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*Week Ending February 10, 2017*

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

**Price Action:** The March contract fell 2.9 cents (0.9%) to \$3.034 on an 18.4 cent range.

**Price Outlook:** Prices continued lower, but at a rather subdued pace despite still very bearish weather forecasts and a storage report that indicated an implied flow slightly smaller than expectations. However, prices are near psychological support at \$3 and the temperature adjusted supply/demand balance is still quite supportive. With this week's updated weather forecast, another 82 bcf was added to weather only storage projections as normal heating demand remains non-existent. CFTC data indicated a slight increase in the managed money net long position as longs added slightly more than shorts. Total open interest rose to 3.597 million as of February 7. Aggregated CME futures open interest rose to 1.237 million as of February 10.

**Weekly Storage:** US working gas storage for the week ending February 3 indicated a net implied flow of (147) bcf that was accompanied with a 5 bcf reclassification of working to base gas that dropped total working gas inventories to 2,559 bcf. Current inventories fall (305) bcf (10.6%) below last year while surpassing the 5-year average by +33 bcf (1.3%).

**Storage Outlook:** Our EIA weekly storage estimate was mathematically 2 bcf smaller than the actual EIA implied report and is within our tolerance range. The 5-week summation of our error rose to 19 bcf and is at the upper end of our tolerance. The EIA has reported a net implied flow of (747) bcf over the last 5 weeks compared to our estimated (728) bcf. Our estimation for early April inventories is 1,911 bcf.

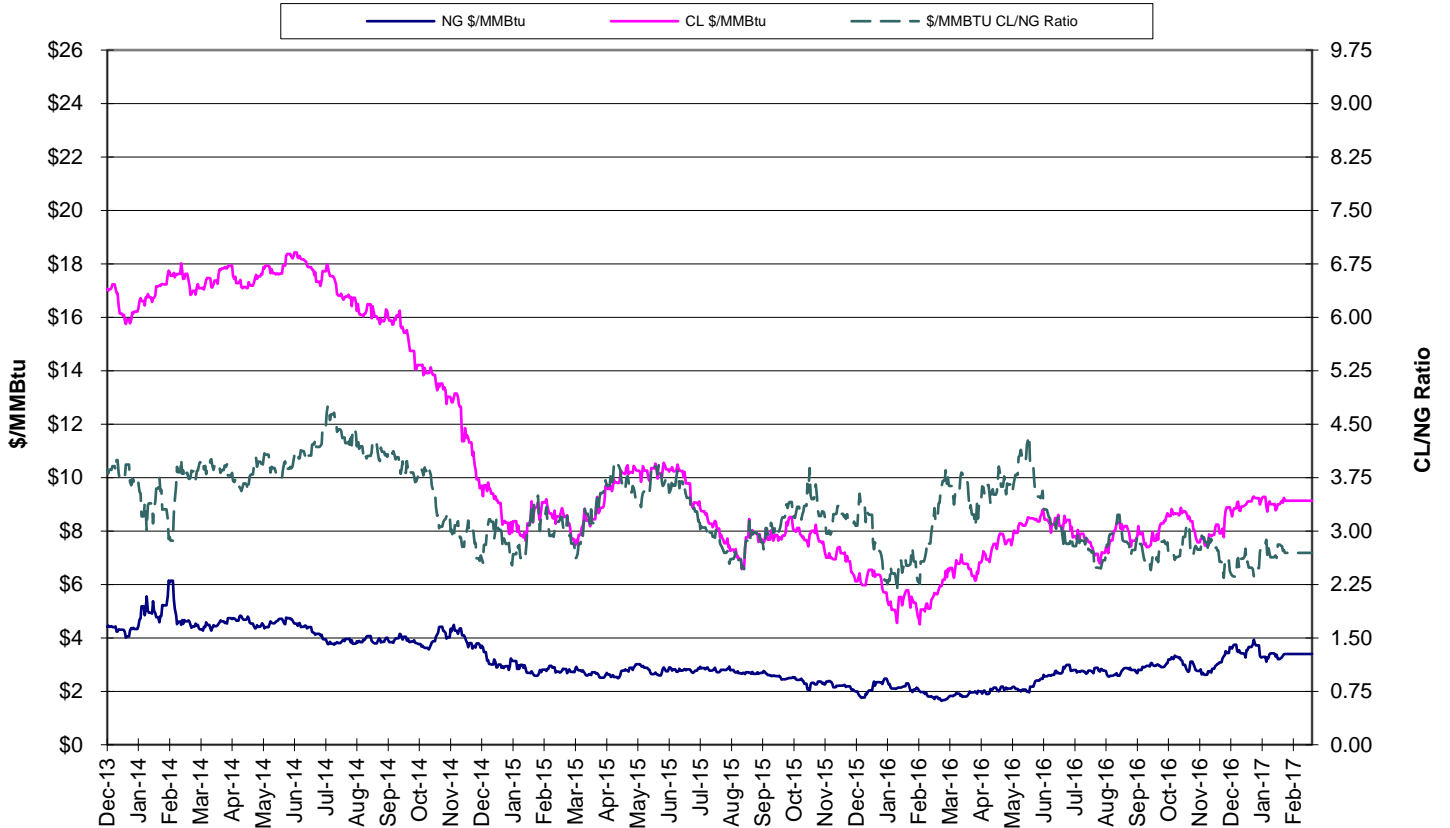
**Supply Trends:** Total supply rose +0.4 to 70.8 bcf/d. US production and Canadian imports rose. LNG exports fell. LNG imports and Mexican exports were unchanged. The US Baker Hughes rig count rose 17 as oil activity rose with natural gas unchanged. The US Baker Hughes rig count rose 12 as both oil and natural gas activity increased. The total US rig count now stands at 741. The Canadian rig count rose 9 to 352. Thus, the total North American rig count rose 21 to 1,093 and now exceeds last year by 330. **The higher efficiency US horizontal rig count rose 11 to 607 and rises 174 above last year.**

**Demand Trends:** Total demand rose +10.5 bcf/d to 91.1 bcf/d. R&C lead demand higher with all sectors rising. Electricity demand rose 1,643 gigawatt-hrs to 76,896 which exceeds last year by 2,415 (3.2%) and trails the 5-year average by 183 (0.2%).

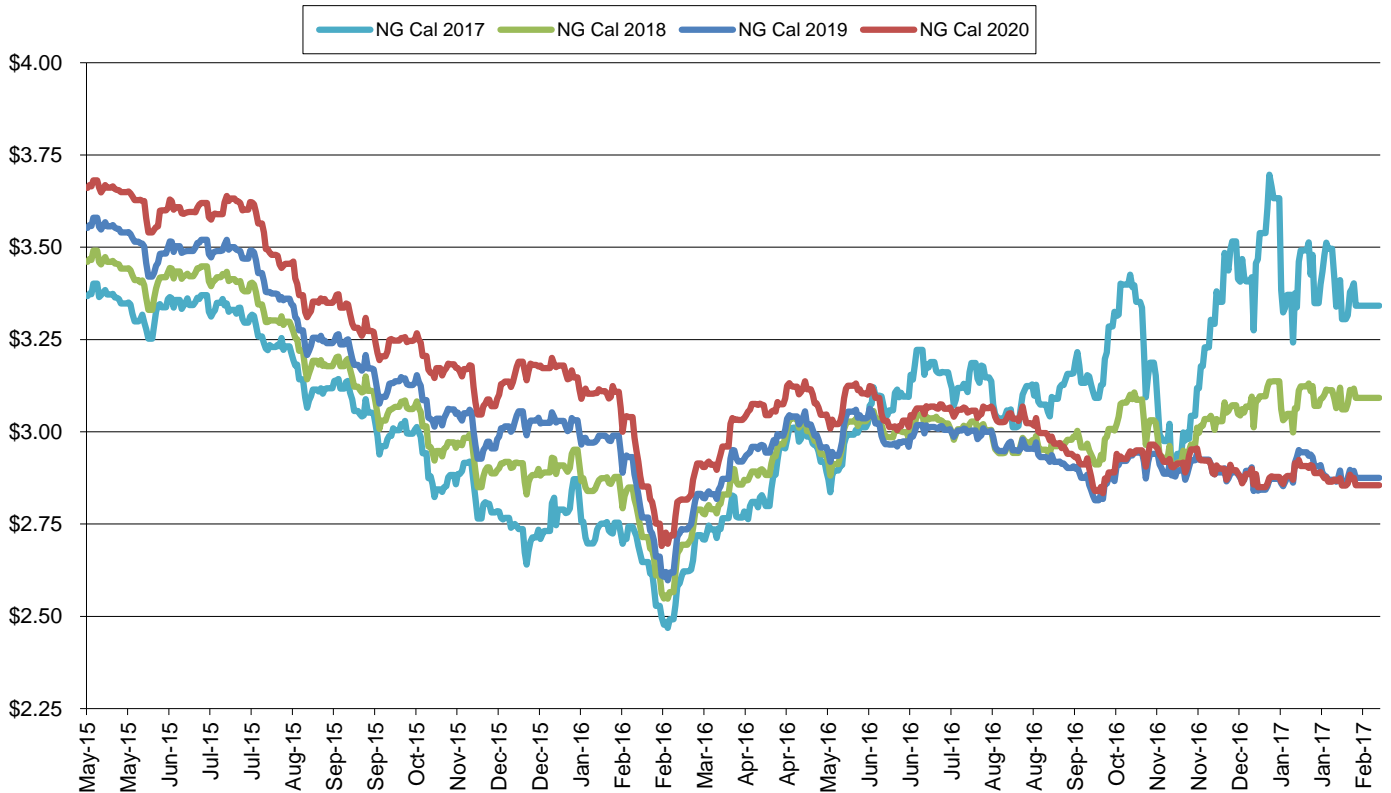
**Other Factors:** Nuclear generation rose 71 MW in the reference week to 93,237 MW. This is 1,726 MW higher than last year and 530 MW higher than the 5-year average. Recent output is near 92,000 MW.

- The 2016/17 heating season is entering the final 1/3 of winter. With a forecast through February 24, the 2016/17 total heating index is at 1,859 compared to 1,892 for 2015/16, 2,258 for 2014/15, 2,489 for 2013/14, 2,194 for 2012/13 and 2,117 for 2011/12 and 2,462 bcf for 2010/11.

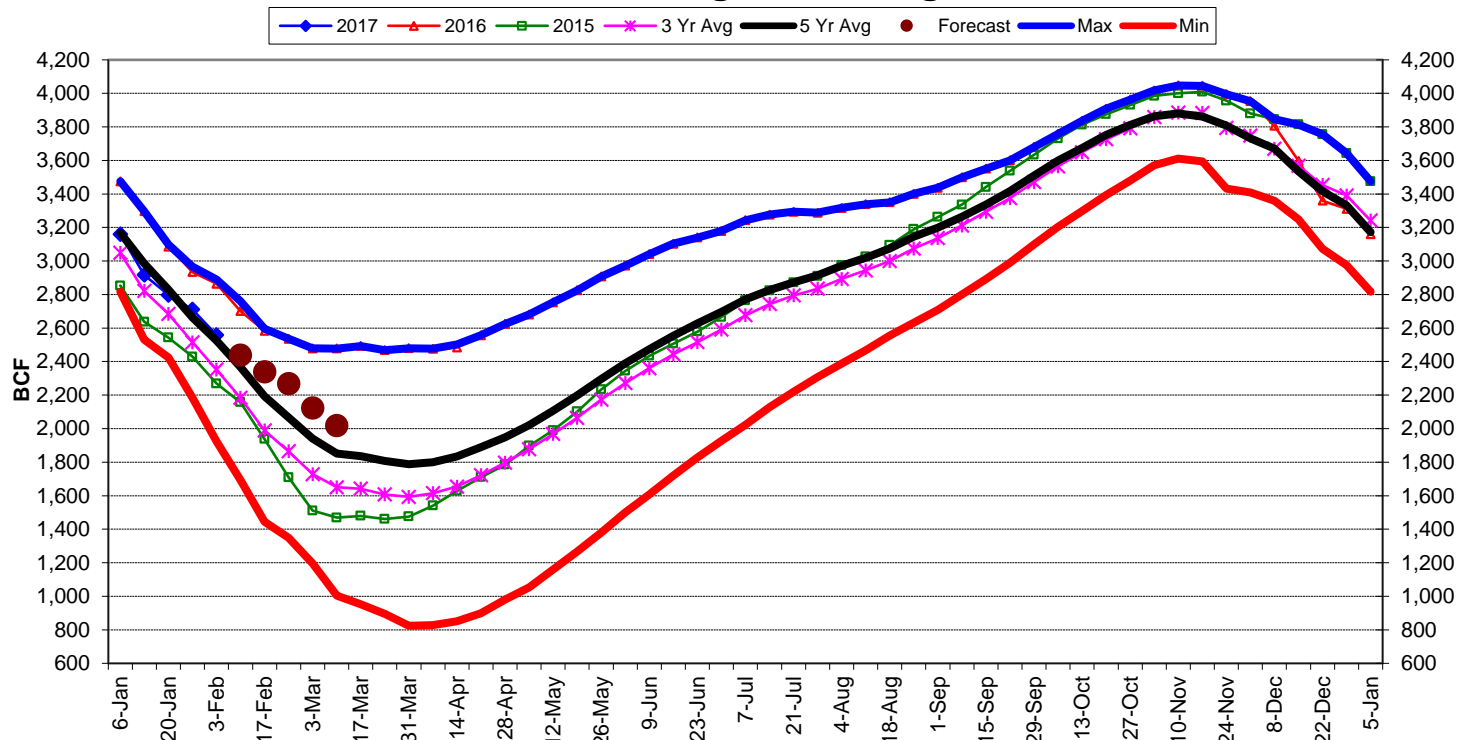
## \$/MMBtu Ratio of NYMEX CL and NG



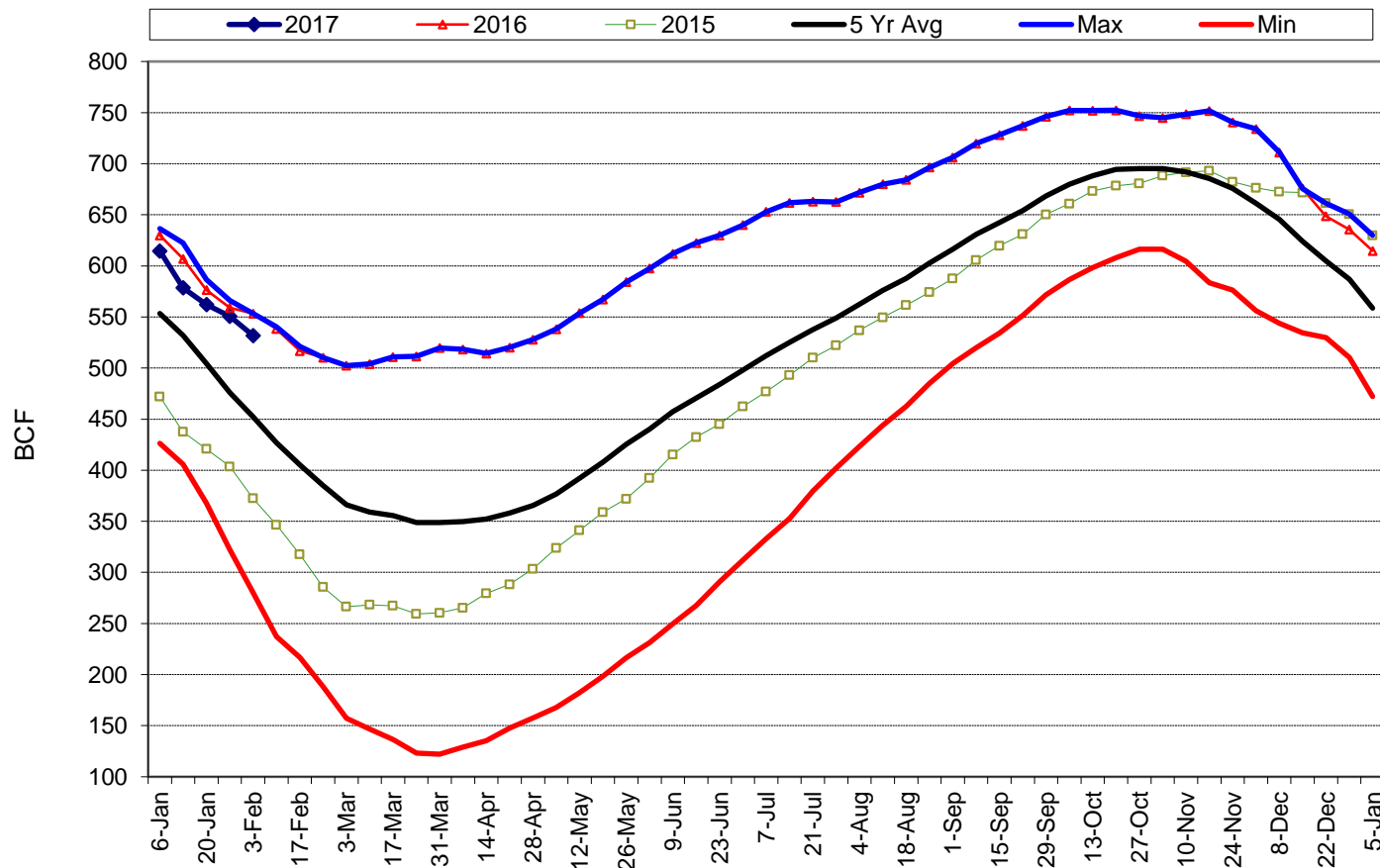
## NYMEX Calendar Strips



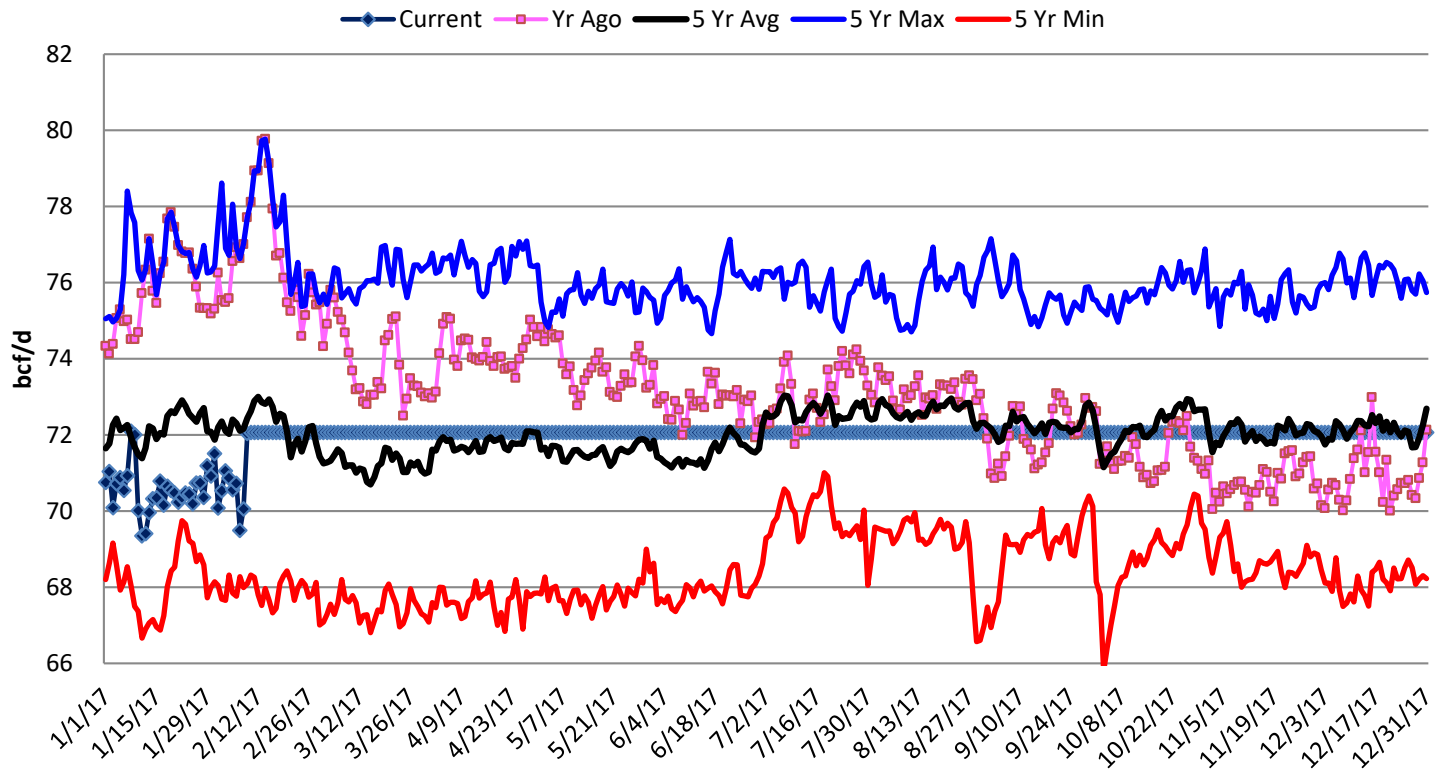
## US Total Working Gas Storage - Source - EIA



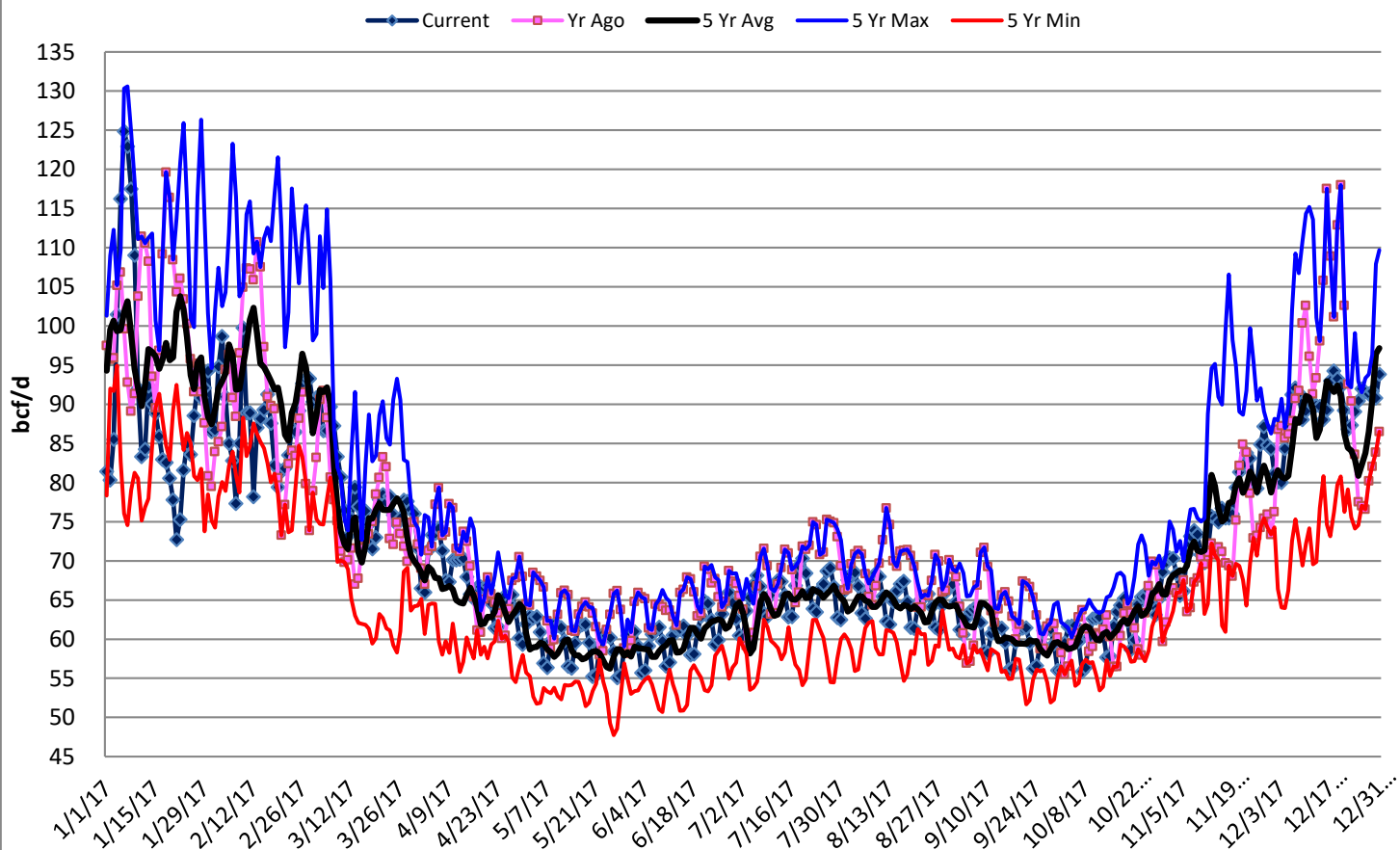
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



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**ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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