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*Week Ending February 3, 2017*

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

**Price Action:** The March contract fell 32.8 cents (9.7%) to \$3.063 on a 30.0 cent range.

**Price Outlook:** Despite a slightly larger than anticipated EIA storage withdrawal, inventories returned to above the 5-year average as weather forecasts eliminated the prospect for material heating demand into late February. The November to January period ranks as the 3rd warmest since our data base began in 1970. The utter lack of normal winter demand has weighed on the market and pressured prices lowered. Almost 440 bcf has been added to storage forecasts in 2017 as mild weather has dominated the US despite one intense cold snap. 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 3.512 million as of January 31. Aggregated CME futures open interest rose to 1.200 million as of February 3.

**Weekly Storage:** US working gas storage for the week ending January 27 indicated a net withdrawal of (87) bcf that dropped total working gas inventories to 2,711 bcf. Current inventories fall (223) bcf (7.6%) below last year while surpassing the 5-year average by +48 bcf (1.8%).

**Storage Outlook:** Our EIA weekly storage estimate was mathematically 4 bcf larger than the actual EIA report and is at the upper end of our tolerance range. The 5-week summation of our error fell to 9 bcf and is within our tolerance. The EIA has reported a net implied flow of (649) bcf over the last 5 weeks compared to our estimated (640) bcf. Our estimation for early April inventories is 1,840 bcf.

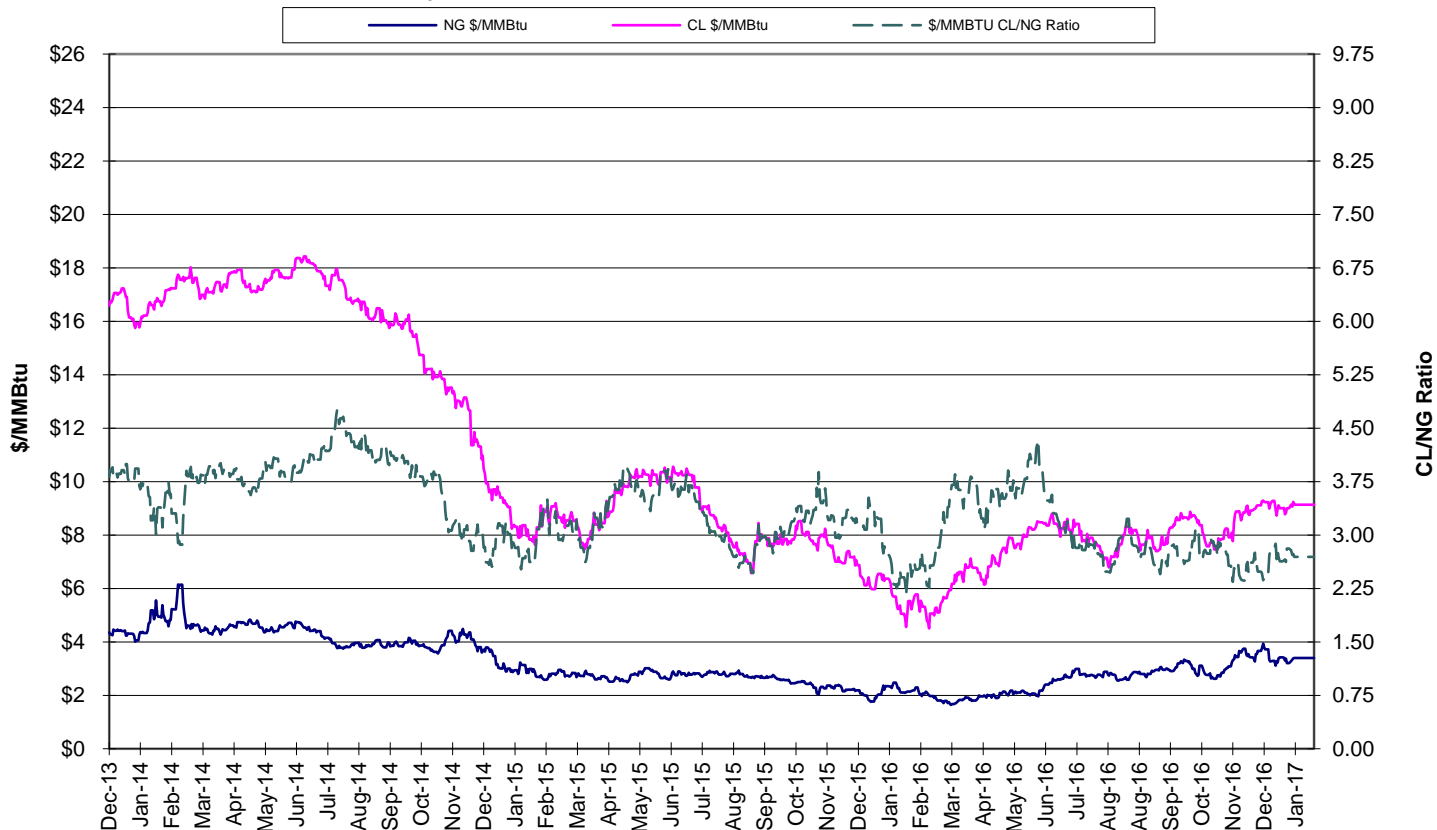
**Supply Trends:** Total supply was unchanged at 70.4 bcf/d. US production rose. Canadian imports and Mexican exports fell LNG imports and exports were unchanged. The US Baker Hughes rig count rose 17 as oil activity rose with natural gas unchanged. The total US rig count now stands at 729. The Canadian rig count fell 2 to 343. Thus, the total North American rig count rose 15 to 1,072 and now exceeds last year by 259. The higher efficiency US horizontal rig count rose 17 to 596 and rises 138 above last year. The EIA monthly data reported November US production did rise from October, but remains lower YOY. LNG exports rebounded as Cheniere completed maintenance.

**Demand Trends:** Total demand fell (5.5) bcf/d to 80.6 bcf/d. R&C lead demand lower with all sectors down. Electricity demand rose 1,588 gigawatt-hrs to 75,253 which trails last year by 2,660 (3.4%) and the 5-year average by 4,317 (5.4%). The EIA monthly data reported November demand lower YOY as the moderate temperatures sapped residential and electrical demand.

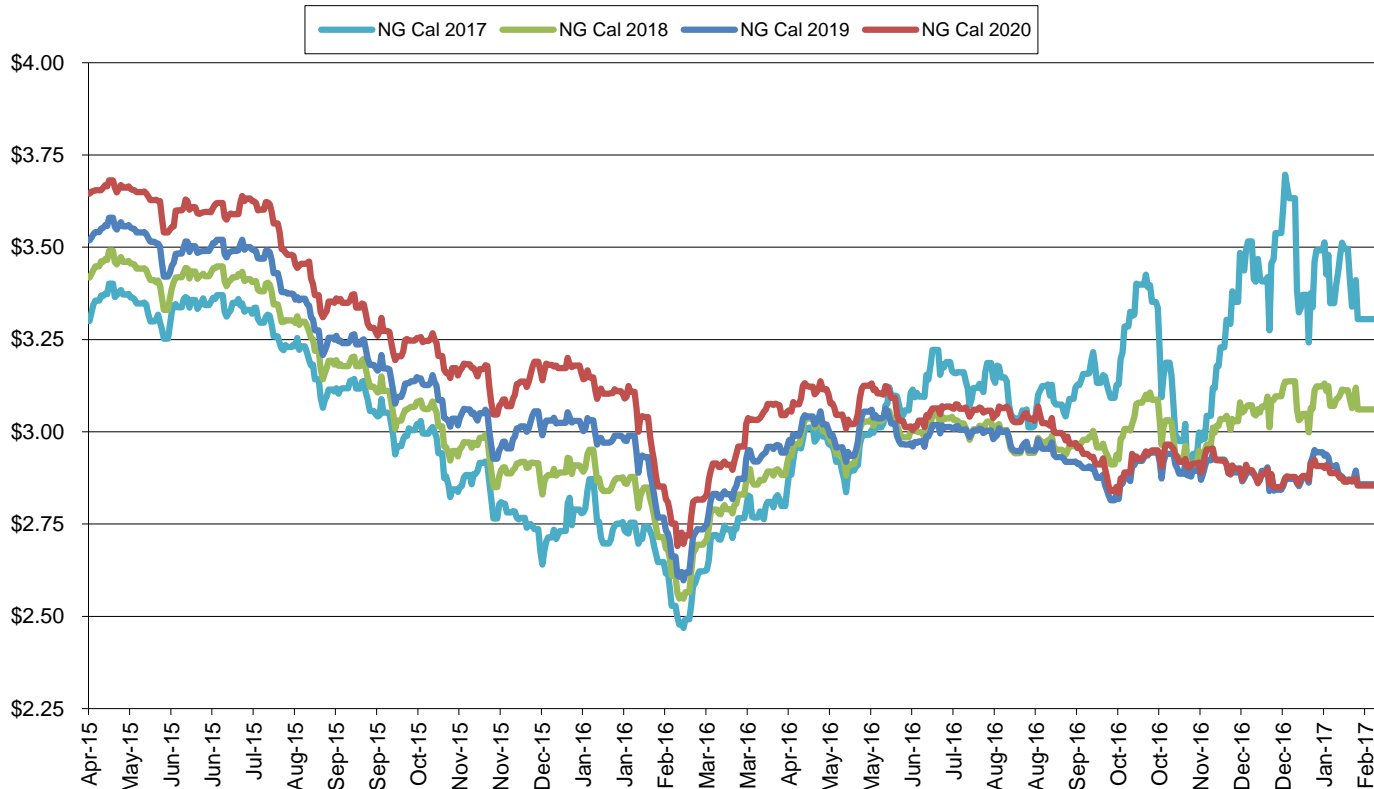
**Other Factors:** Nuclear generation rose 43 MW in the reference week to 93,165 MW. This is 2,057 MW higher than last year and 241 lower than the 5-year average. Recent output is near 93,500 MW.

- The 2016/17 heating season has entered the 2nd half. With a forecast through February 17, the 2016/17 total heating index is at 1,771 compared to 1,796 for 2015/16, 2,098 for 2014/15, 2,372 for 2013/14, 2,040 for 2012/13 and 2,002 for 2011/12.

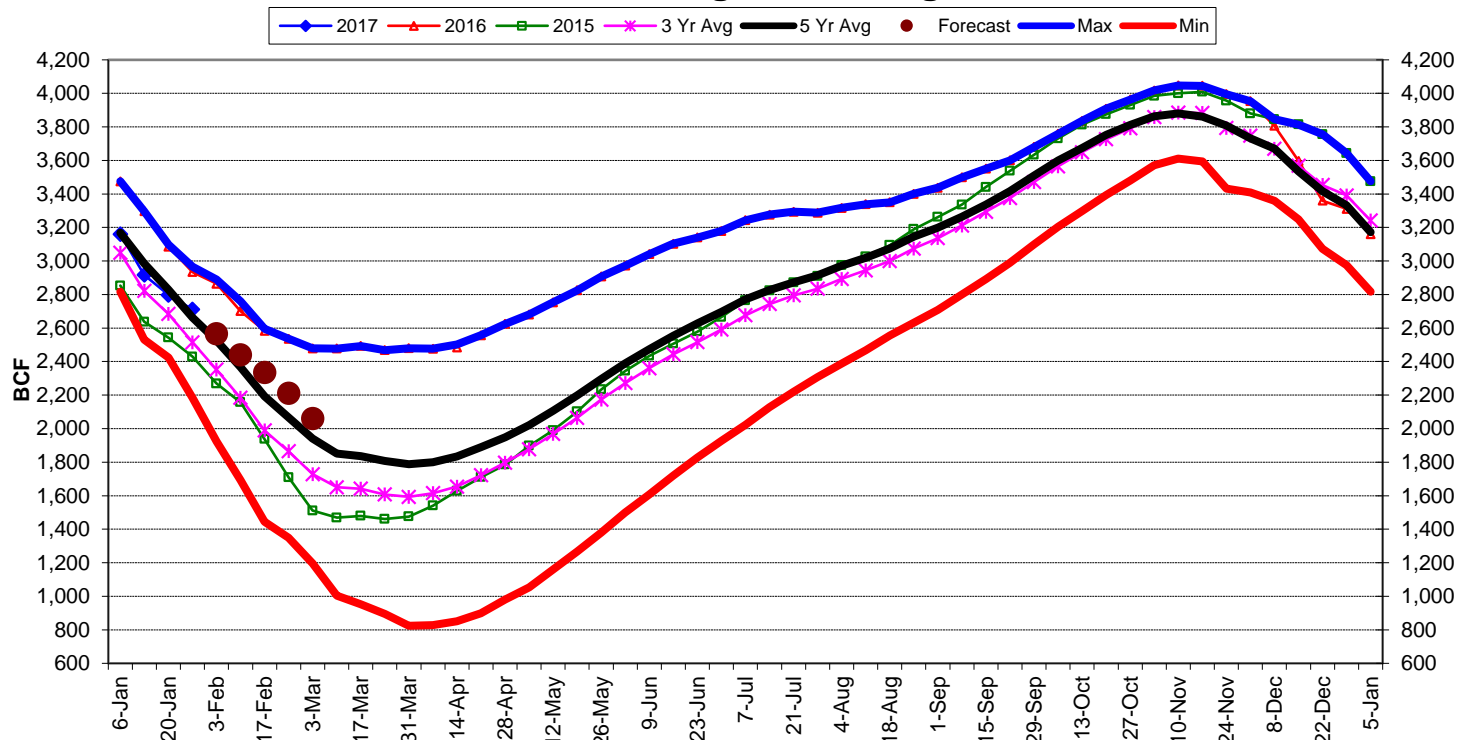
## \$/MMBtu Ratio of NYMEX CL and NG



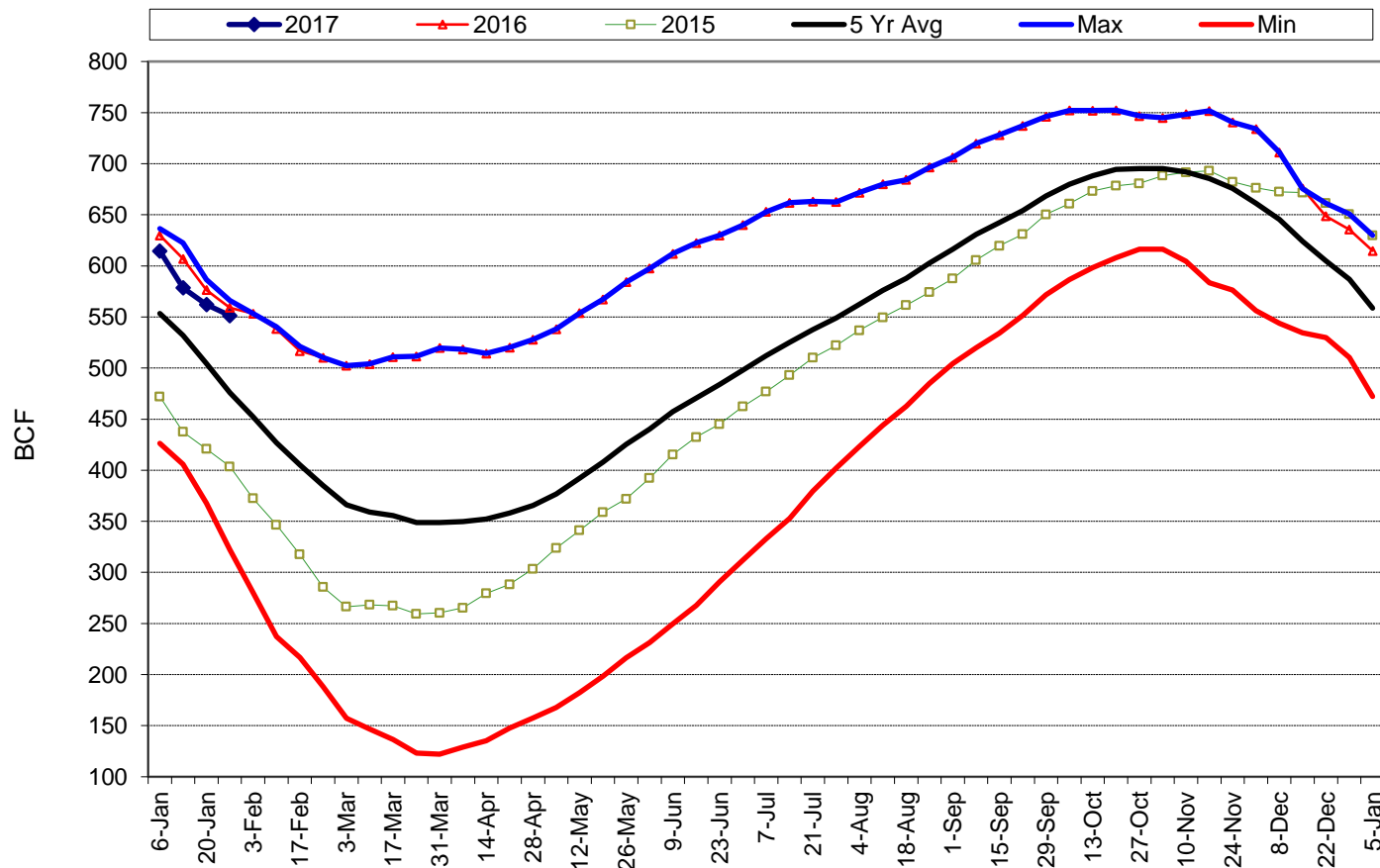
## NYMEX Calendar Strips



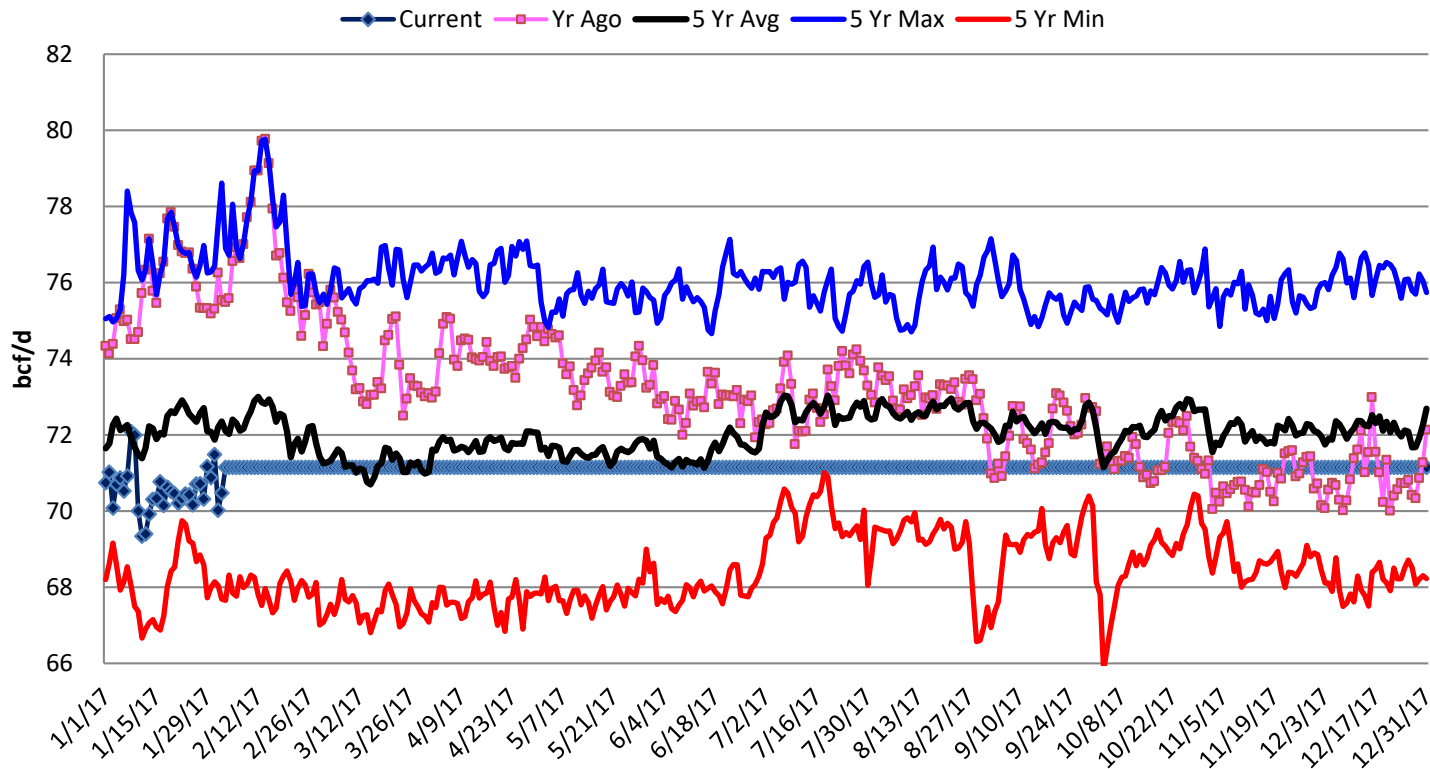
## US Total Working Gas Storage - Source - EIA



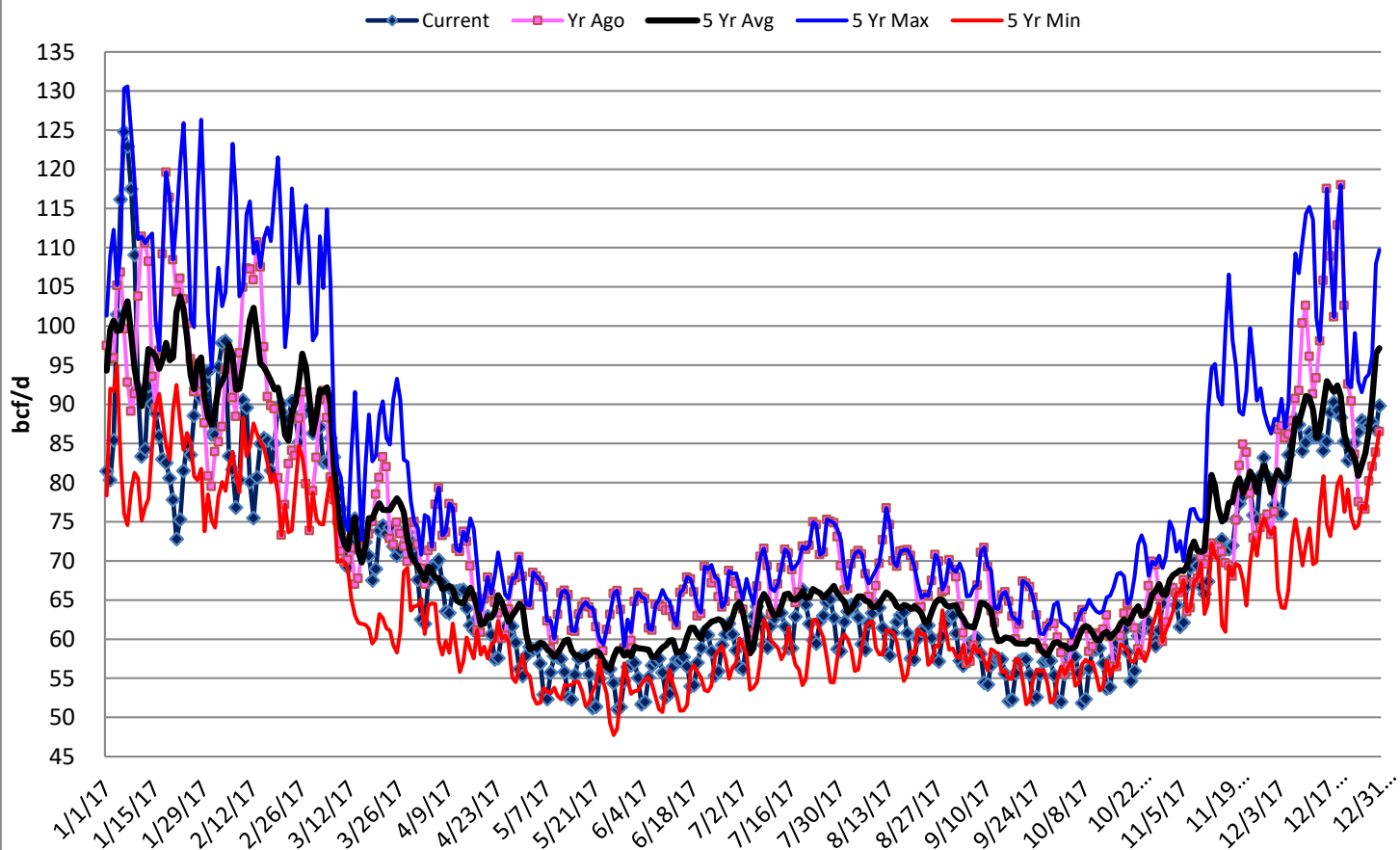
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



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**ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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