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Week Ending January 27, 2017

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

Price Action: The March contract rose 14.7 cents (4.6%) to \$3.358 on a 32.9 cent range.

Price Outlook: The market rallied despite continued very bearish forecasts. Updated temperature forecasts added approximately 72 bcf to storage forecasts compared to the previous forecasts and the 10-year rolling average. Over 307 bcf has been added to storage forecasts in January as mild weather has dominated the US despite one intense cold snap. While prices reflect the moderate temperatures, prices may find support with US production well below last year and exports increasing at a steady pace, drastically curtailing net supply. CFTC data indicated a decrease in the managed money net long position as the short position increased more than the long position. Total open interest fell to 3.607 million as of January 24. Aggregated CME futures open interest rose to 1.176 million as of January 27.

Weekly Storage: US working gas storage for the week ending January 20 indicated a net withdrawal of (119) bcf that dropped total working gas inventories to 2,798 bcf. Current inventories fall (288) bcf (9.3%) below last year and (31) bcf (1.1%) below the 5-year average.

Storage Outlook: Our EIA weekly storage estimate was mathematically 4 bcf larger than the actual EIA report is at the upper end of our tolerance range. The 5-week summation of our error fell to 15 bcf and is closer to our tolerance. The EIA has reported a net implied flow of (799) bcf compared to our estimated (784) bcf flow. Our estimation for early April inventories is 1,665 bcf.

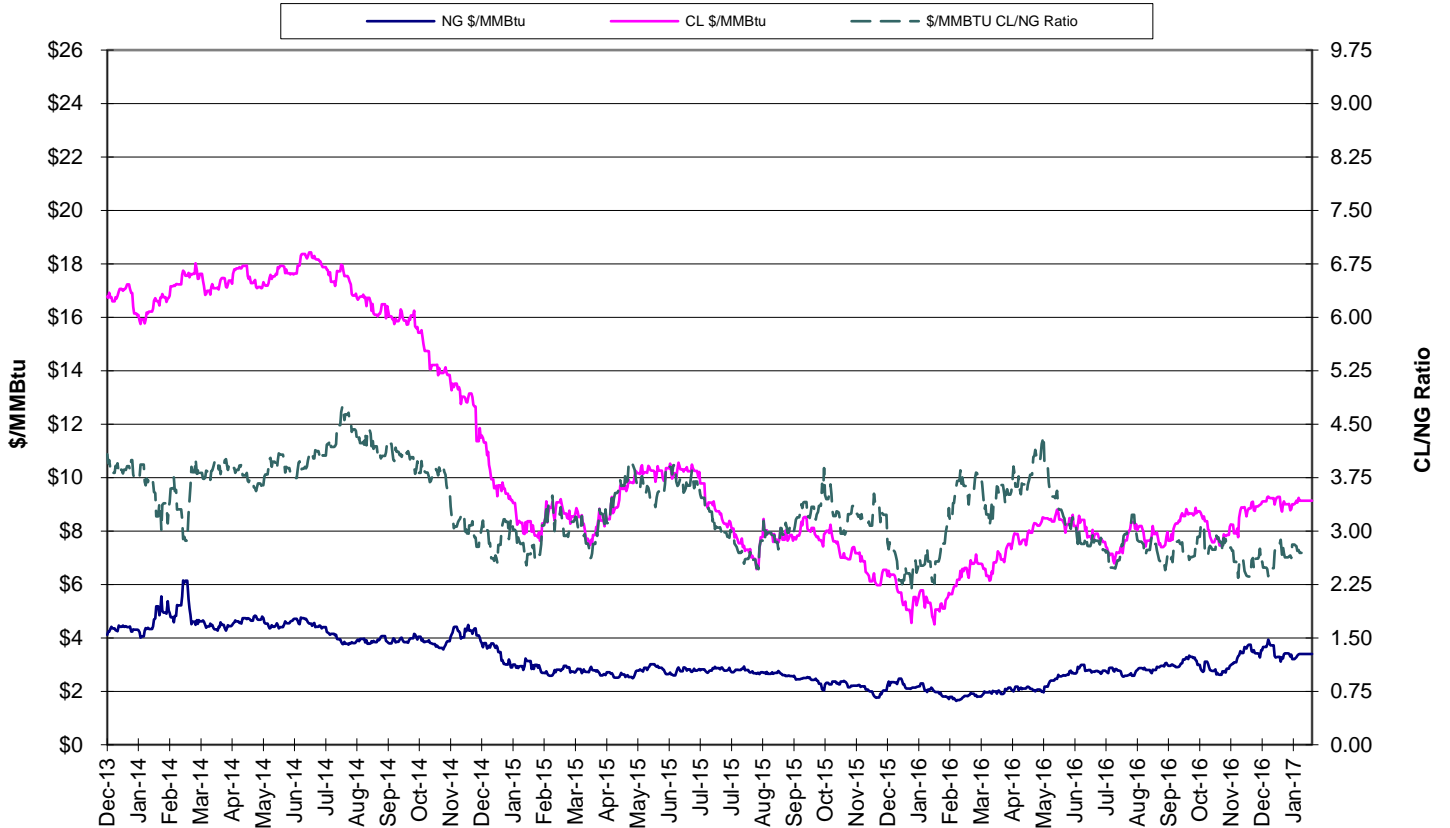
Supply Trends: Total supply fell (0.2) bcf/d to 68.7 bcf/d. US production, Canadian imports and LNG exports rose. LNG imports and Mexican exports fell. The US Baker Hughes rig count rose 18 as both oil and natural gas activity rose. The total US rig count now stands at 712. The Canadian rig count rose 3 to 345. Thus, the total North American rig count rose 21 to 1,057 and now exceeds last year by 207. The higher efficiency US horizontal rig count rose 20 to 579 and rises 92 above last year.

Demand Trends: Total demand fell (18.7) bcf/d to 84.7 bcf/d. R&C lead demand lower with all sectors down. Electricity demand fell 6,856 gigawatt-hrs to 73,665 which trails last year by 9,826 (11.8%) and the 5-year average by 7,161 (8.9%).

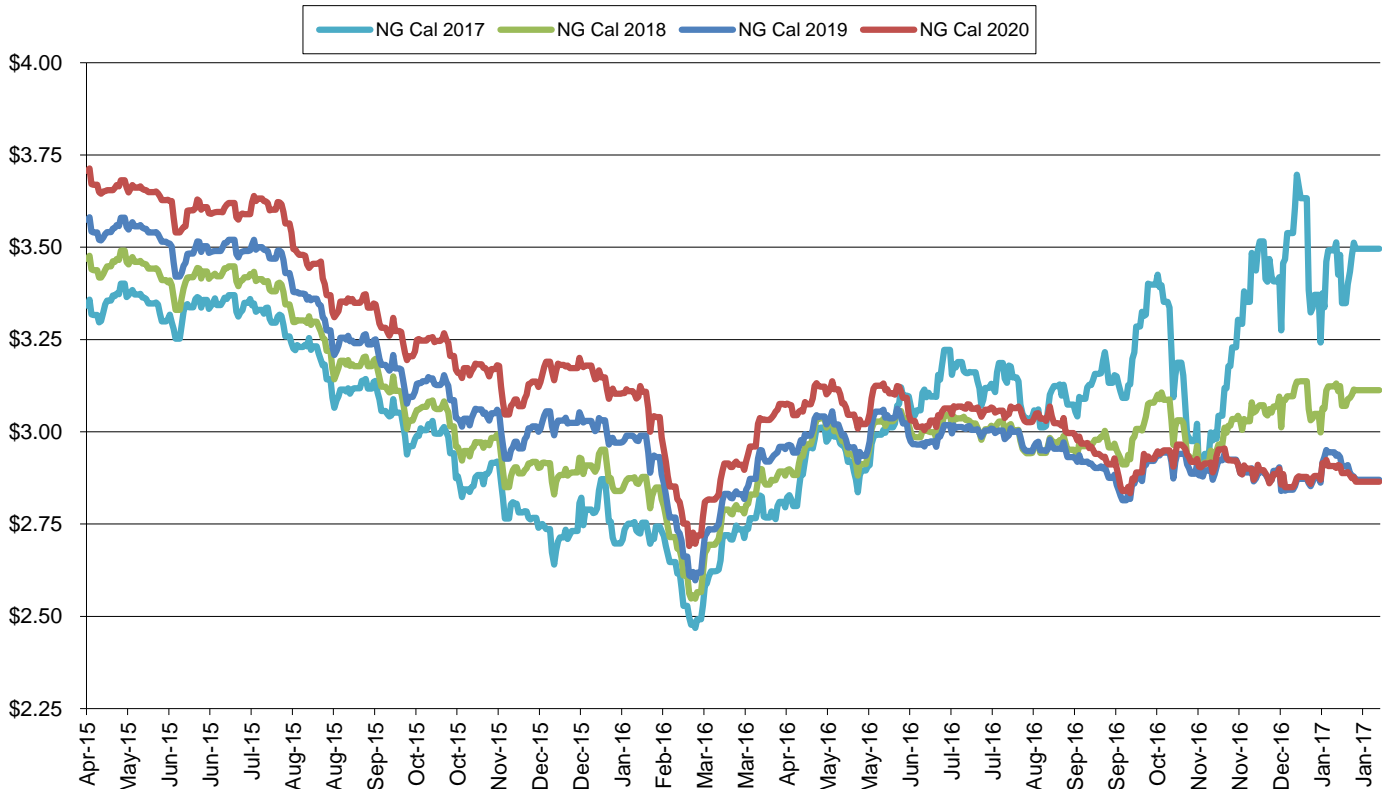
Other Factors: Nuclear generation fell 206 MW in the reference week to 93,123 MW. This is 698 MW lower than last year and 699 lower than the 5-year average. Recent output is near 94,500 MW.

- The 2016/17 heating season continues. With a forecast through February 10, the 2016/17 total heating index is at 1,655 compared to 1,658 for 2015/16, 1,942 for 2014/15, 2,219 for 2013/14, 1,888 for 2012/13 and 1,852 for 2011/12.

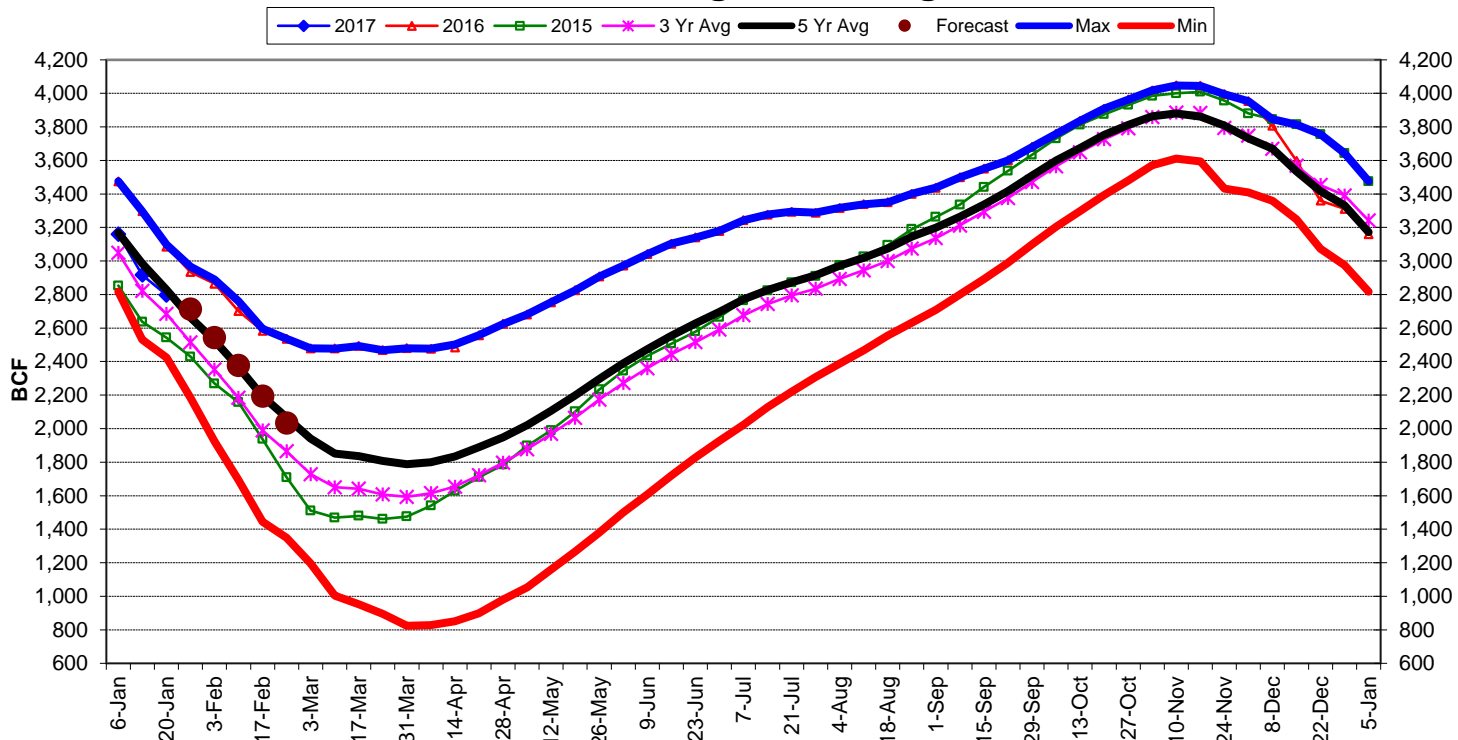
\$/MMBtu Ratio of NYMEX CL and NG



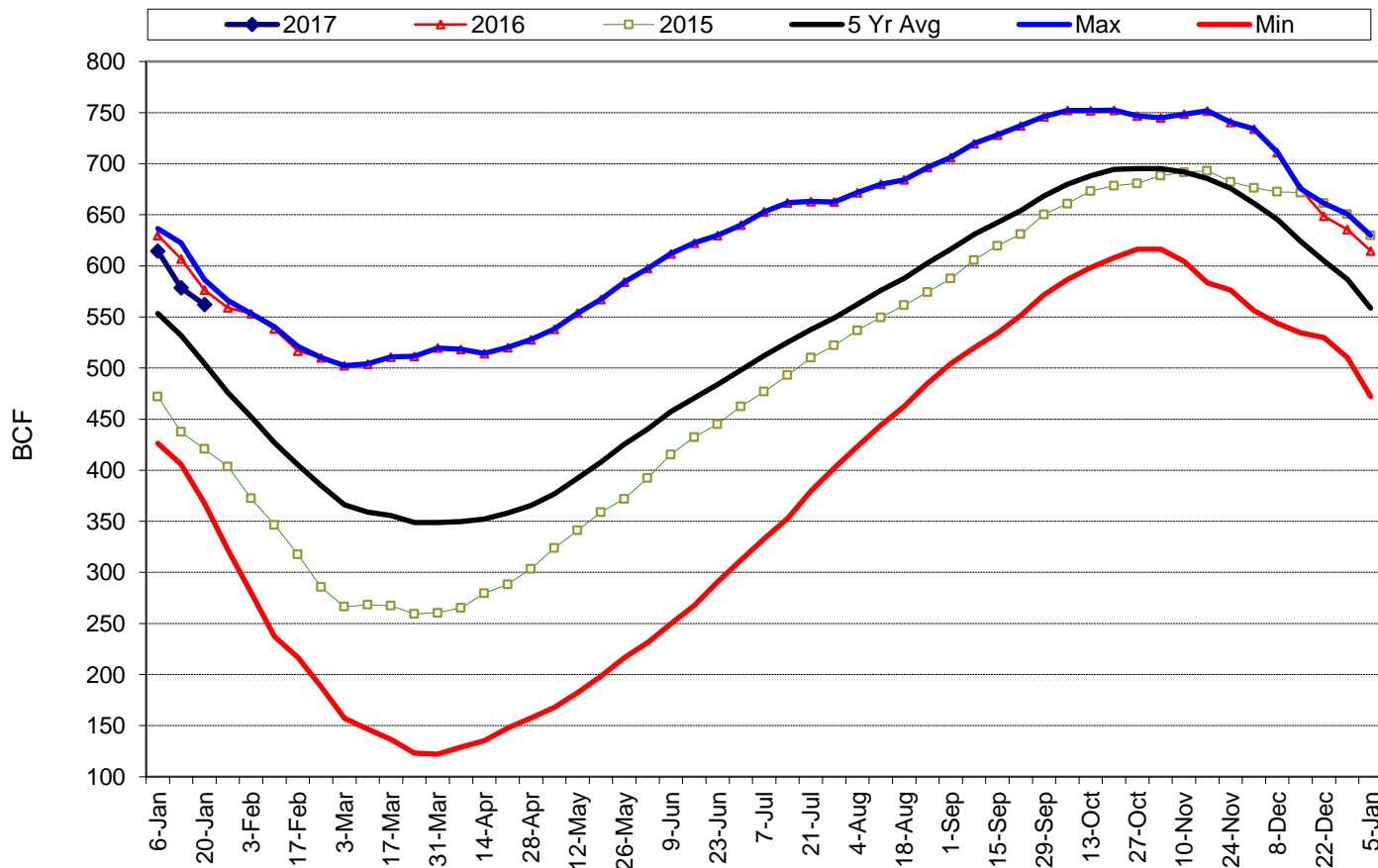
NYMEX Calendar Strips



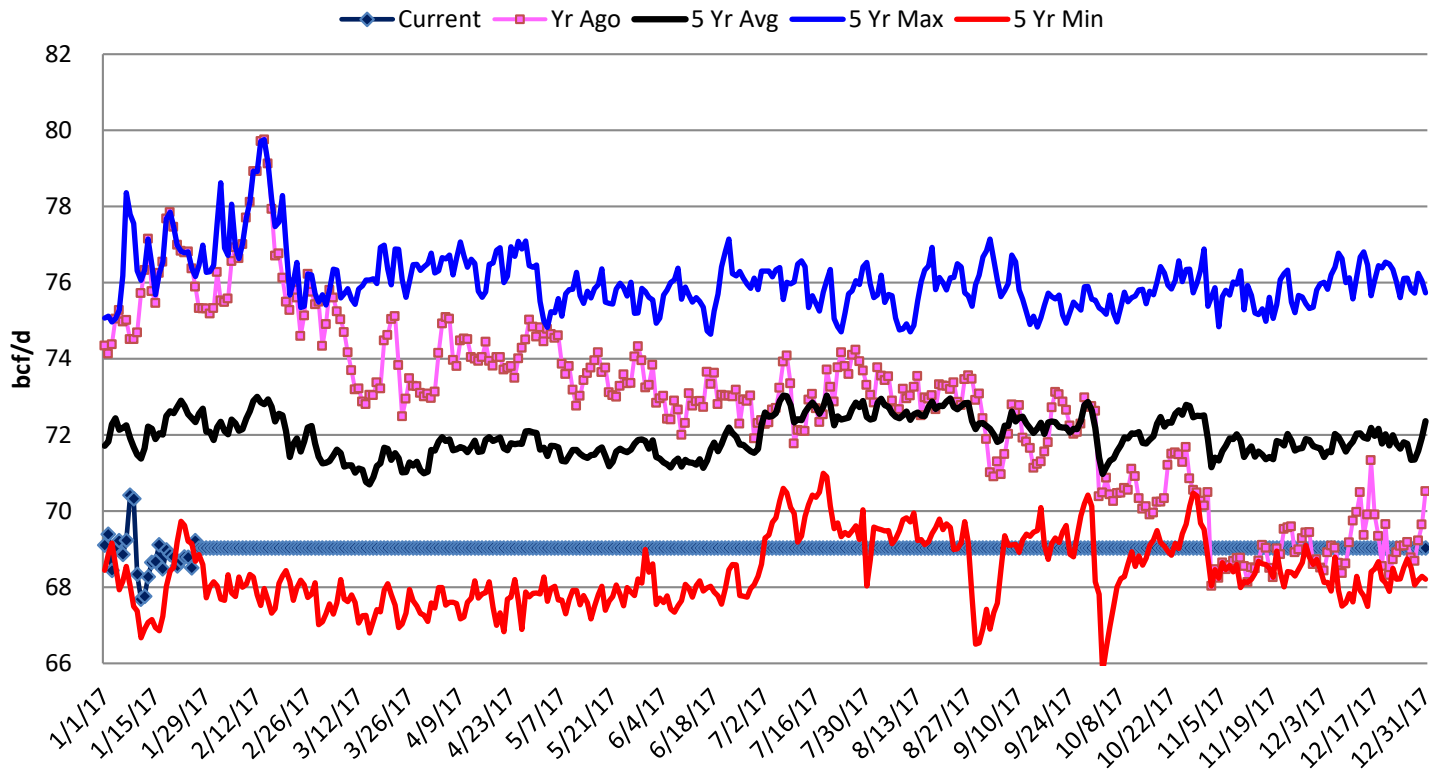
US Total Working Gas Storage - Source - EIA



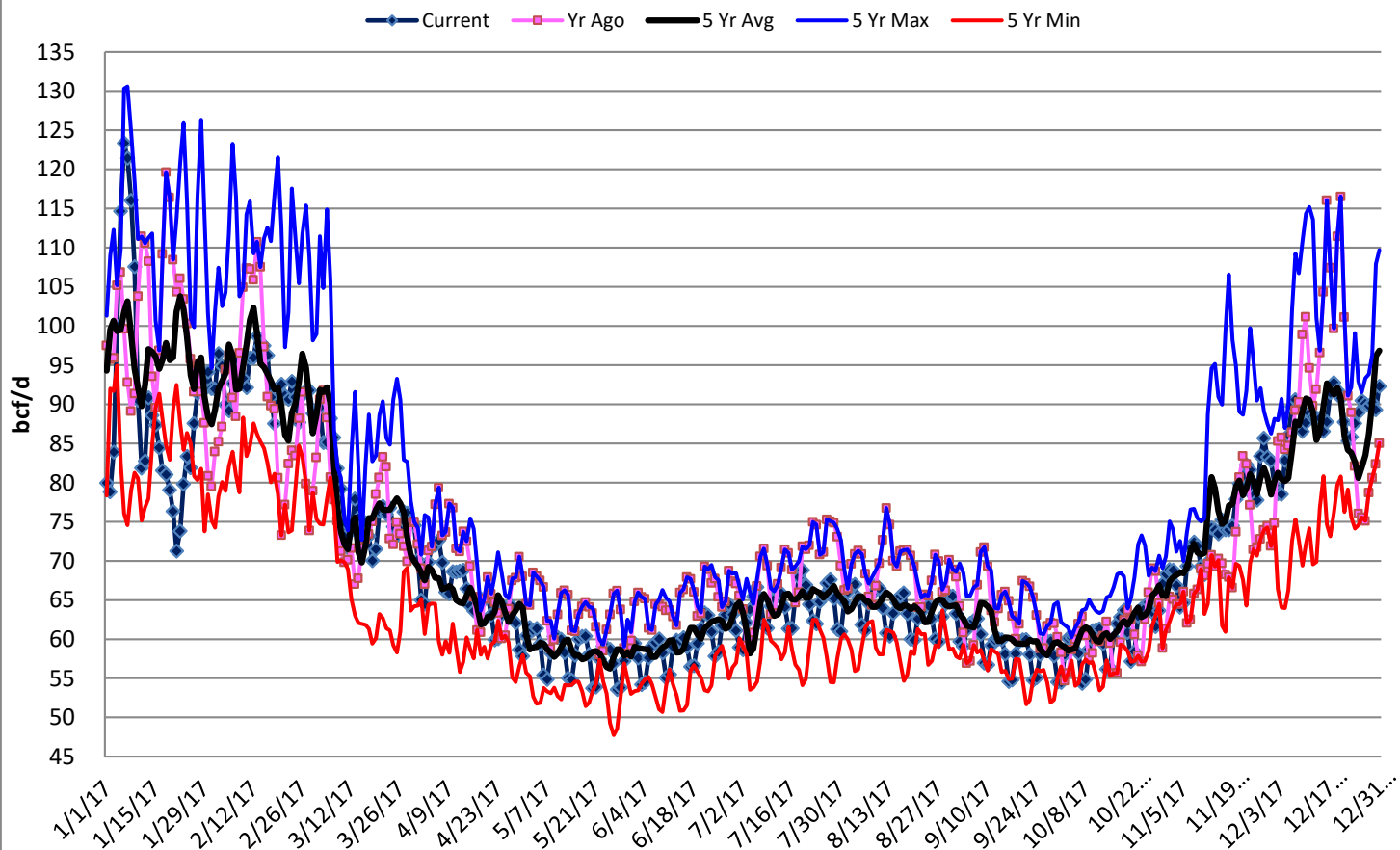
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



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