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Week Ending February 17, 2017

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

Price Action: The March contract fell 20.0 cents (6.6%) to \$2.834 on a 16.4 cent range.

Price Outlook: Prices continued lower at an accelerated pace as Mother Nature remains incredibly bearish. This week's updated weather forecast added 134 bcf to weather only storage projections as normal heating demand remains non-existent. February is currently projected to average 49.27 degrees, shattering the current 1976 February record of 47.32. Our database begins in 1970. CFTC data indicated a decrease in the managed money net long position as shorts added more than longs. Total open interest rose to 3.705 million as of February 14. Aggregated CME futures open interest rose to 1.256 million as of February 17.

Weekly Storage: US working gas storage for the week ending February 10 indicated a (114) bcf withdrawal that dropped total working gas inventories to 2,445 bcf. Current inventories fall (256) bcf (9.5%) below last year while surpassing the 5-year average by +78 bcf (3.3%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 8 bcf smaller than the actual EIA report and is above our tolerance range. The 5-week summation of our error fell to 1 bcf and is well within our tolerance. The EIA has reported a net implied flow of (710) bcf over the last 5 weeks compared to our estimated (711) bcf. Our estimation for early April inventories is 2,084 bcf. This forecast continues to rise as temperature forecasts remain well above normal. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Above normal national temperatures are bearish until mid-May.

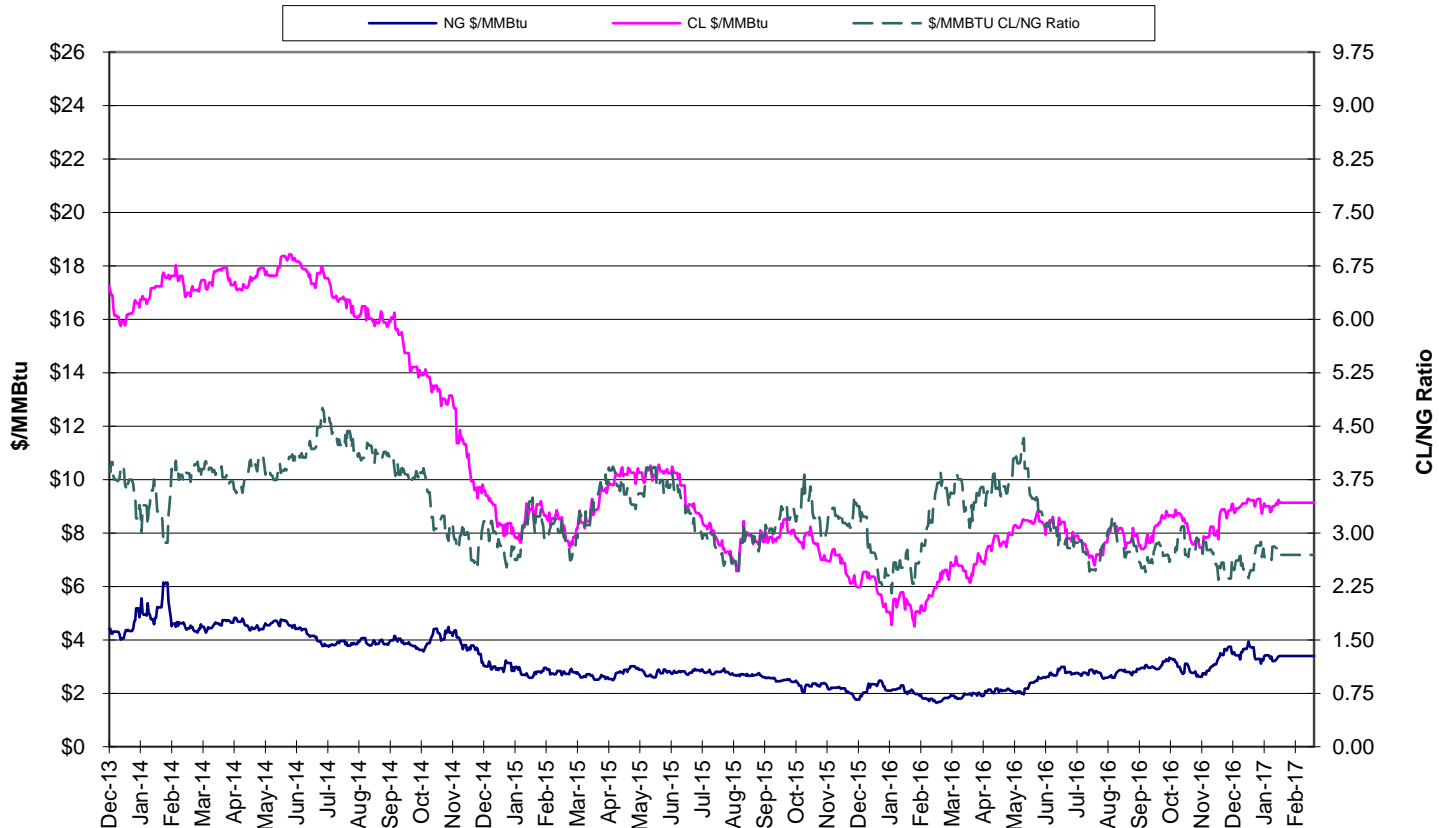
Supply Trends: Total supply fell (0.1) to 70.7 bcf/d. US production, LNG imports and LNG exports rose. Canadian imports and Mexican exports fell. The US Baker Hughes rig count rose 10 as both oil and natural gas activity rose. The total US rig count now stands at 751. The Canadian rig count fell 21 to 331. Thus, the total North American rig count fell 11 to 1,082 and now exceeds last year by 362. The higher efficiency US horizontal rig count rose 7 to 614 and rises 198 above last year.

Demand Trends: Total demand fell (2.7) bcf/d to 88.4 bcf/d. R&C demand fell while power and industrial demand were slightly higher. Electricity demand fell 2,047 gigawatt-hrs to 74,849 which trails last year by 4,967 (6.2%) and trails the 5-year average by 3,570 (4.6%).

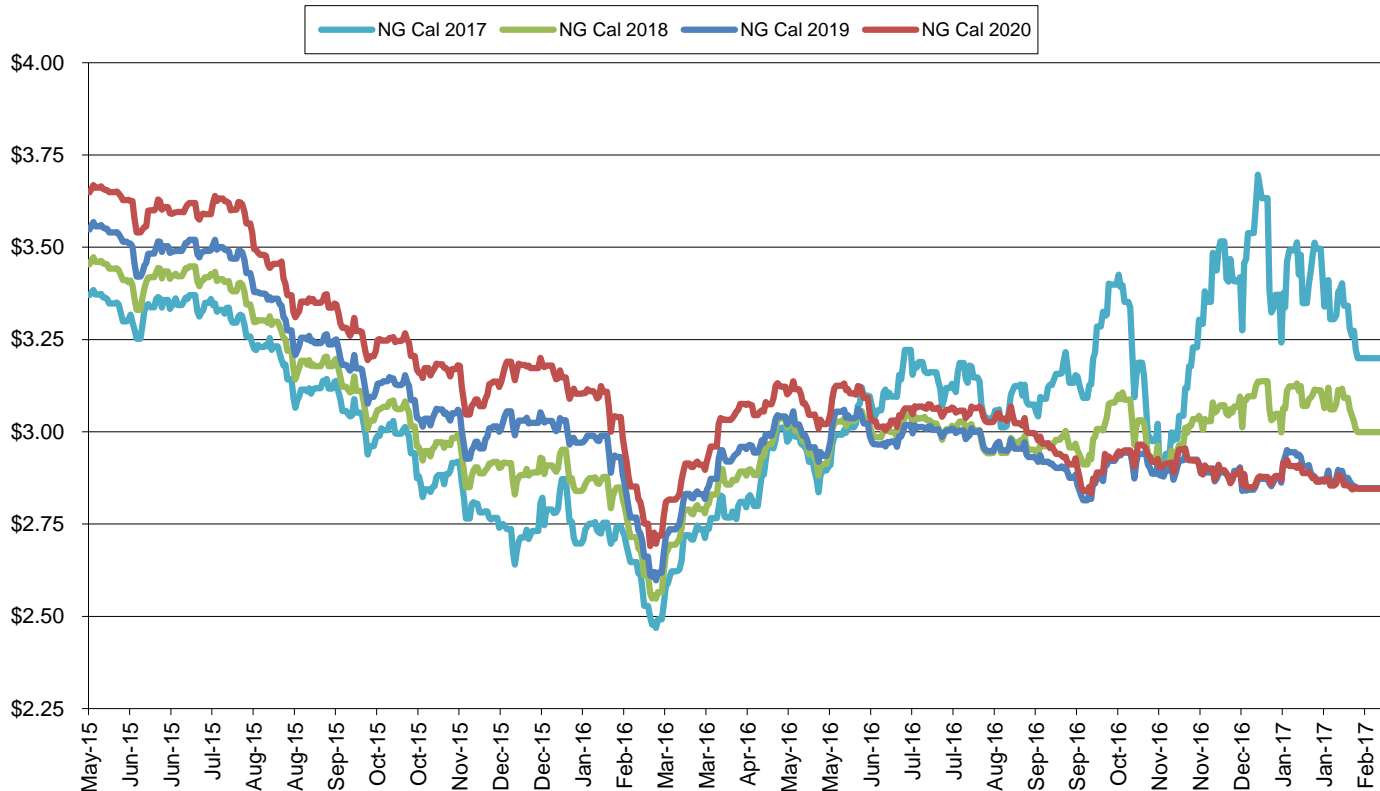
Other Factors: Nuclear generation fell 1,552 MW in the reference week to 91,684 MW. This is 971 MW higher than last year and 73 higher than the 5-year average. Recent output is near 91,250 MW.

- The 2016/17 heating season is entering the final 1/3 of winter. With a forecast through March 3, the 2016/17 total heating index is at 1,920 compared to 2,005 for 2015/16, 2,414 for 2014/15, 2,631 for 2013/14, 2,348 for 2012/13 and 2,240 for 2011/12 and 2,606 bcf for 2010/11.

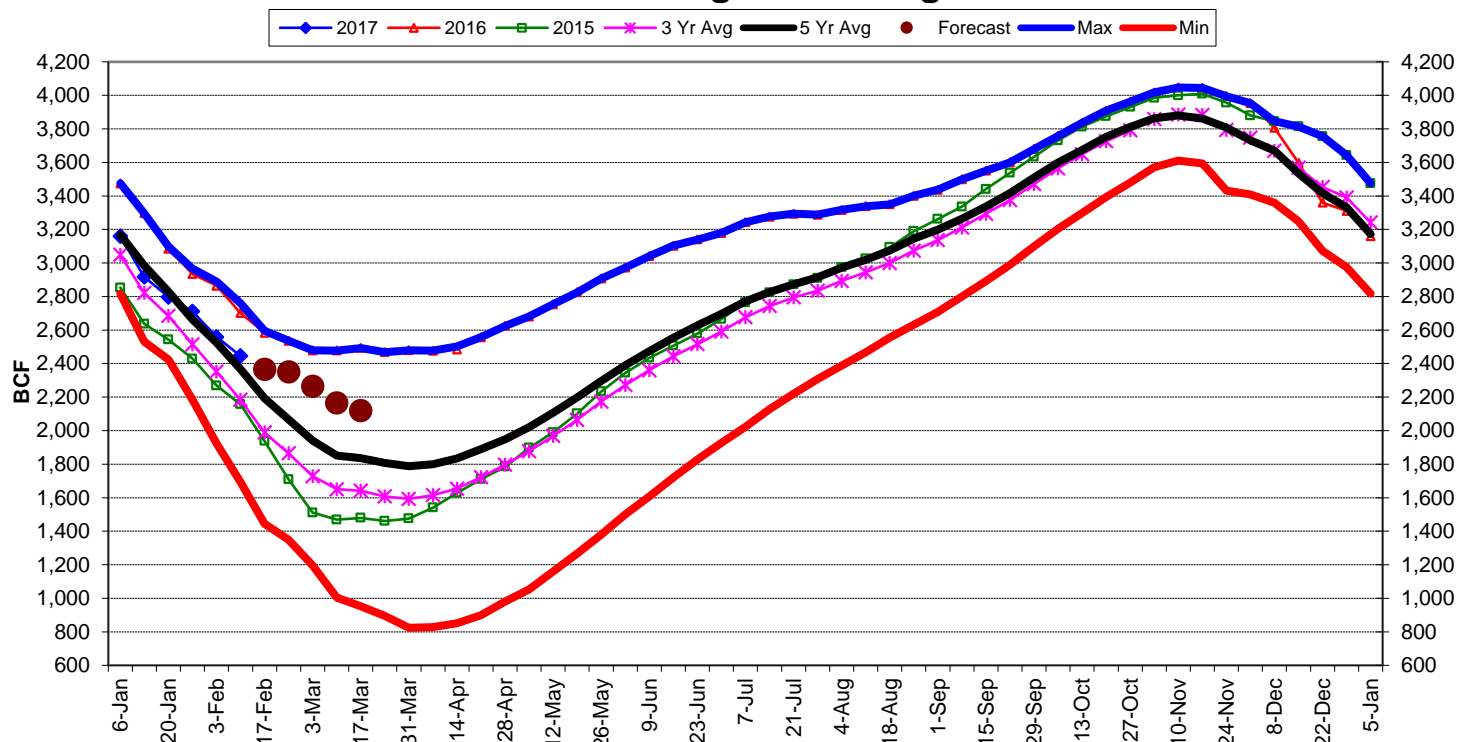
\$/MMBtu Ratio of NYMEX CL and NG



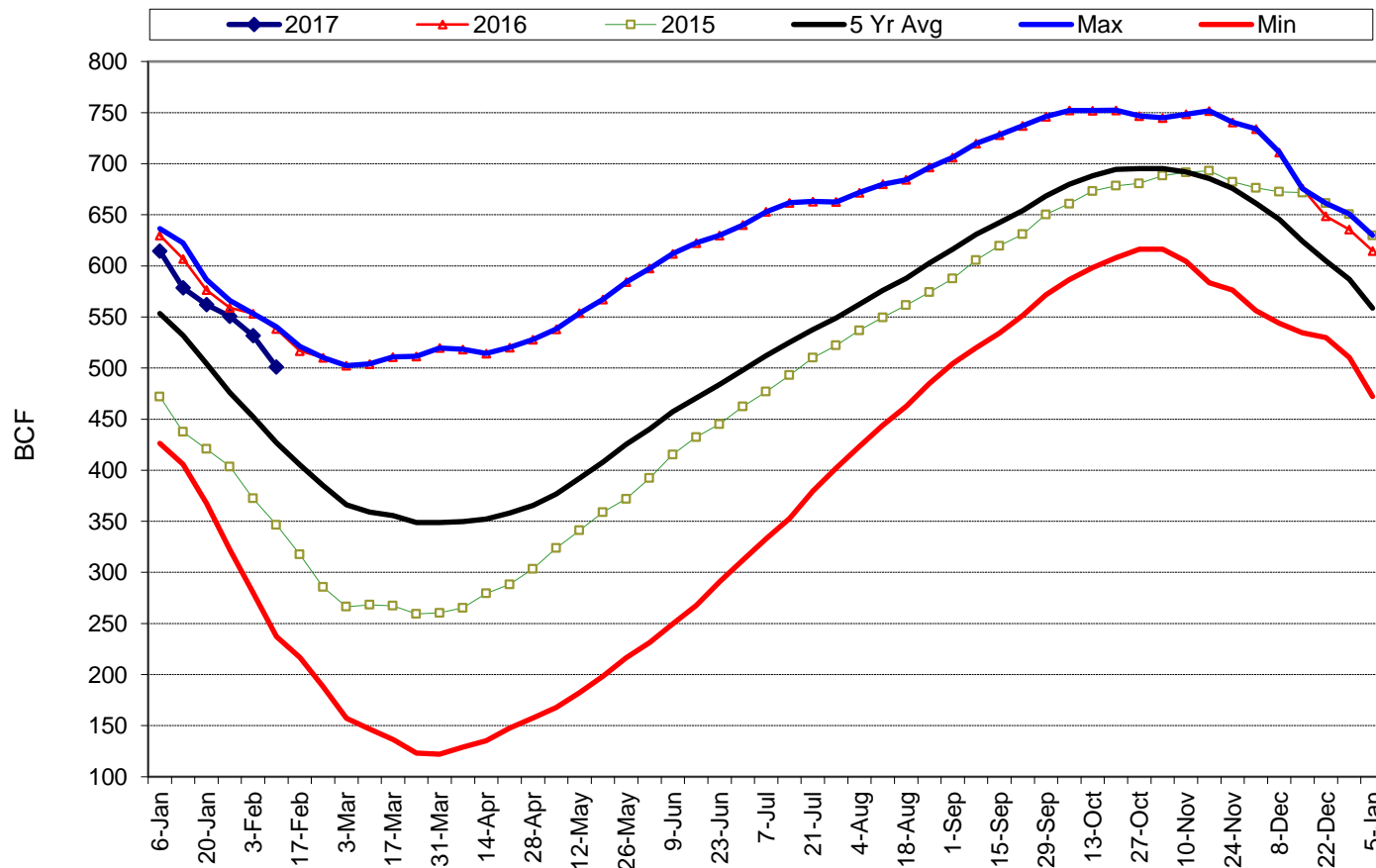
NYMEX Calendar Strips



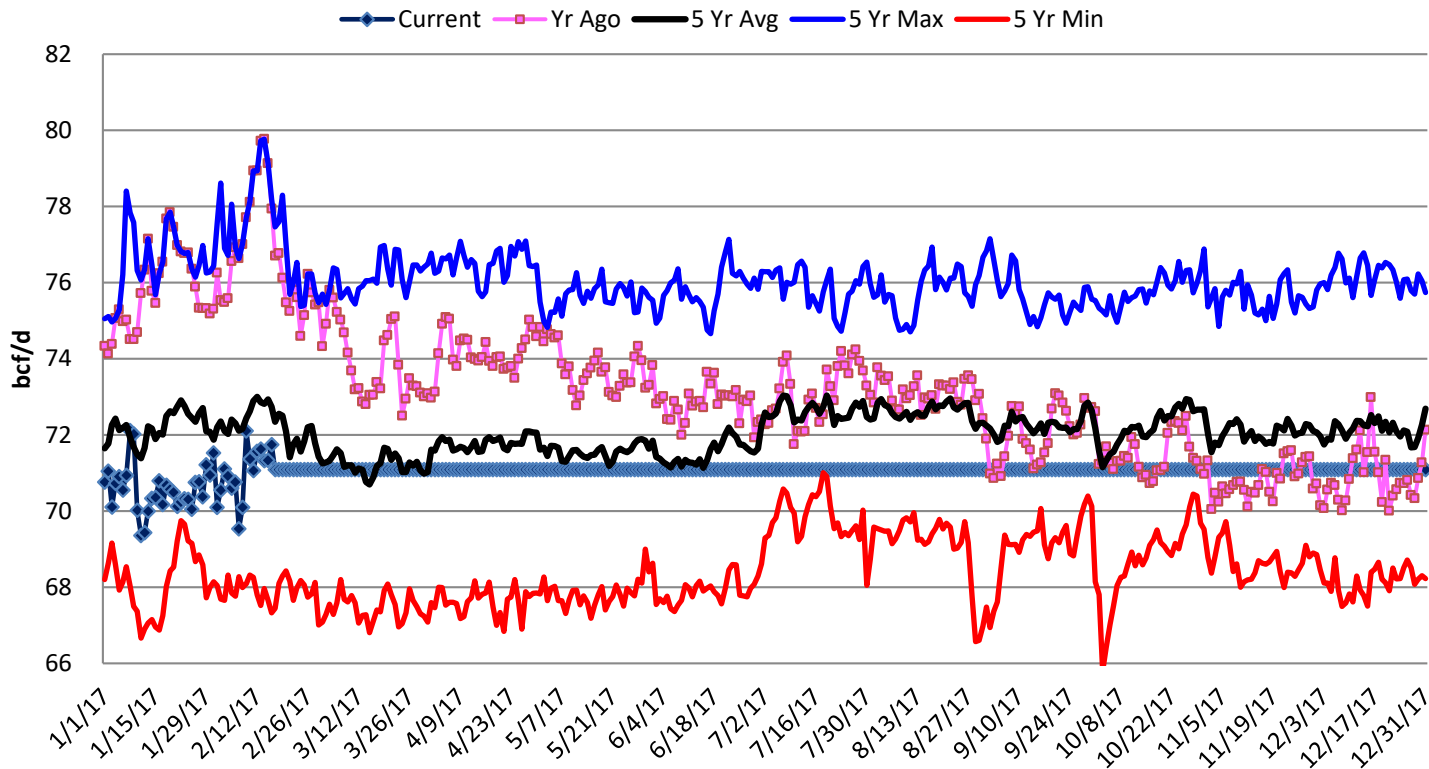
US Total Working Gas Storage - Source - EIA



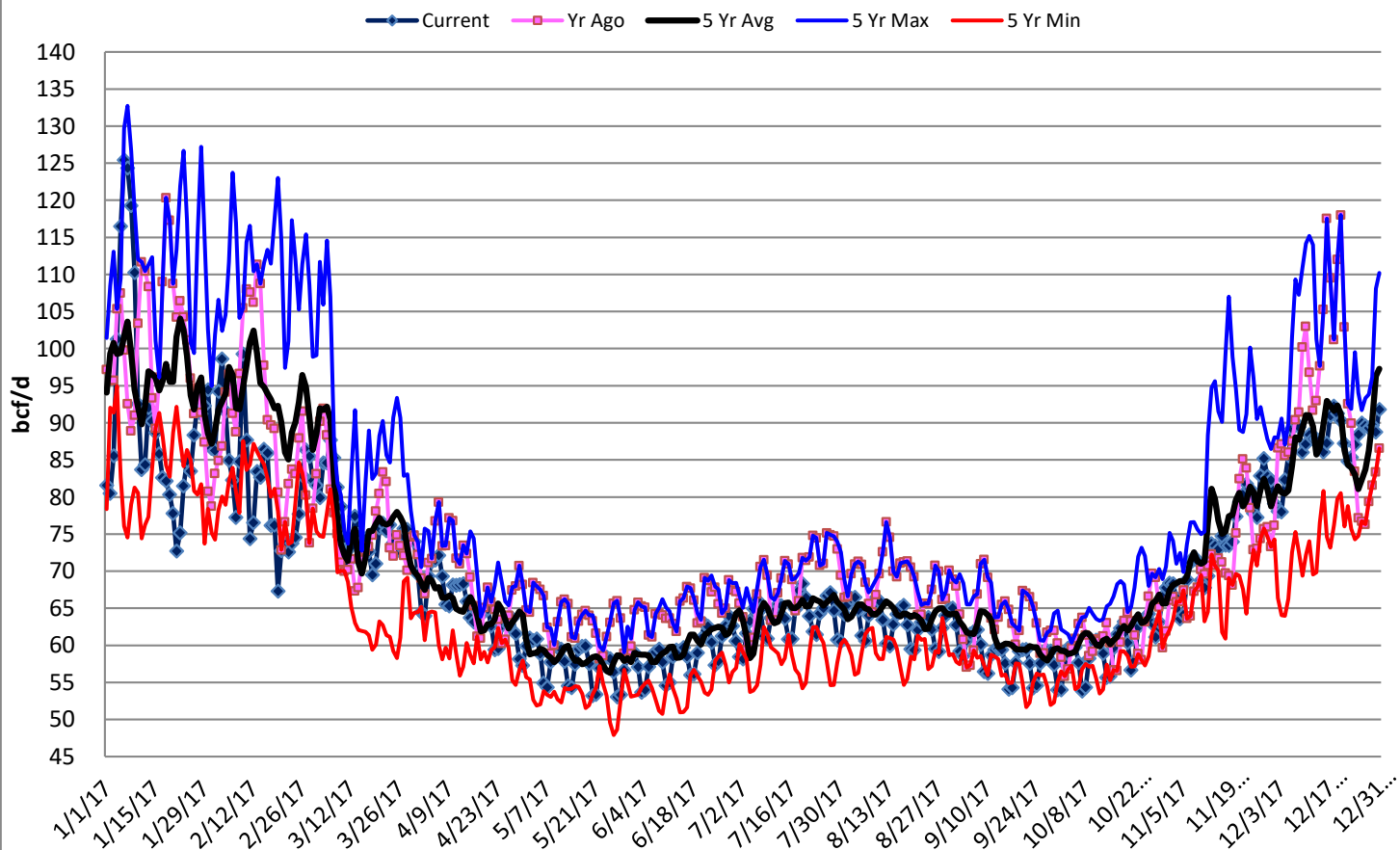
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



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