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*Week Ending March 17, 2017*

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

**Price Action:** The April contract fell 6.0 cents (2.0%) to \$2.948 on a 20.7 cent range.

**Price Outlook:** Prices fell as weather forecasts at the end of the week returned to above normal with late March above normal temperatures still considered bearish. Overall weather forecasts removed 7 bcf from projected storage levels. However, Thursday and Friday updates added back 29 bcf and the EIA reported a withdrawal below expectations. Despite the overall price weakness, prices posted a new weekly high that was the 3<sup>rd</sup> consecutive higher weekly price. Considering price action, this week looks more likely to post a new weekly low which would require a \$2.881 print. CFTC data indicated a notable increase in the managed money net long position to the largest since February 7. Total open interest rose to 3.777 million as of March 14. Aggregated CME futures open interest fell to 1.353 million as of March 17. The April \$3.00 call is still the highest open interest option followed by the May \$4.00 call. The April \$3.50 call is 3<sup>rd</sup>. The April \$3.00 put is in 7<sup>th</sup>.

**Weekly Storage:** US working gas storage for the week ending March 10 indicated a working gas storage withdrawal of (53) bcf. Working gas inventories fell to 2,242 bcf. Current inventories fall (236) bcf (9.5%) below last year while surpassing the 5-year average by +390 bcf (21.1%).

**Storage Outlook:** Our EIA weekly storage estimate was mathematically 2 bcf smaller than the actual EIA report and is back within our tolerance range. The 5-week summation of our error remained at 1 bcf and is within our tolerance. The EIA has reported a net implied flow of (313) bcf over the last 5 weeks compared to our estimated (314) bcf. Our estimation for early April inventories is 2,032 bcf. Our forecast for early November inventories is 3,630 bcf.

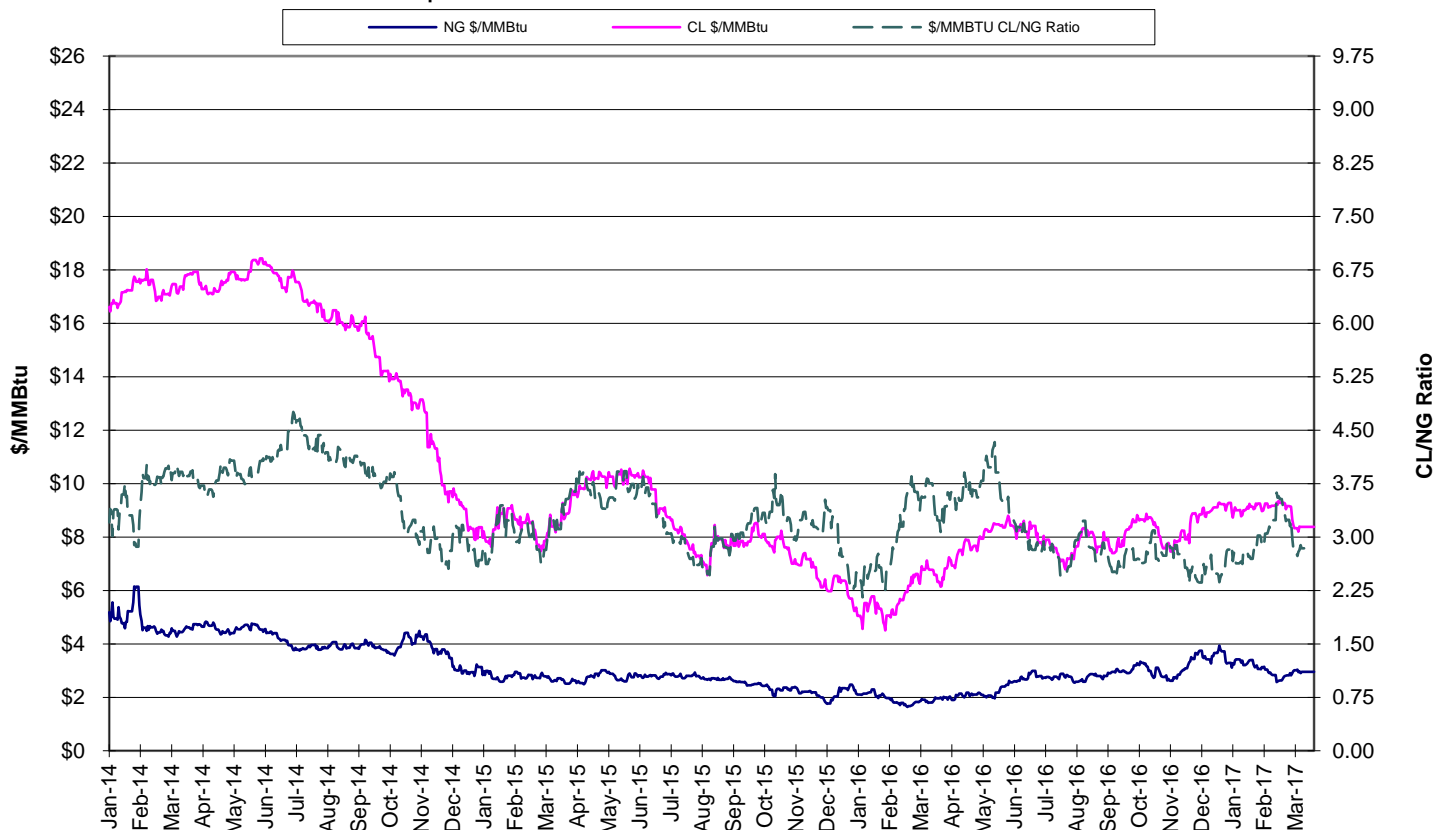
**Supply Trends:** Total supply rose 1.2 to 71.6 bcf/d. All supply components except LNG exports were higher. The US Baker Hughes rig count rose 21 as both oil and natural gas activity increased. The total US rig count now stands at 789. The Canadian rig count fell 39 to 276. Thus, the total North American rig count fell 18 to 1,065 and now exceeds last year by 520. The higher efficiency US horizontal rig count rose 19 to 658 and rises 289 above last year. The EIA's Drilling Productivity Report did lower its projected March natural gas production increase. This was only the 2<sup>nd</sup> lower revision in the last 20 months. Details are included in our weekly special topics report.

**Demand Trends:** Total demand fell (0.2) bcf/d to 78.4 bcf/d. Lower power demand offset a slight increase in R&C demand. Industrial demand was unchanged. Electricity demand fell 26 gigawatt-hrs to 71,563 which exceeds last year by 3,097 (4.5%) and trails the 5-year average by 4 (0.0%).

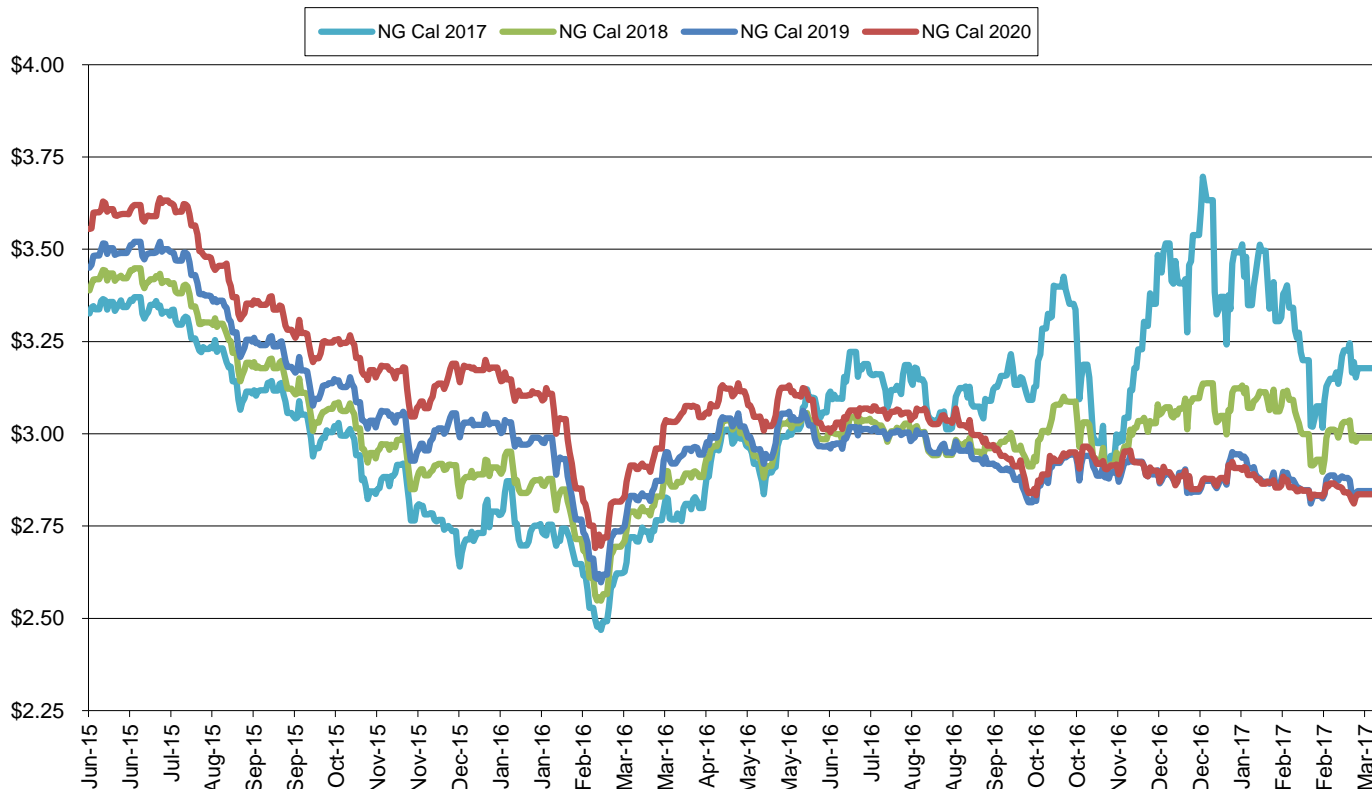
**Other Factors:** Nuclear generation fell 887 MW in the reference week to 86,870 MW. This is 632 MW lower than last year and 2,542 higher than the 5-year average. Recent output is near 87,000 MW.

- The 2016/17 heating season is entering the final month of winter. With a forecast through March 31, the 2016/17 total heating index is at 2,233 compared to 2,250 for 2015/16, 2,776 for 2014/15, 3,071 for 2013/14, 2,827 for 2012/13 and 2,452 for 2011/12 and 2,994 bcf for 2010/11.

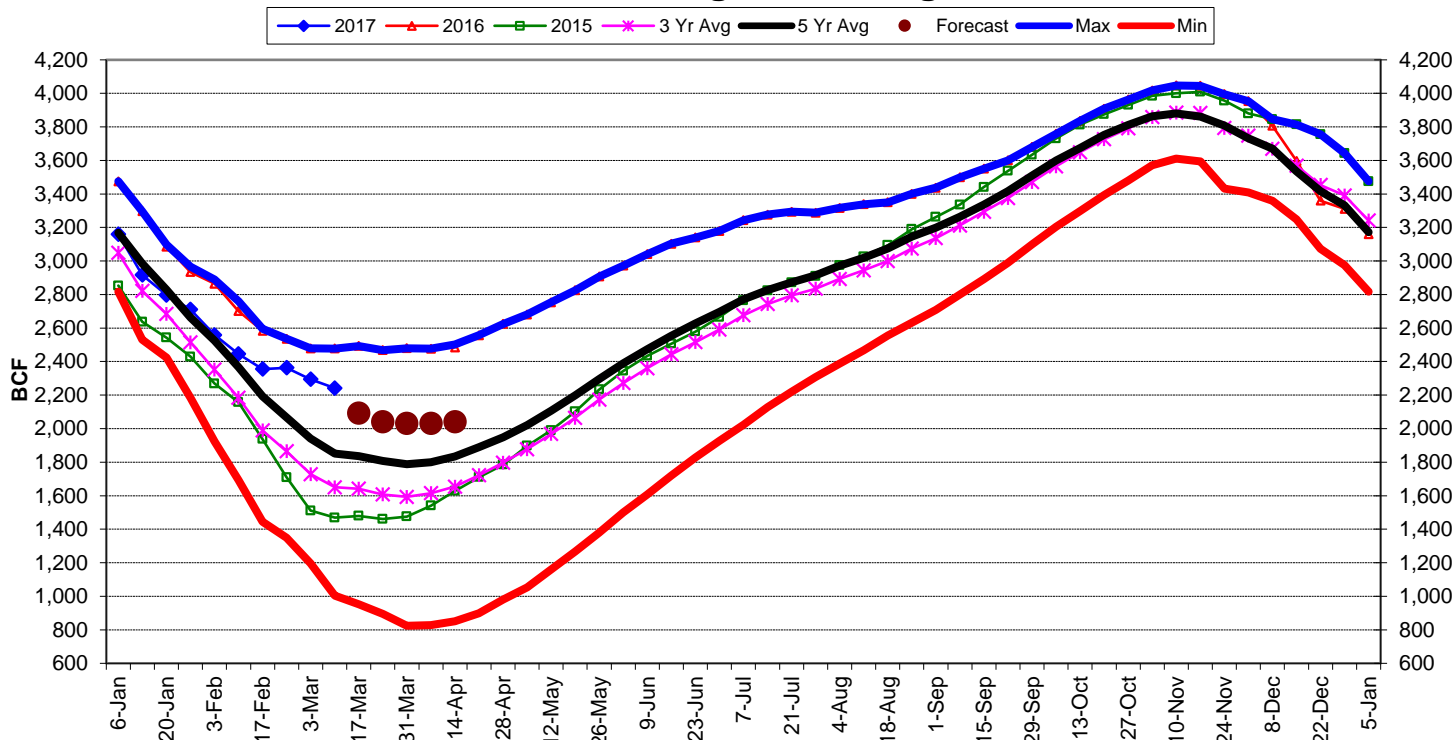
## \$/MMBtu Ratio of NYMEX CL and NG



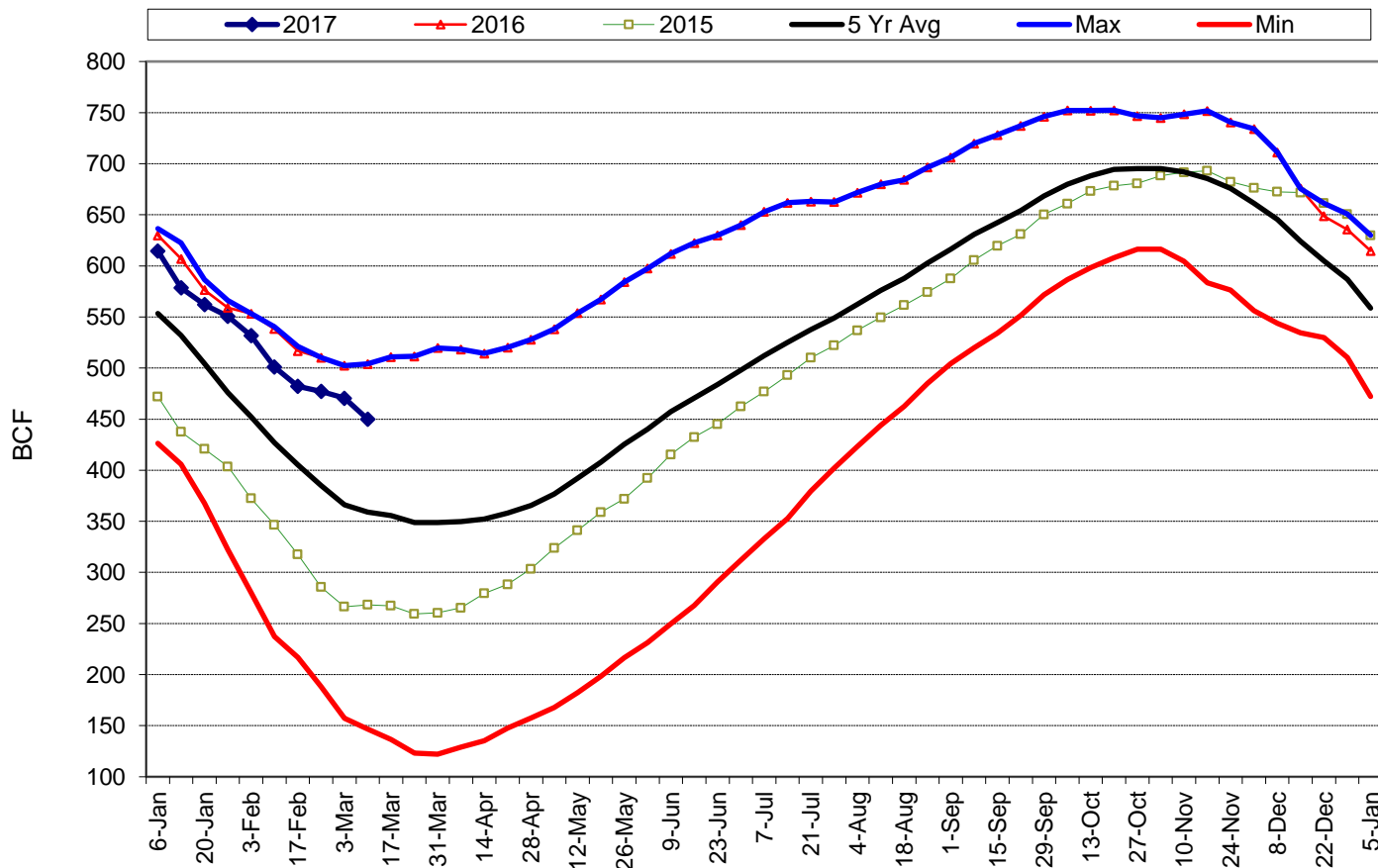
## NYMEX Calendar Strips



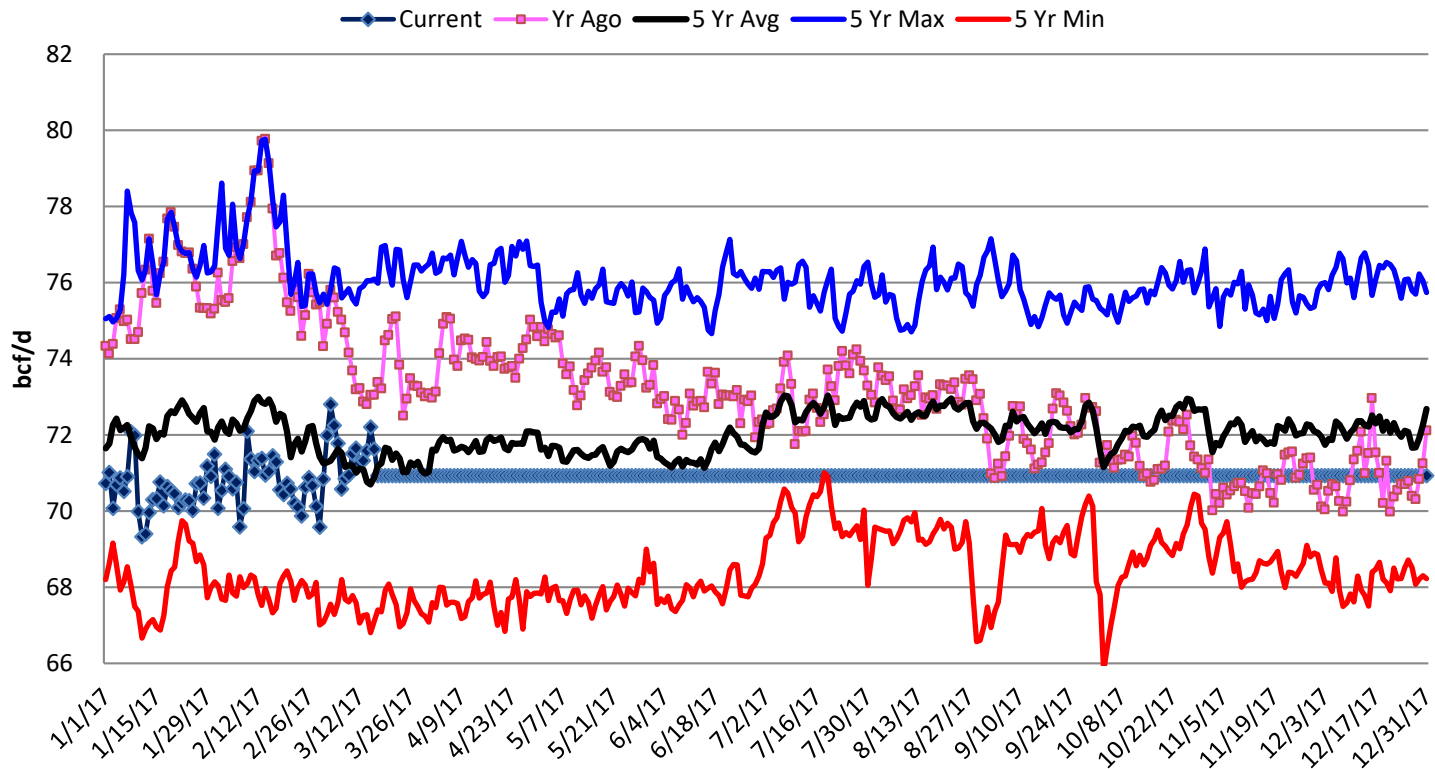
## US Total Working Gas Storage - Source - EIA



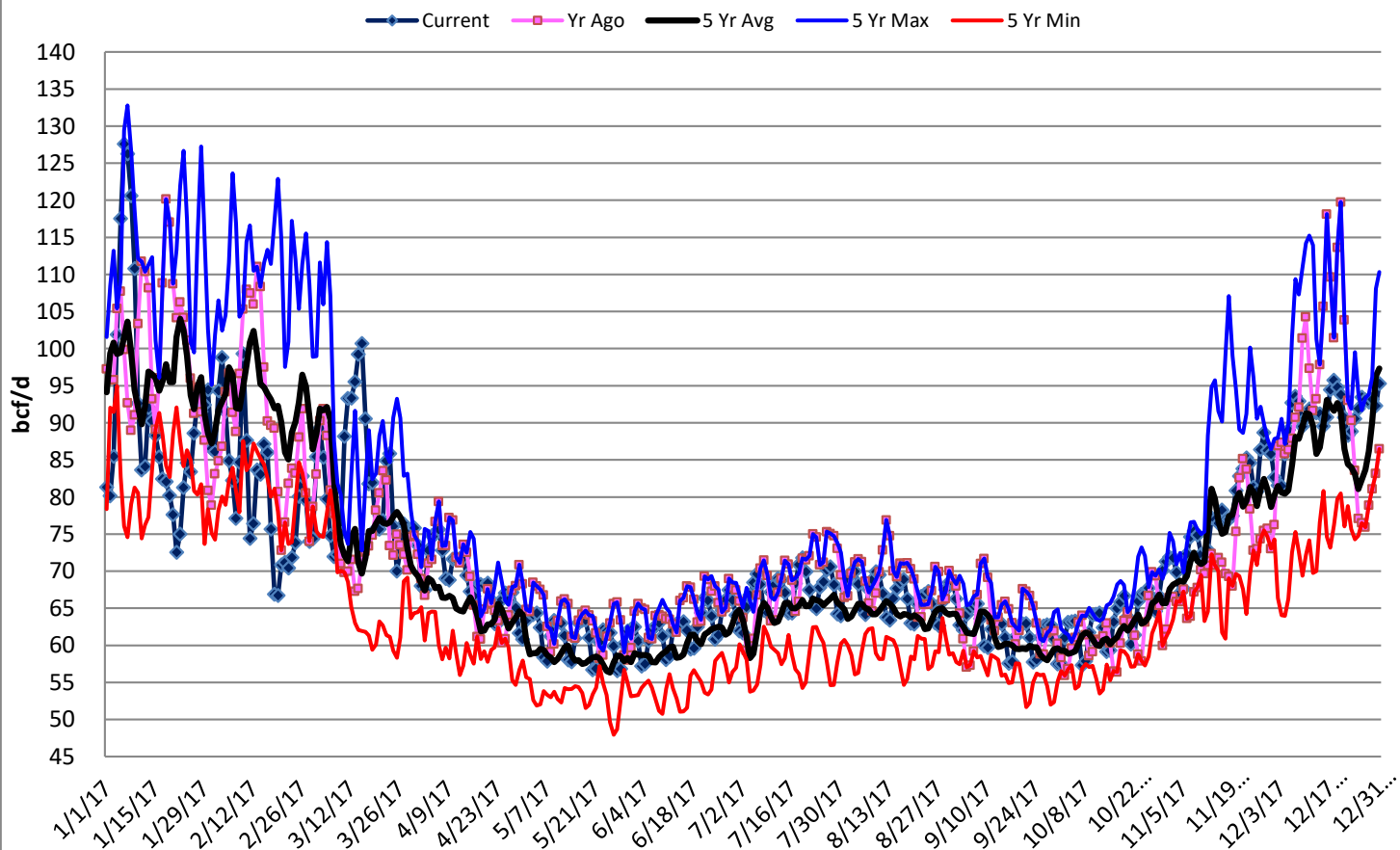
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



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**ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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