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Week Ending April 14, 2017

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

Price Action: The May contract rose 7.1 cents (2.2%) to \$3.261 on a 22.6 cent range.

Price Outlook: Prices failed to reach a new high for the 7th consecutive weekly and thus ended the streak at exactly 6 weeks of posting a new weekly high. Instead, the market posted a rare inside week with a bullish underlying supply/demand balance providing support. CFTC data indicated another increase in the managed money net long position to the largest since May 6, 2014. Total open interest rose to 3.871 million as of April 11. Aggregated CME futures open interest rose to 1.427 million as of April 14. The May \$4.00 call is now the highest open interest option followed by the May \$3.50 call. The May \$3.75 call is 3rd. The May \$2.75 put is in 10th.

Weekly Storage: US working gas storage for the week ending April 7 indicated a working gas storage injection of 10 bcf. Working gas inventories rose to 2,061 bcf. Current inventories fall (416) bcf (16.8%) below last year while surpassing the 5-year average by 261 bcf (14.5%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 4 bcf smaller than the actual EIA report and is at the upper end of our tolerance range. The 5-week summation of our error rose to 10 bcf and is still within our tolerance. The EIA has reported a net implied flow of (234) bcf over the last 5 weeks compared to our estimated (244) bcf. The 2,049 bcf from March 24 will represent the trough in inventories. Our forecast for early November inventories is now 3,690 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Above normal national temperatures are bearish until mid-May.

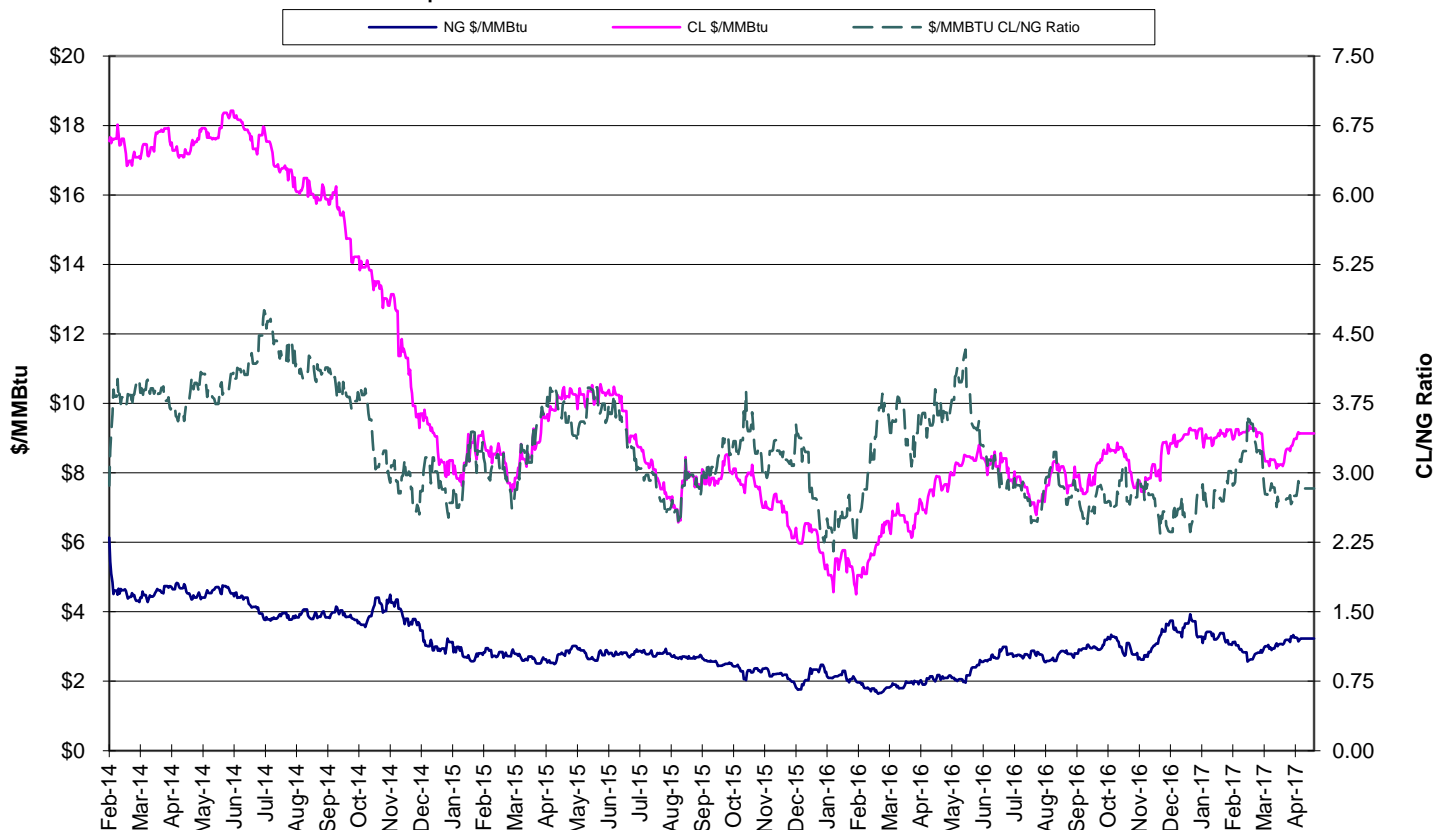
Supply Trends: Total supply fell (0.5) bcf/d to 69.7 bcf/d. Increases in LNG and Mexican exports reduced US supply. The US Baker Hughes rig count rose 15 as both oil and natural gas activity rose. The US Baker Hughes rig count rose 11 with oil activity higher but lower natural gas. The total US rig count now stands at 847. The Canadian rig count fell 14 to 118. Thus, the total North American rig count fell 6 to 965 and now exceeds last year by 485. **The higher efficiency US horizontal rig count rose 11 to 706 and rises 371 above last year.**

Demand Trends: Total demand was unchanged at 70.4 bcf/d. Lower R&C demand offset higher power and industrial demand. Electricity demand fell 906 gigawatt-hrs to 68,555 which trails last year by 231 (0.3%) and the 5-year average by 206 (0.3%).

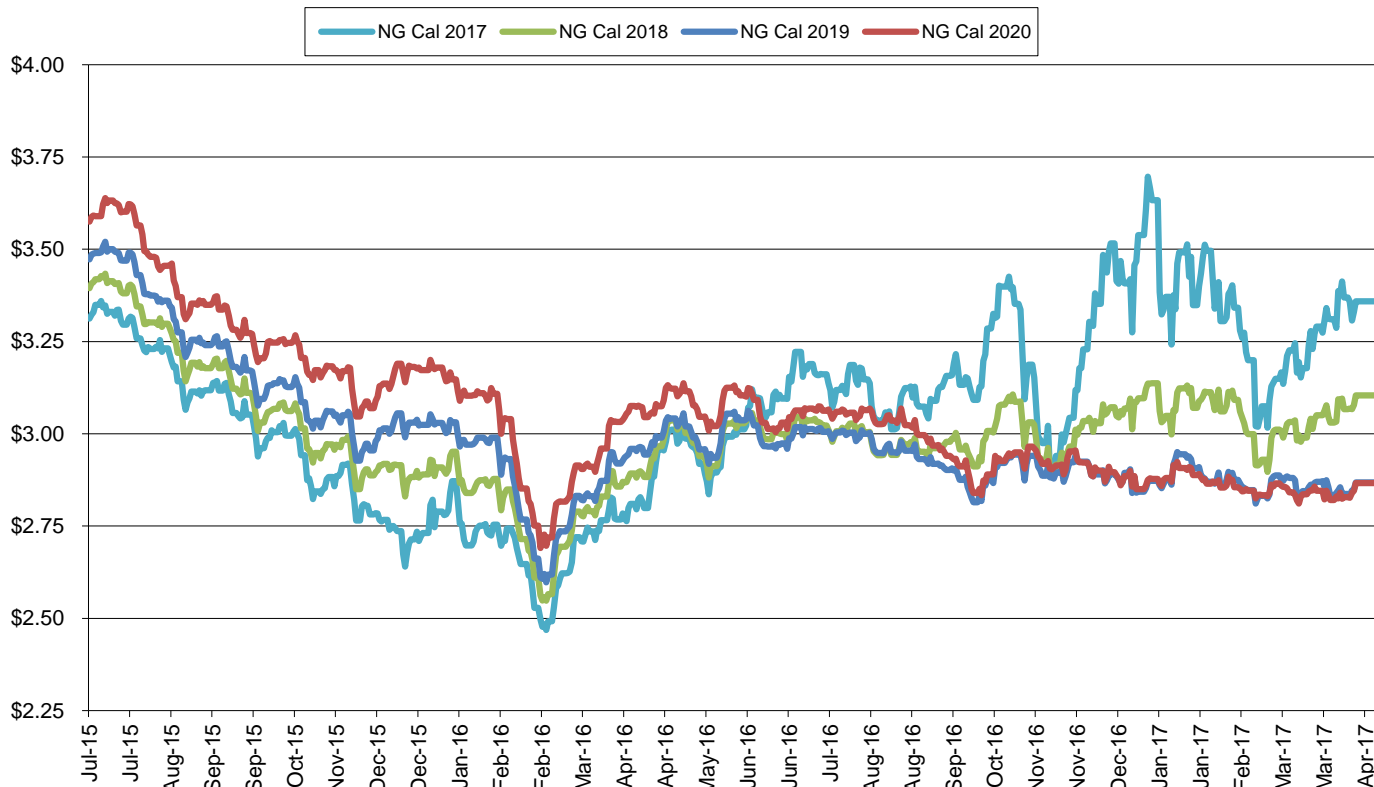
Nuclear Generation: Nuclear generation fell 2,599 MW in the reference week to 78,201 MW. This is (7,824) MW lower than last year and (2,316) MW lower than the 5-year average. **Recent output is near 77,000 MW.**

- The 2016/17 heating season is near an end. With a forecast through April 28, the 2016/17 total heating index is at 2,270 compared to 2,403 for 2015/16, 2,881 for 2014/15, 3,215 for 2013/14, 3,020 for 2012/13 and 2,557 for 2011/12 and 3,109 bcf for 2010/11.

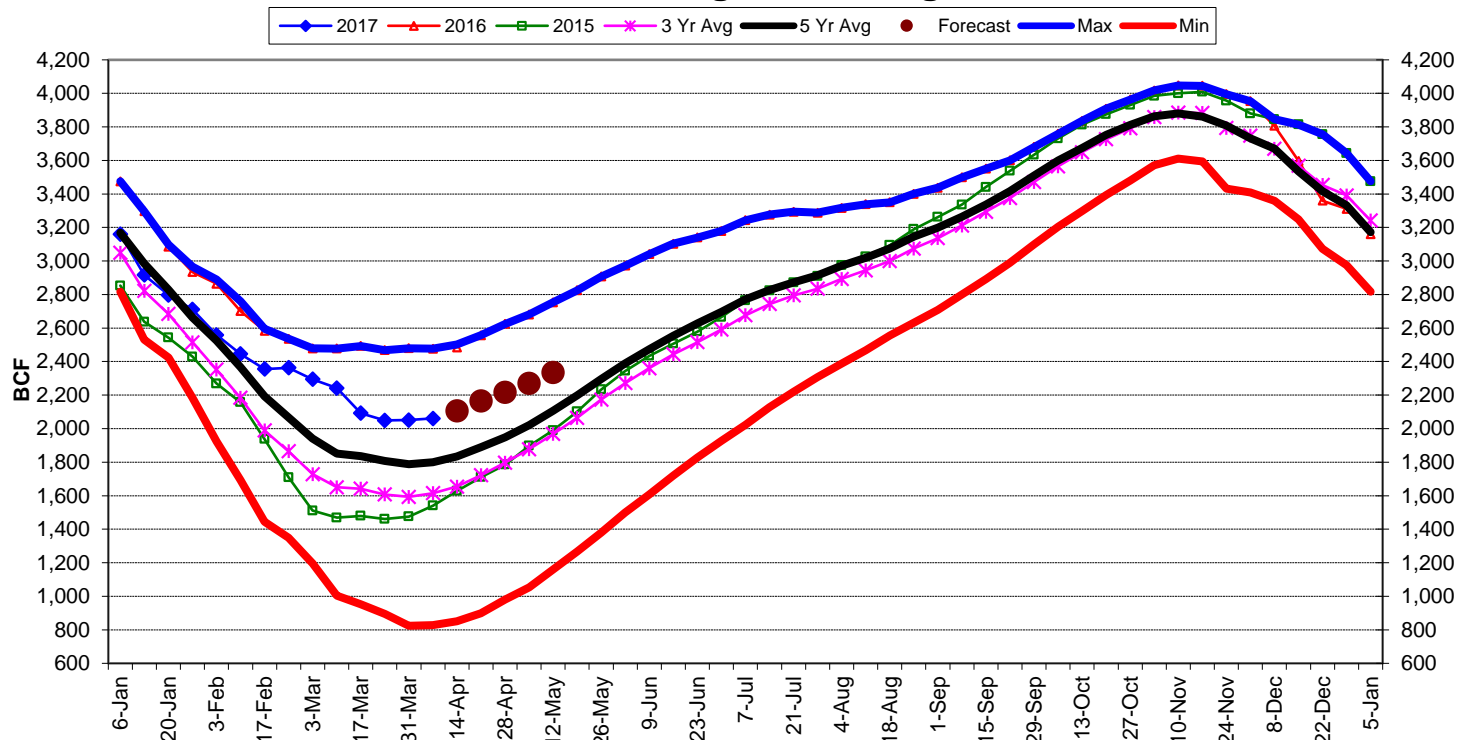
\$/MMBtu Ratio of NYMEX CL and NG



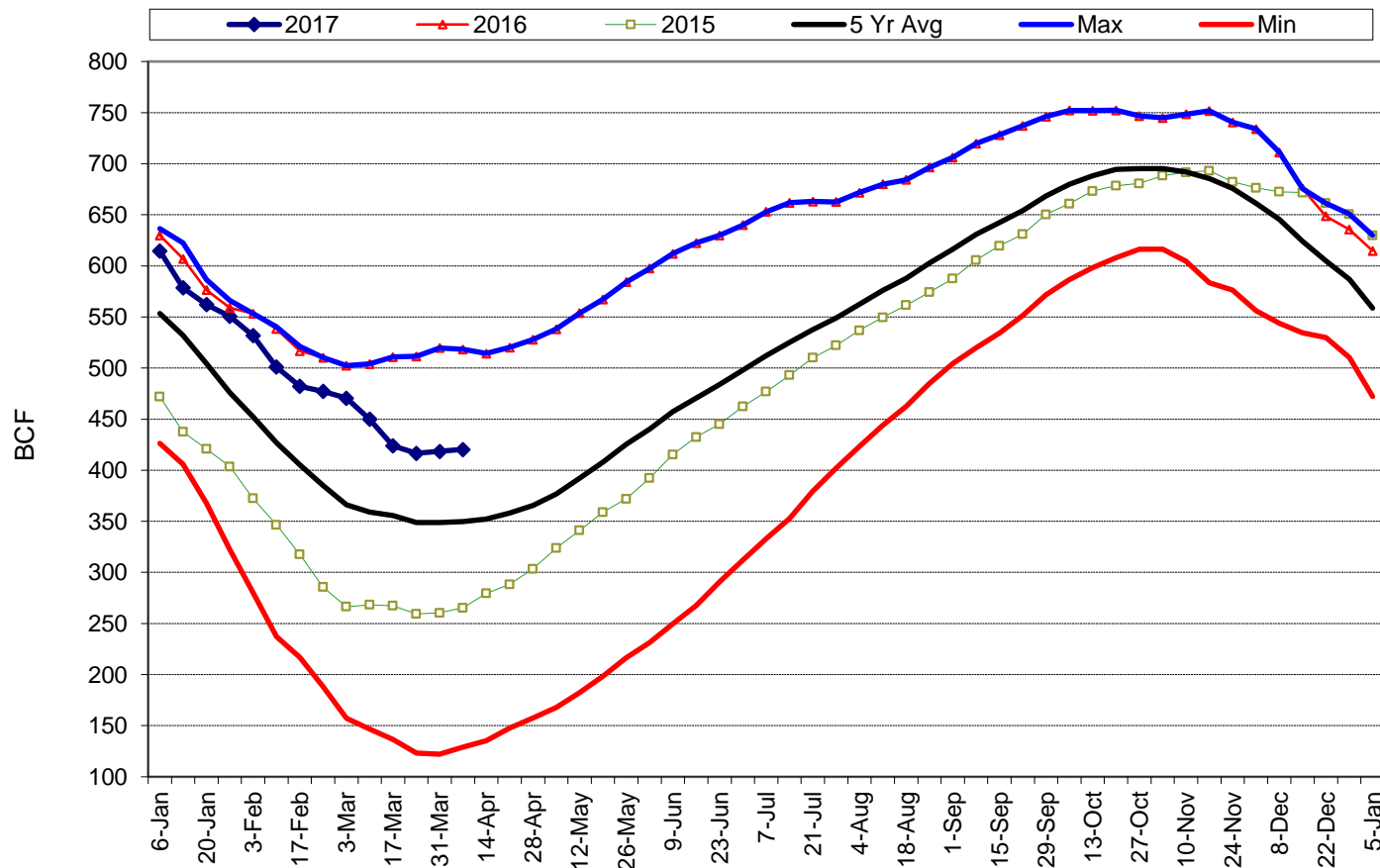
NYMEX Calendar Strips



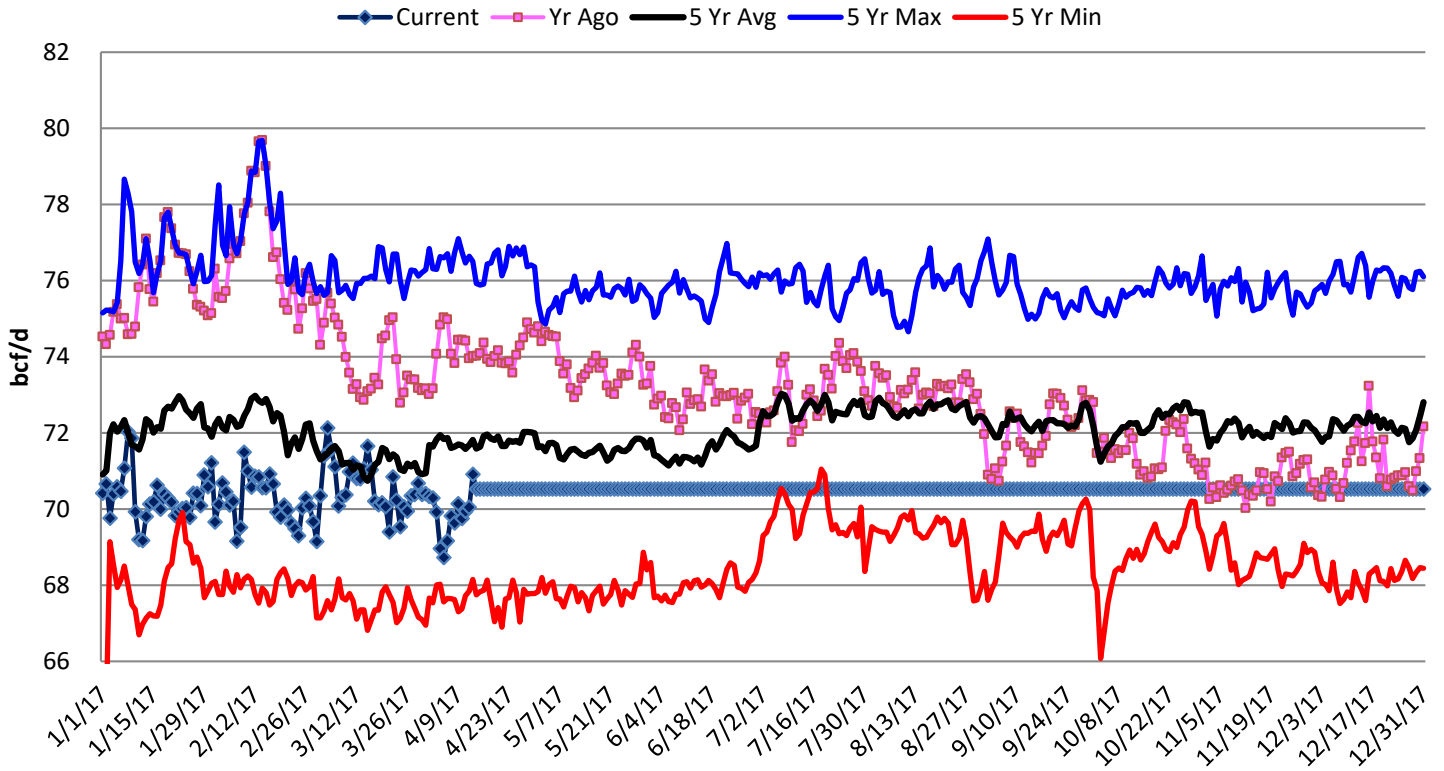
US Total Working Gas Storage - Source - EIA



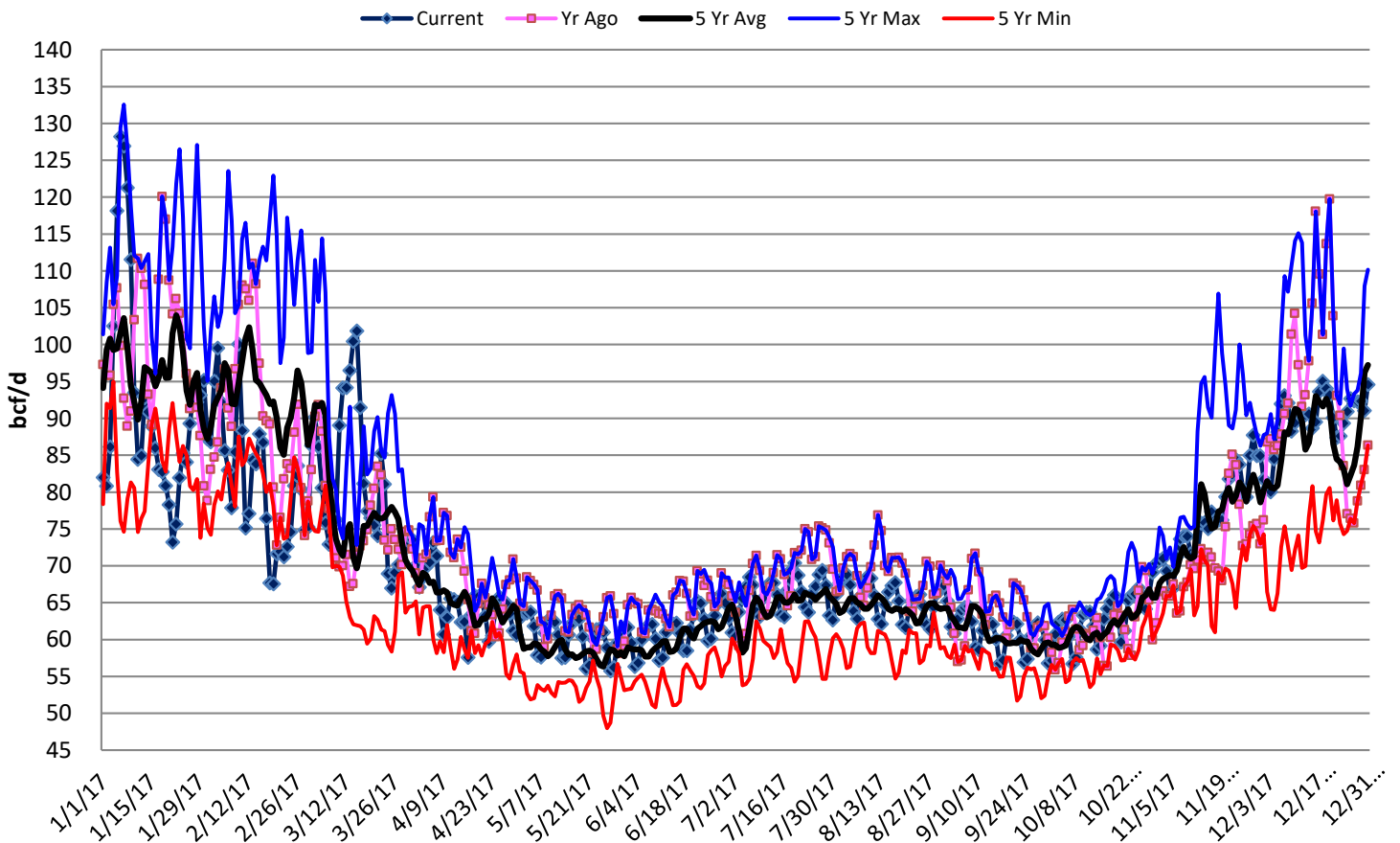
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



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