



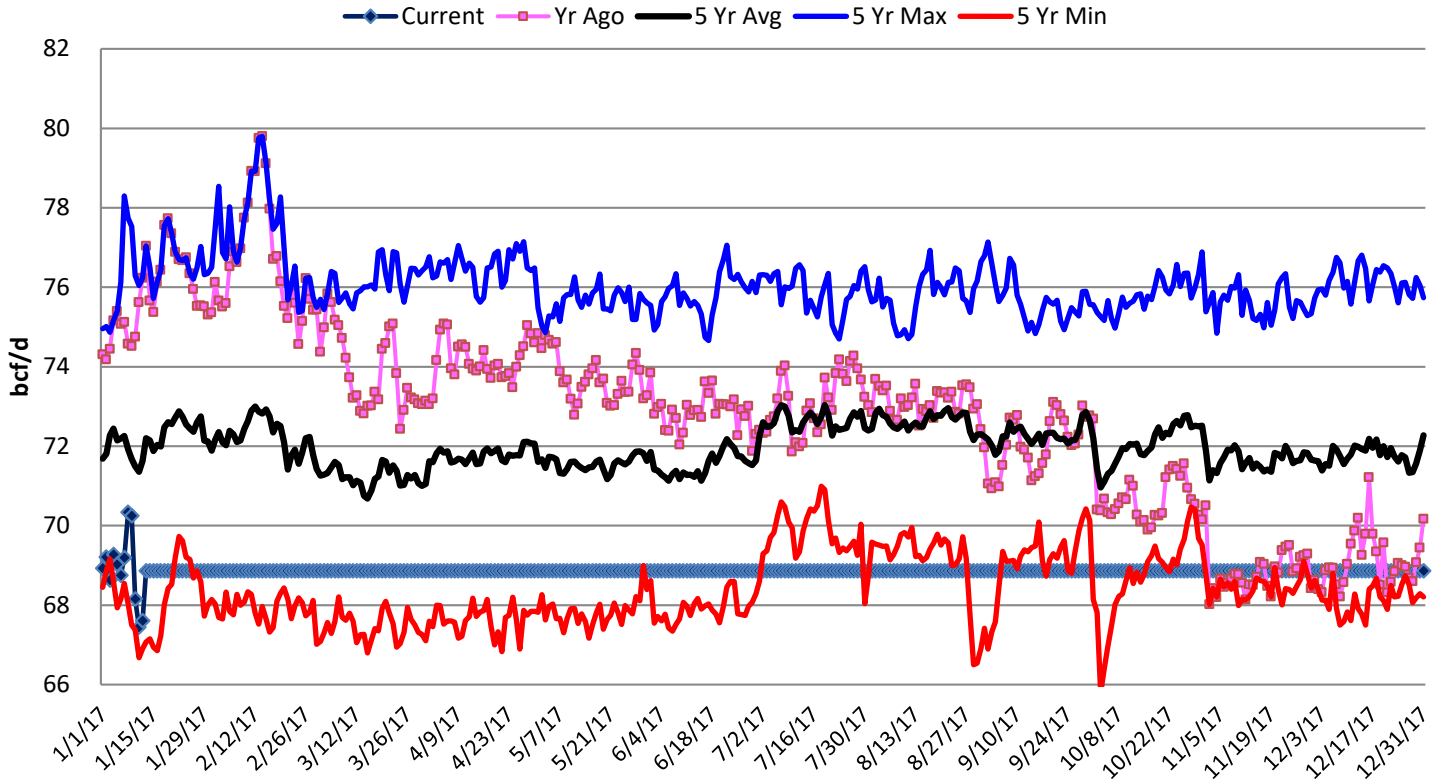
## US Total Working Gas Storage - Source - EIA



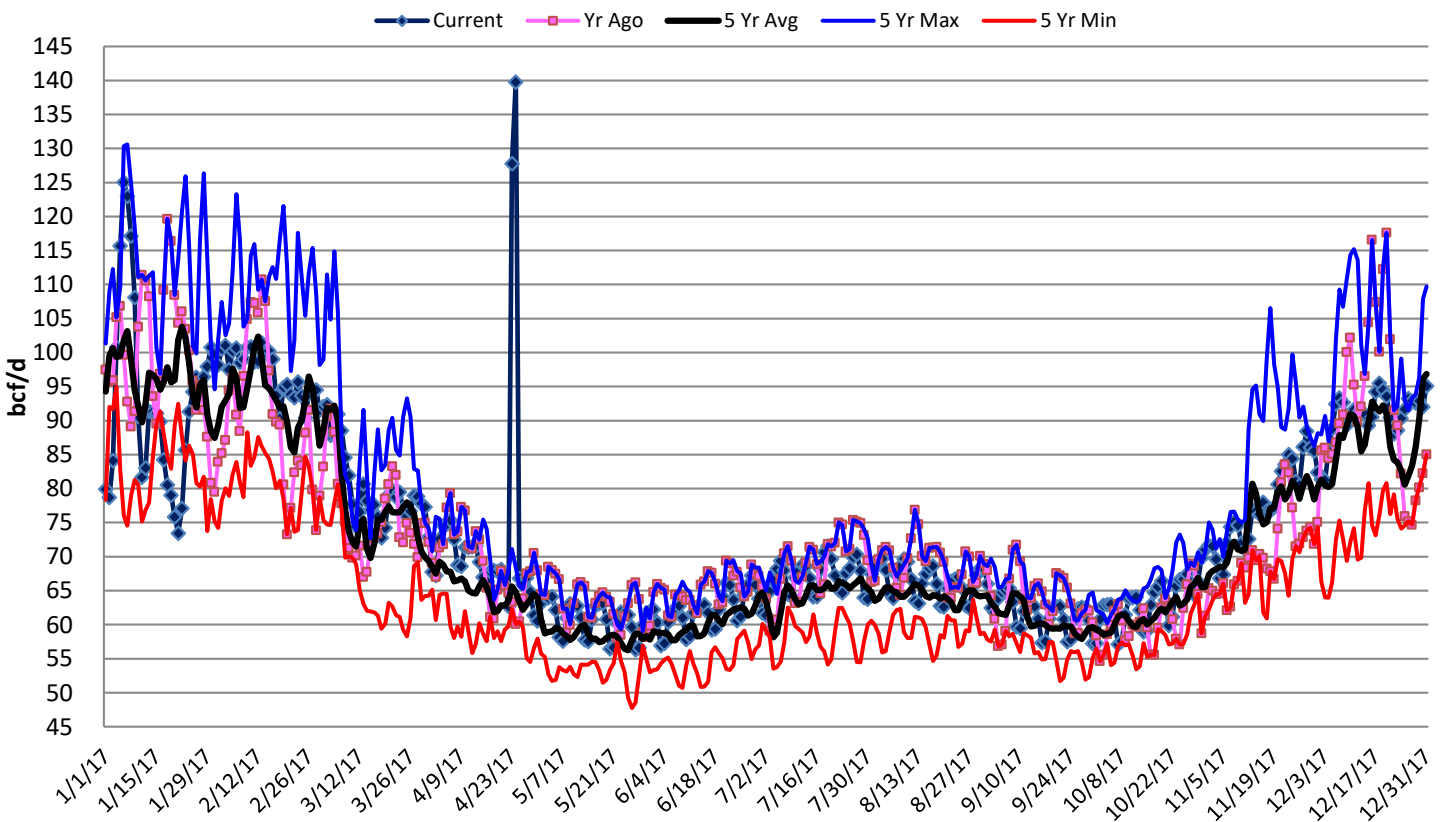
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



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**ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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