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Week Ending June 9, 2017

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

Price Action: The July contract rose 4.0 cents (1.3%) to \$3.039 on a 16.0 cent range.

Price Outlook: The market edged higher as bullish weather forecasts offset the first triple digit injection since September 18, 2015. Prices did return above the psychologically important \$3 level. Recent weather forecasts were warmer than each of the previous 10 years. Temperature forecast will become more impactful as changing temperature profiles effect projected cooling load. CFTC data indicated the second largest weekly reduction in the managed money net position on record as longs liquidated while shorts surged. The net long position is the smallest since March 14. Total open interest rose to 3.880 million as of June 6. Aggregated CME futures open interest fell to 1.463 million as of June 9. The August \$4.00 call is the highest open interest option followed by the July \$4.00 call. The July \$3.00 put is in 6th.

Weekly Storage: US working gas storage for the week ending June 2 indicated a working gas storage injection of 106 bcf. Working gas inventories rose to 2,631 bcf. Current inventories fall (341) bcf (11.5%) below last year while surpassing the 5-year average by 242 bcf (10.1%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 8 bcf smaller than the actual EIA implied flow and is above the upper end of our tolerance range. The 5-week summation of our error rose to 22 bcf and is at the upper end of our tolerance. The EIA has reported a net implied flow of 379 bcf over the last 5 weeks compared to our estimated 357 bcf. Our forecast for early November inventories is now 3,775 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Above normal national temperatures are considered bullish.

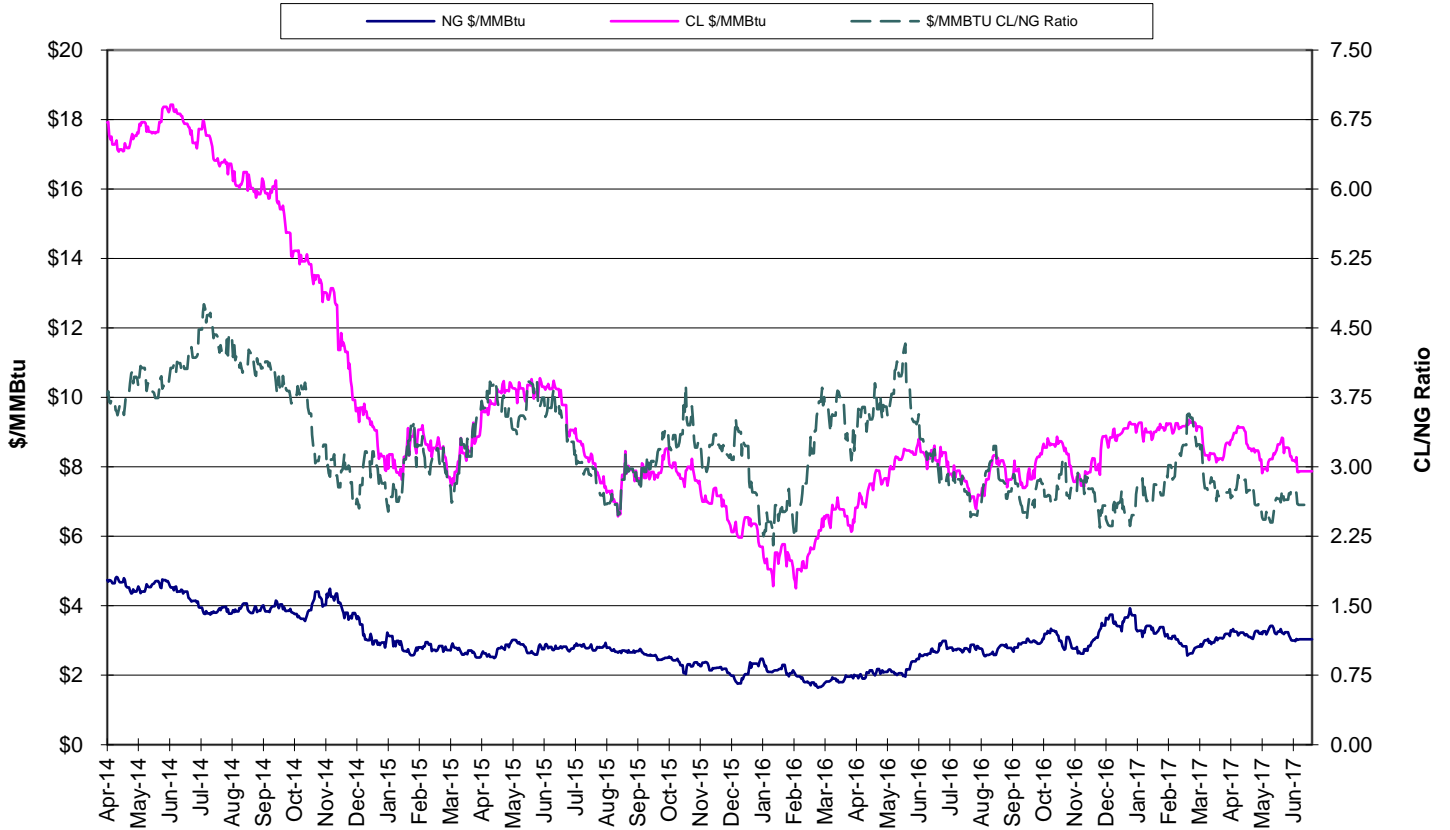
Supply Trends: Total supply rose 0.8 bcf/d to 70.0 bcf/d. US production was higher. Canadian imports and LNG and Mexican exports were all lower. LNG imports were unchanged. The US Baker Hughes rig count rose 11 with both oil and natural gas activity higher. The total US rig count now stands at 927. The Canadian rig count rose 33 to 132. Thus, the total North American rig count rose 44 to 1,059 and now exceeds last year by 580. The higher efficiency US horizontal rig count rose 9 to 780 and rises 457 above last year.

Demand Trends: Total demand fell 3.0 bcf/d to 58.7 bcf/d. All three sectors were lower. Electricity demand rose 2,019 gigawatt-hrs to 74,591 which trails last year by 3,657 (4.7%) and the 5-year average by 2,954 (3.8%).

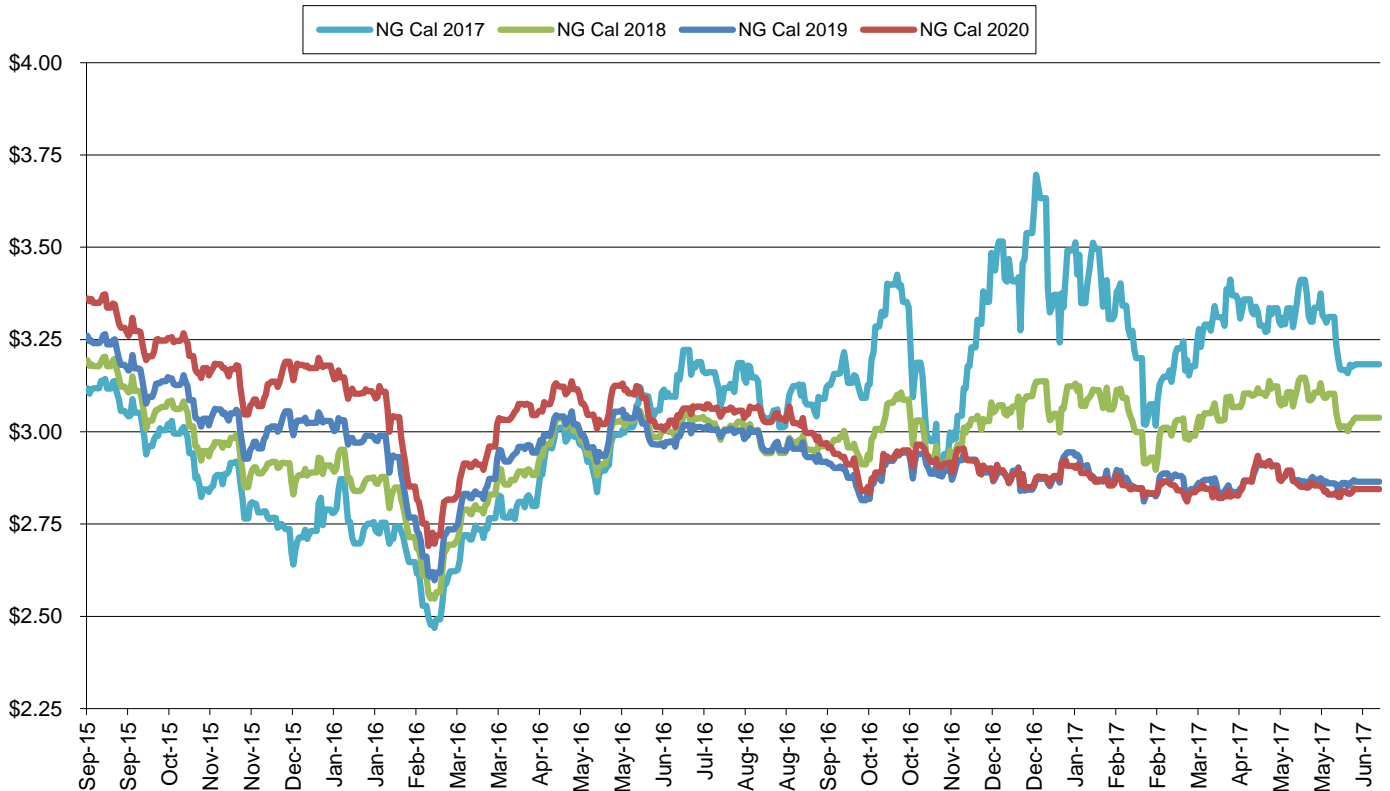
Nuclear Generation: Nuclear generation rose 5,302 MW in the reference week to 86,483 MW. This is (5,414) MW lower than last year and (1,530) MW lower than the 5-year average. Recent output was at 88,929 MW.

- The cooling season is beginning. With a forecast through June 23, the 2017 total cooling index is at 810 compared to 1,078 for 2016, 690 for 2015, 635 for 2014, 686 for 2013, 1,076 for 2012 and 1,074 bcf for 2011.

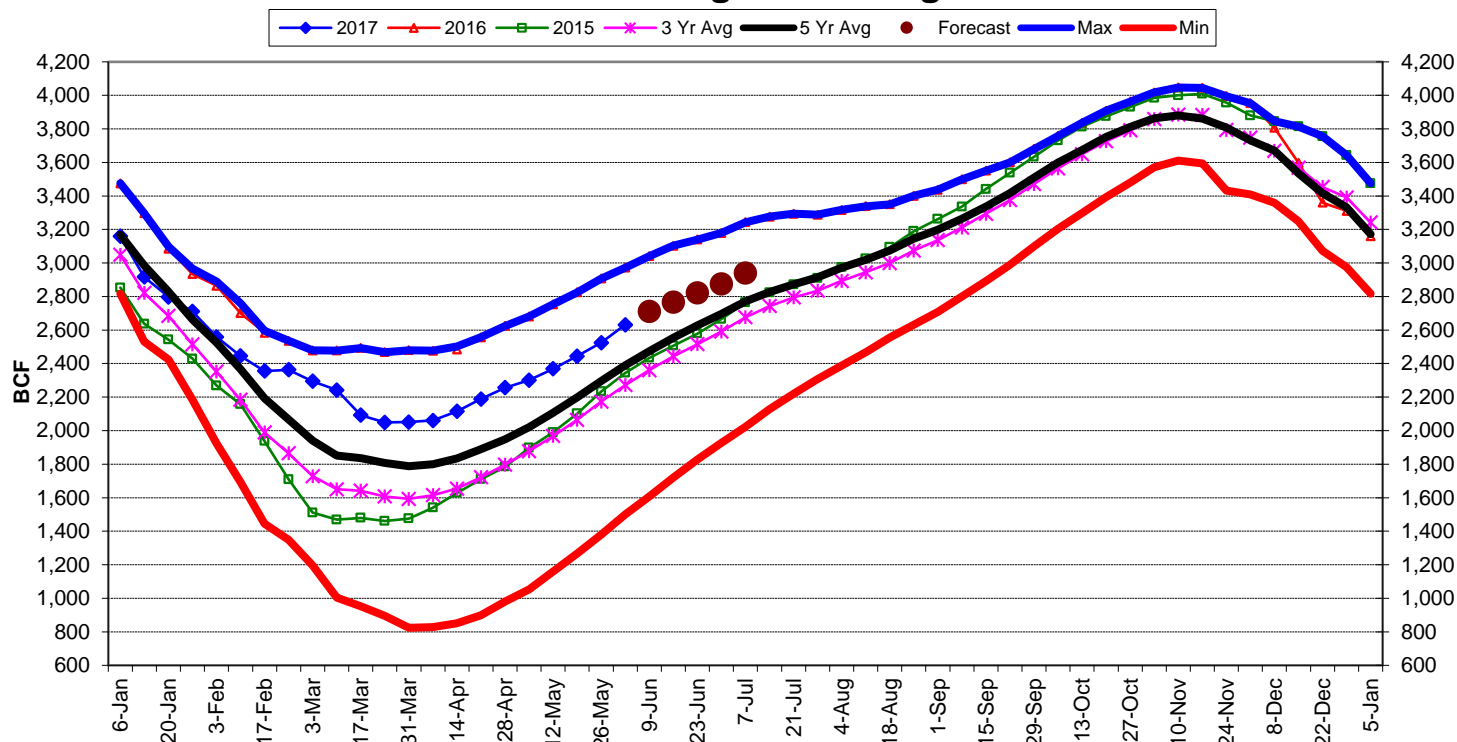
\$/MMBtu Ratio of NYMEX CL and NG



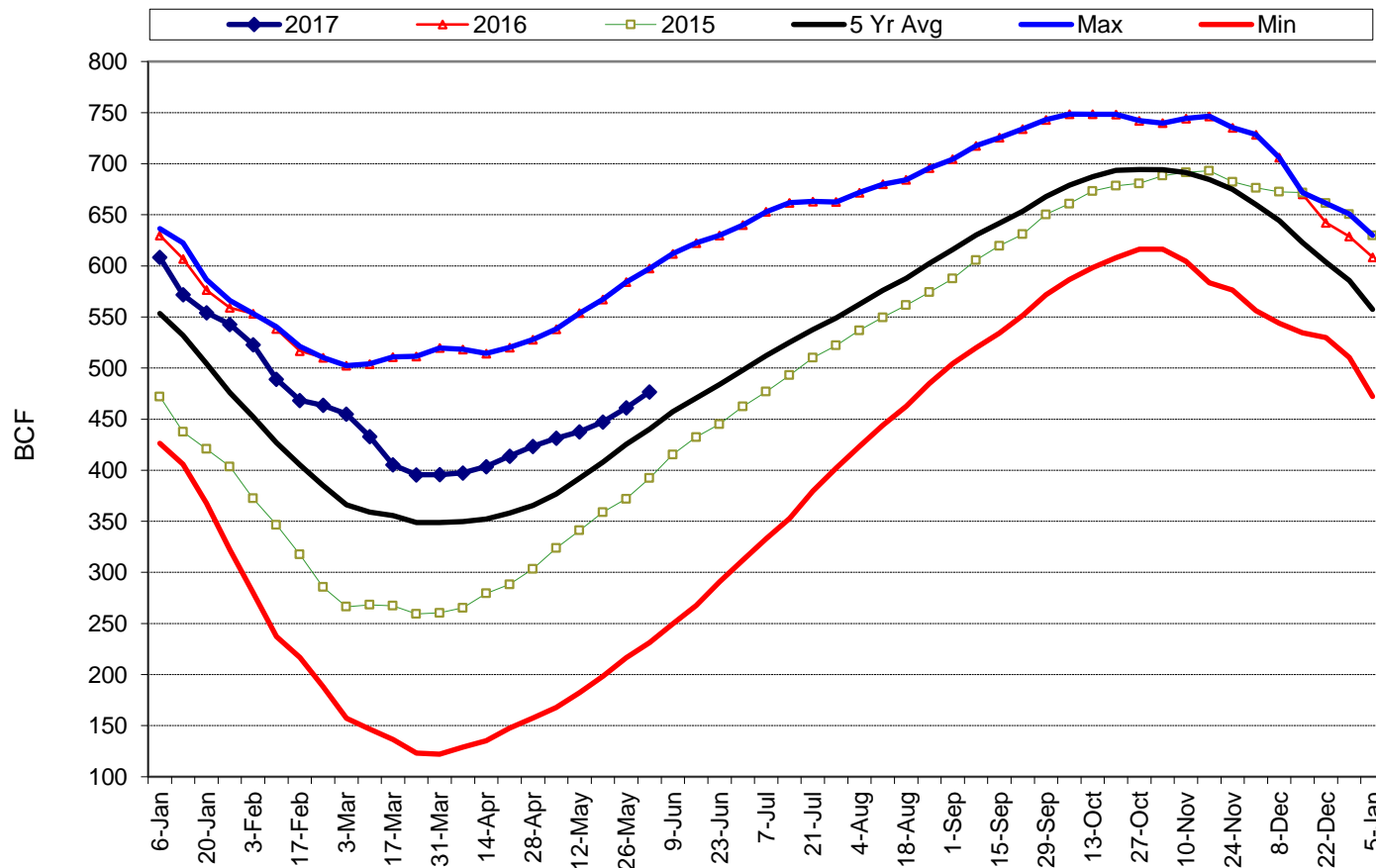
NYMEX Calendar Strips



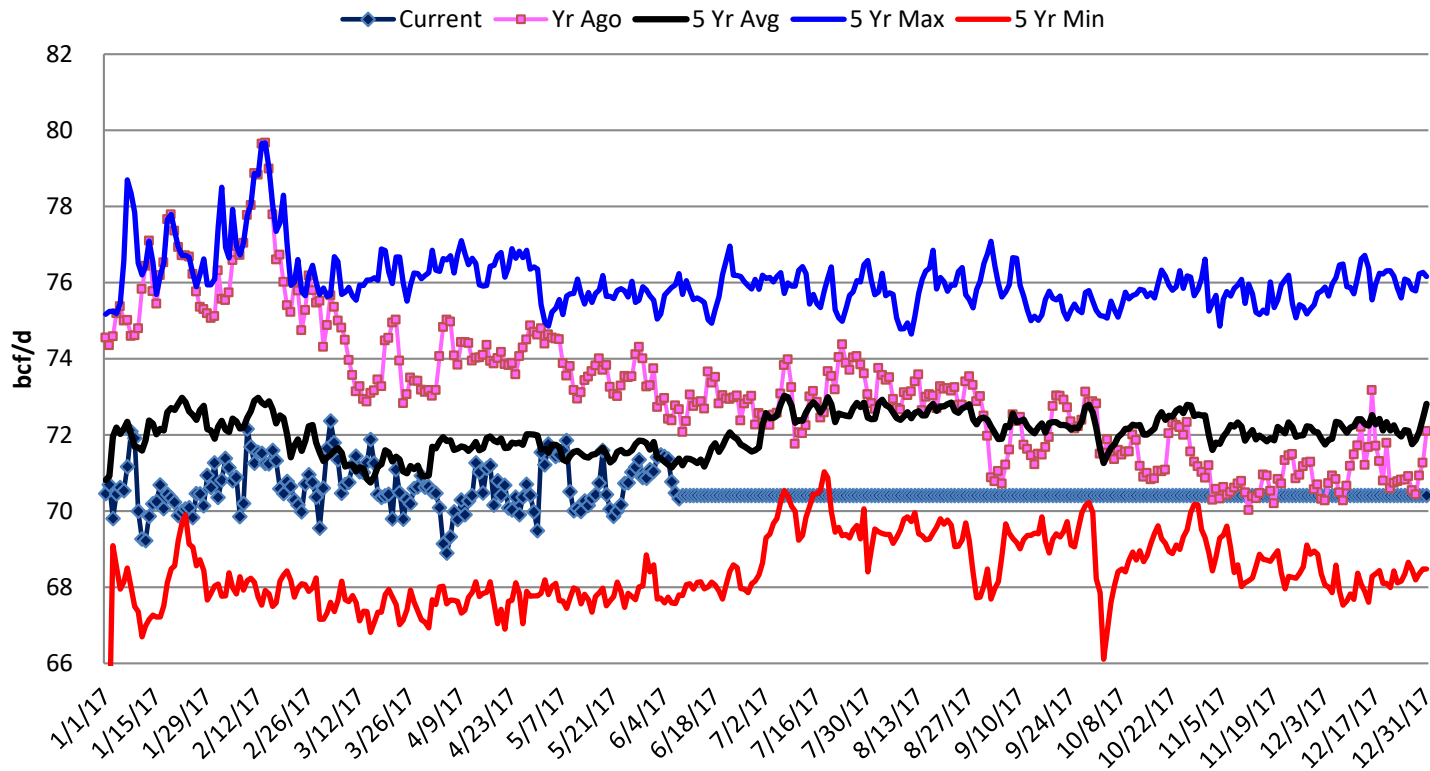
US Total Working Gas Storage - Source - EIA



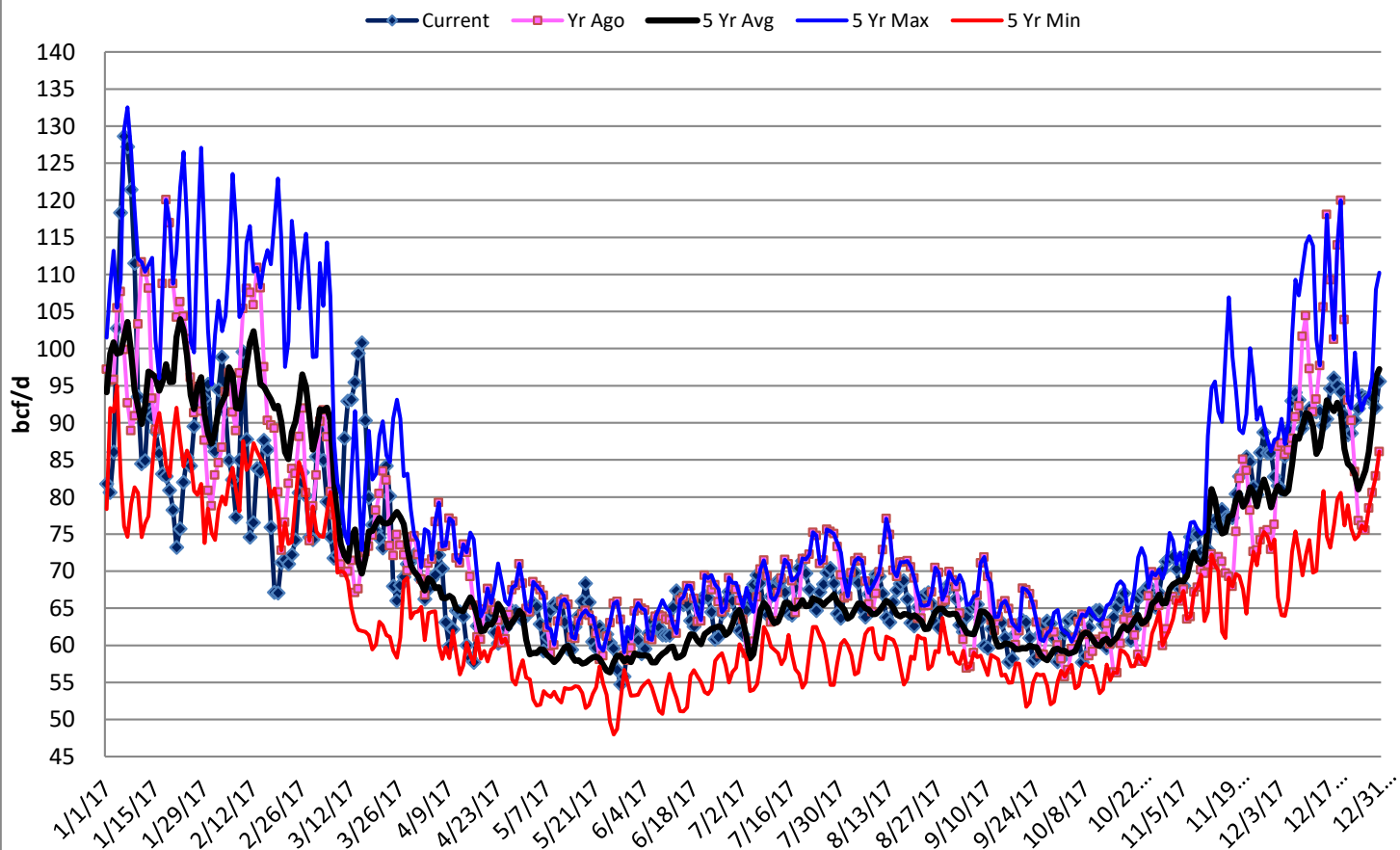
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



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