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Week Ending April 28, 2017

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

Price Action: The now prompt June contract rose 8.4 cents (2.6%) to \$3.276 on a 17.3 cent range.

Price Outlook: After the rare inside week last week, this week saw both a new high and low. Admittedly, the new high was a June print compared to last week's May price. Looking forward, still moderate and bearish temperatures are weighing against a bullish underlying supply/demand balance. CFTC data indicated a notable drop in the managed money net long position as longs liquidated more than shorts. Total open interest fell to 3.839 million as of April 25. Aggregated CME futures open interest rose to 1.493 million as of April 28. The June \$3.75 call is the highest open interest option followed by the October \$4.00 call. The June \$2.75 put is in 4th.

Weekly Storage: US working gas storage for the week ending April 21 indicated a working gas storage injection of 74 bcf. Working gas inventories rose to 2,189 bcf. Current inventories fall (368) bcf (14.4%) below last year while surpassing the 5-year average by 299 bcf (15.8%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 5 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 19 bcf and is at the upper end of our tolerance. The EIA has reported a net implied flow of 97 bcf over the last 5 weeks compared to our estimated 78 bcf. Our forecast for early November inventories is now 3,754 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Above normal national temperatures are bearish until mid-May.

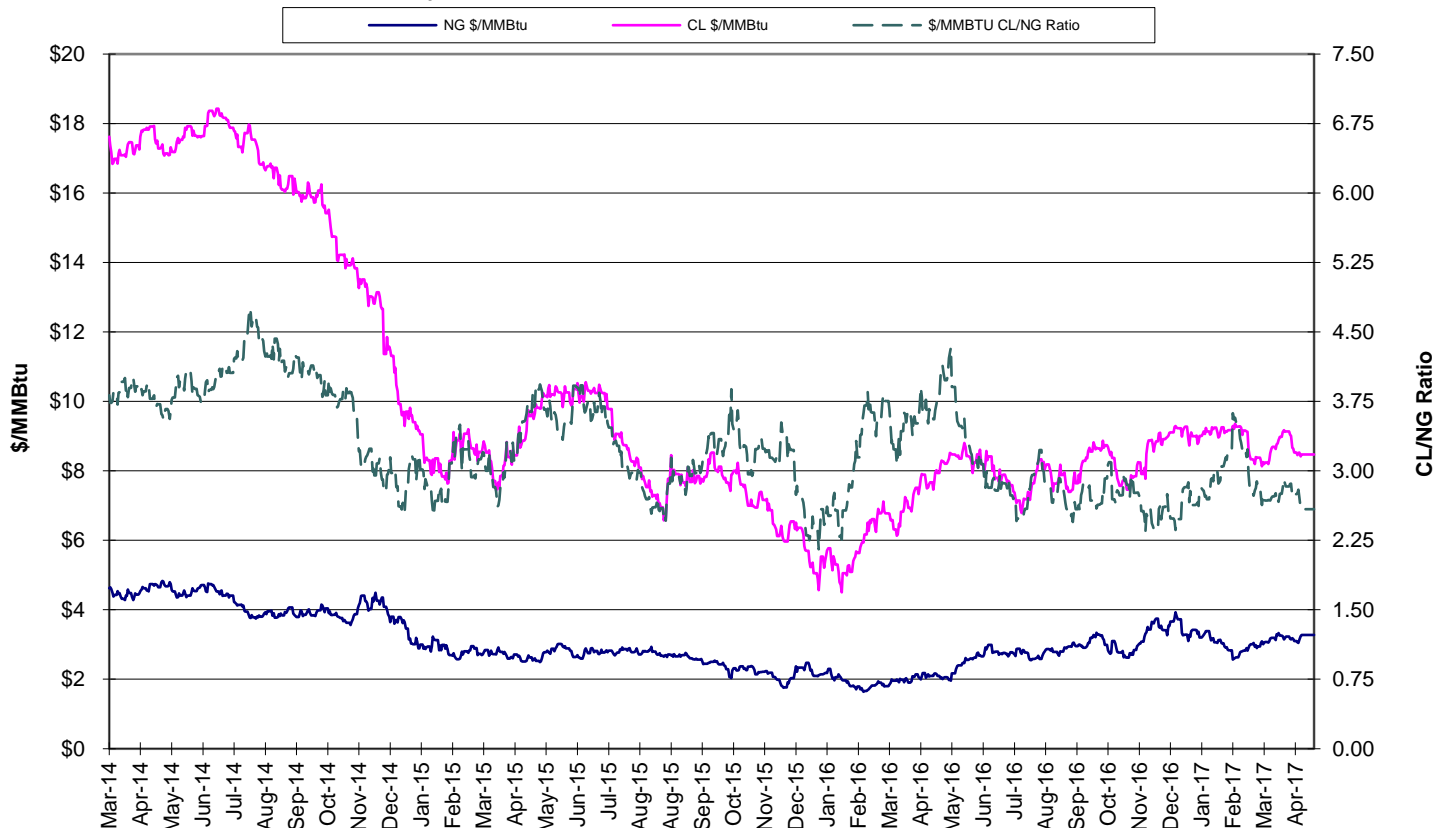
Supply Trends: Total supply rose +0.3 bcf/d to 70.4 bcf/d. A big drop in Mexican exports offset drops in US production and lower Canadian imports. The US Baker Hughes rig count rose 13 with both oil and natural gas activity higher. The total US rig count now stands at 870. The Canadian rig count fell 14 to 85. Thus, the total North American rig count fell 1 to 955 and now exceeds last year by 498. The higher efficiency US horizontal rig count rose 12 to 730 and rises 406 above last year. The EIA Monthly Report indicated a much larger increase in February output than expected.

Demand Trends: Total demand was fell 2.6 bcf/d to 62.3 bcf/d. Increased power demand was more than offset by drops in the other components. Electricity demand rose 922 gigawatt-hrs to 68,816 which exceeds last year by 1,693 (2.5%) and the 5-year average by 620 (0.9%). The EIA Monthly Report indicated the lowest February demand in years on the warmest February in our database.

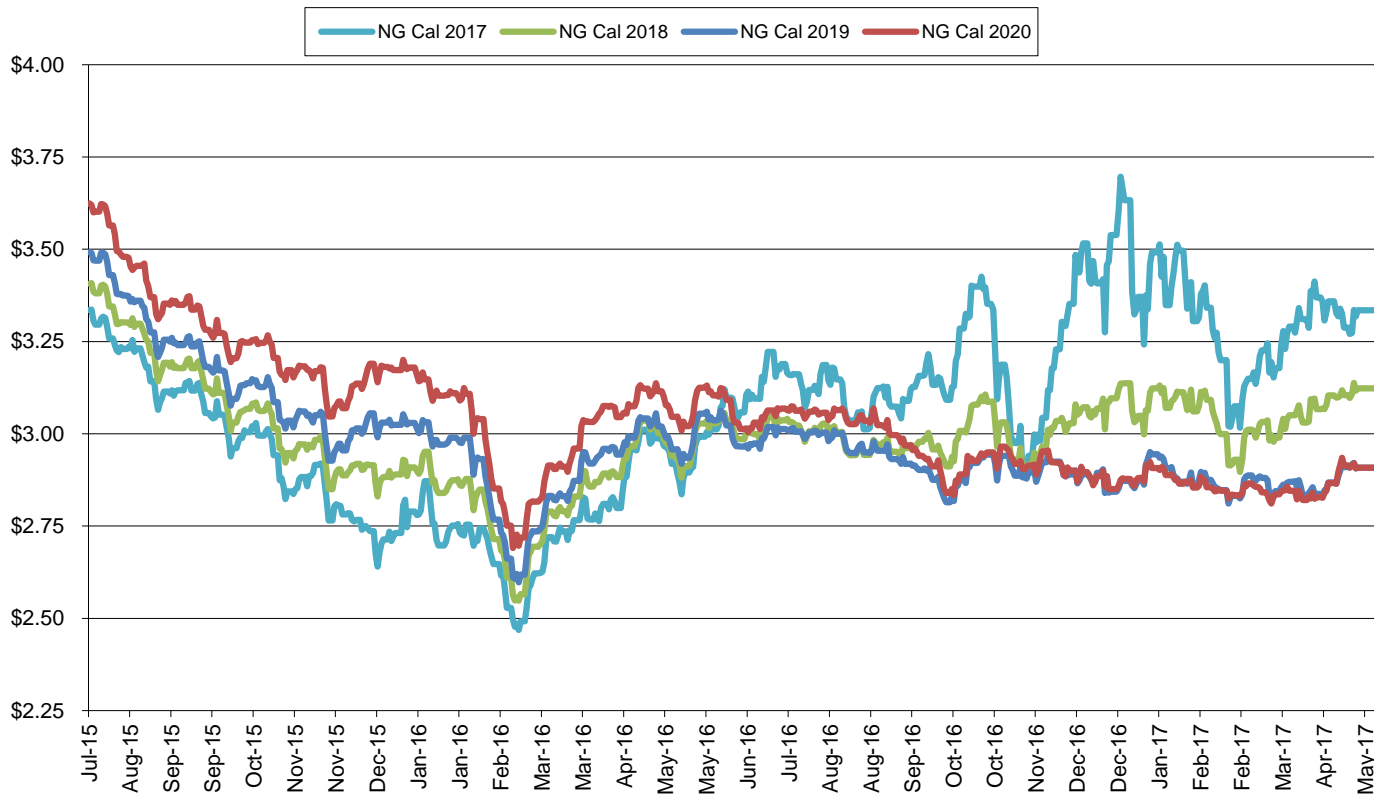
Nuclear Generation: Nuclear generation fell 1,563 MW in the reference week to 75,438 MW. This is (7,408) MW lower than last year and (1,944) MW lower than the 5-year average. Recent output is near 73,500 MW.

- The 2016/17 heating season is near an end. With a forecast through May 12, the 2016/17 total heating index is at 2,285 compared to 2,413 for 2015/16, 2,885 for 2014/15, 3,227 for 2013/14, 3,041 for 2012/13 and 2,567 for 2011/12 and 3,141 bcf for 2010/11.

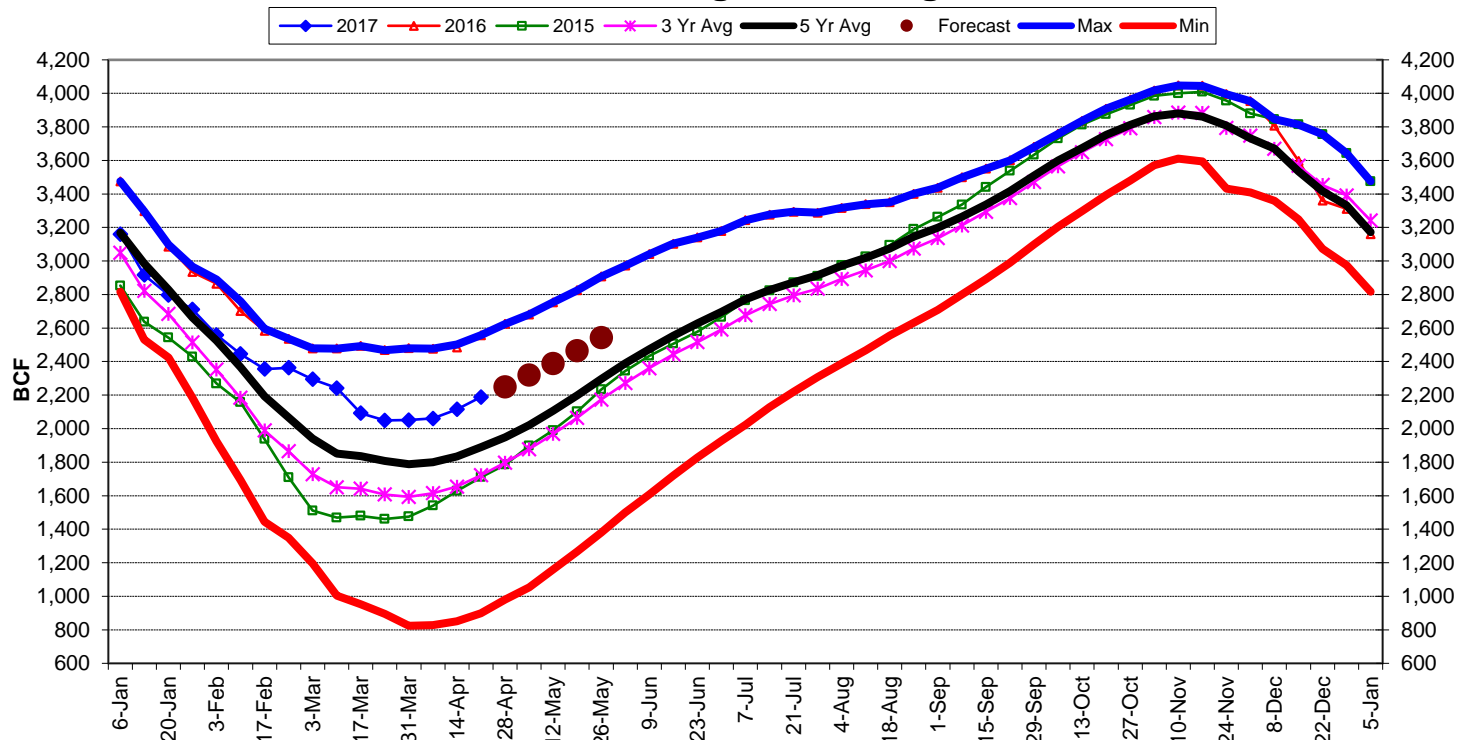
\$/MMBtu Ratio of NYMEX CL and NG



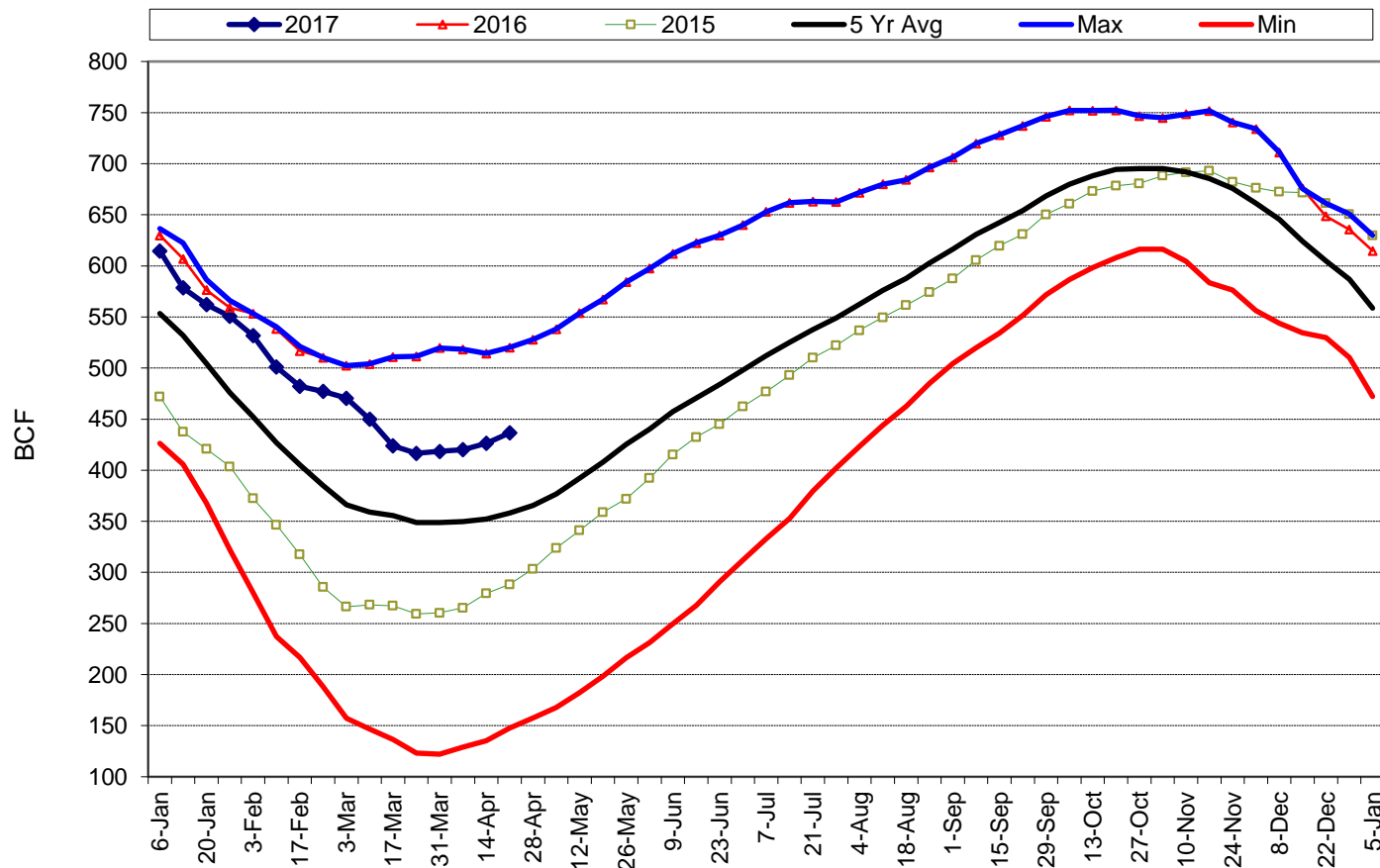
NYMEX Calendar Strips



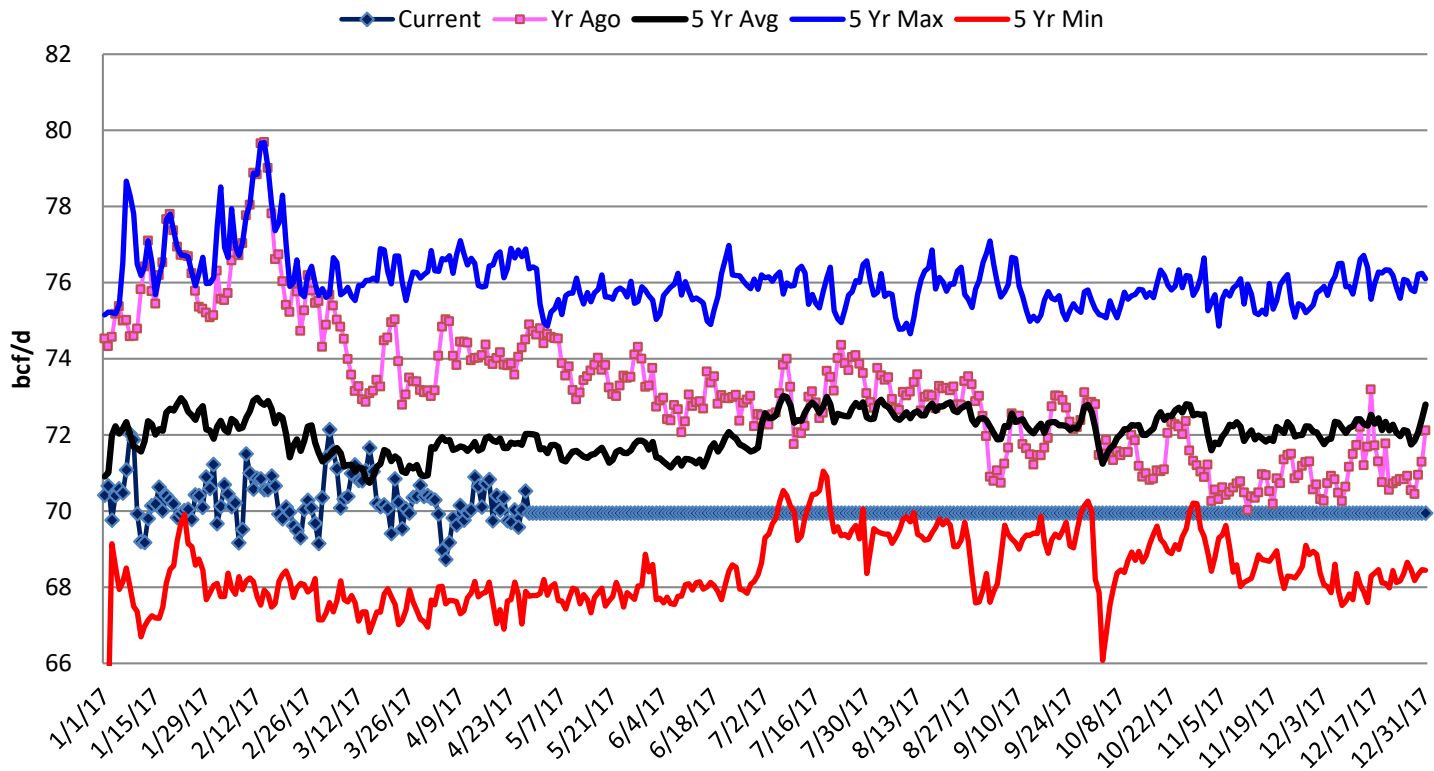
US Total Working Gas Storage - Source - EIA



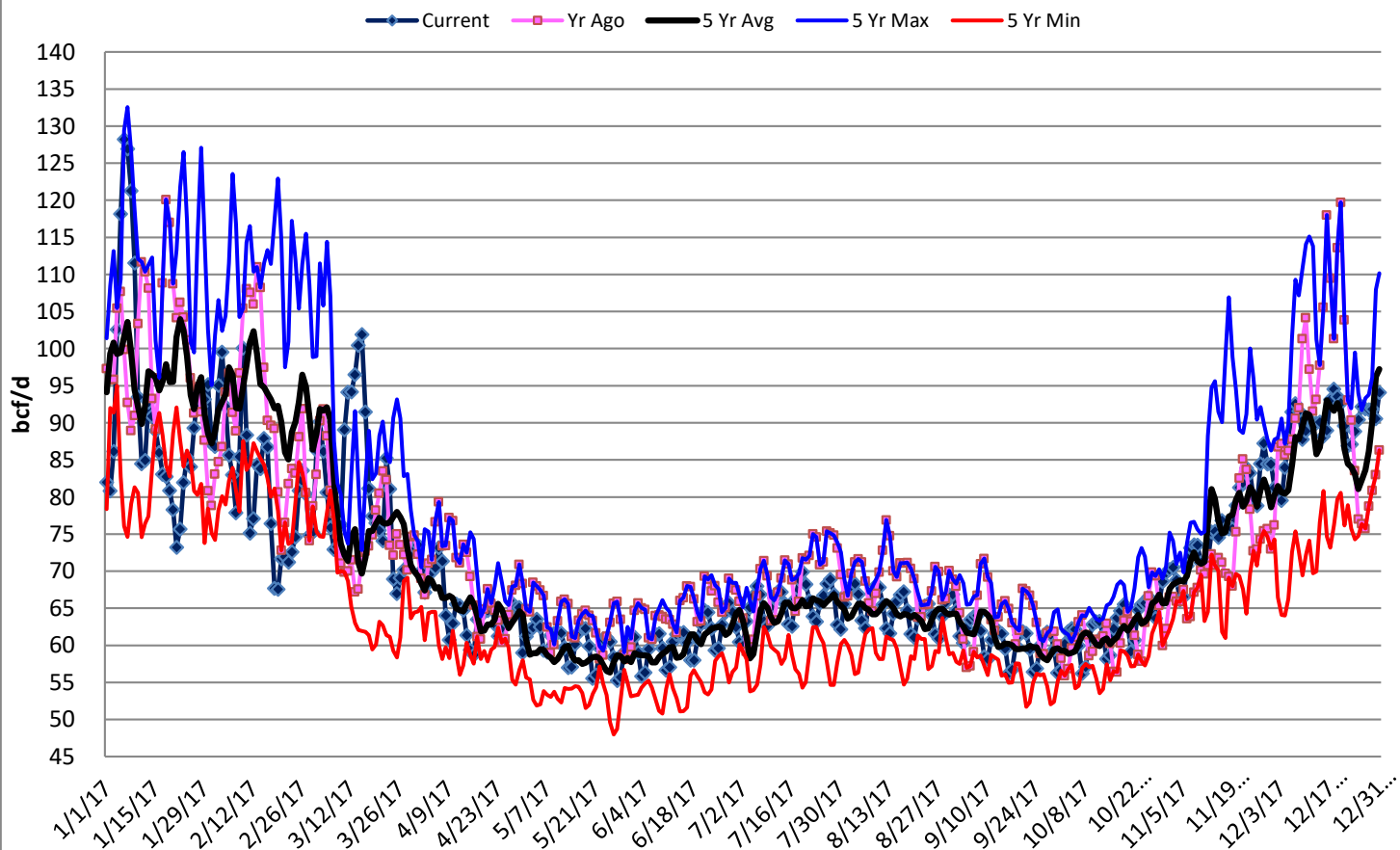
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



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