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Week Ending June 23, 2017

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

Price Action: The July contract fell 10.8 cents (3.6%) to \$2.929 on an 11.6 cent range.

Price Outlook: Despite a weekly range that was the smallest since May 13, 2016, the market established a new weekly low for the 5th week. While still well shy of the record 9 consecutive weeks lower in 2008, it is certainly becoming extended and setting the market up for a rebound. The magnitude and duration of any rebound will become increasingly dependent on the weather forecasts. While average national temperatures continue to climb through late July, the longest day of the year has passed. Prices slipped below the psychologically important \$3 level. CFTC data indicated another a reduction in the managed money net position as longs liquidated while shorts rose. **The managed money number of shorts is now the highest since November 22, 2016. The net long position is the smallest since March 7.** Total open interest fell to 3.806 million as of June 20. Aggregated CME futures open interest fell to 1.358 million as of June 23 and is the lowest since March 23.

Weekly Storage: US working gas storage for the week ending June 16 indicated a working gas storage injection of 61 bcf. Working gas inventories rose to 2,770 bcf. Current inventories fall (333) bcf (10.7%) below last year while surpassing the 5-year average by 215 bcf (8.4%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 2 bcf smaller than the actual EIA implied flow and is back within our tolerance range. The 5-week summation of our error fell to 20 bcf and is at the upper end of our tolerance. The EIA has reported a net implied flow of 405 bcf over the last 5 weeks compared to our estimated 385 bcf. Our forecast for early November inventories is now 3,822 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Above normal national temperatures are considered bullish.

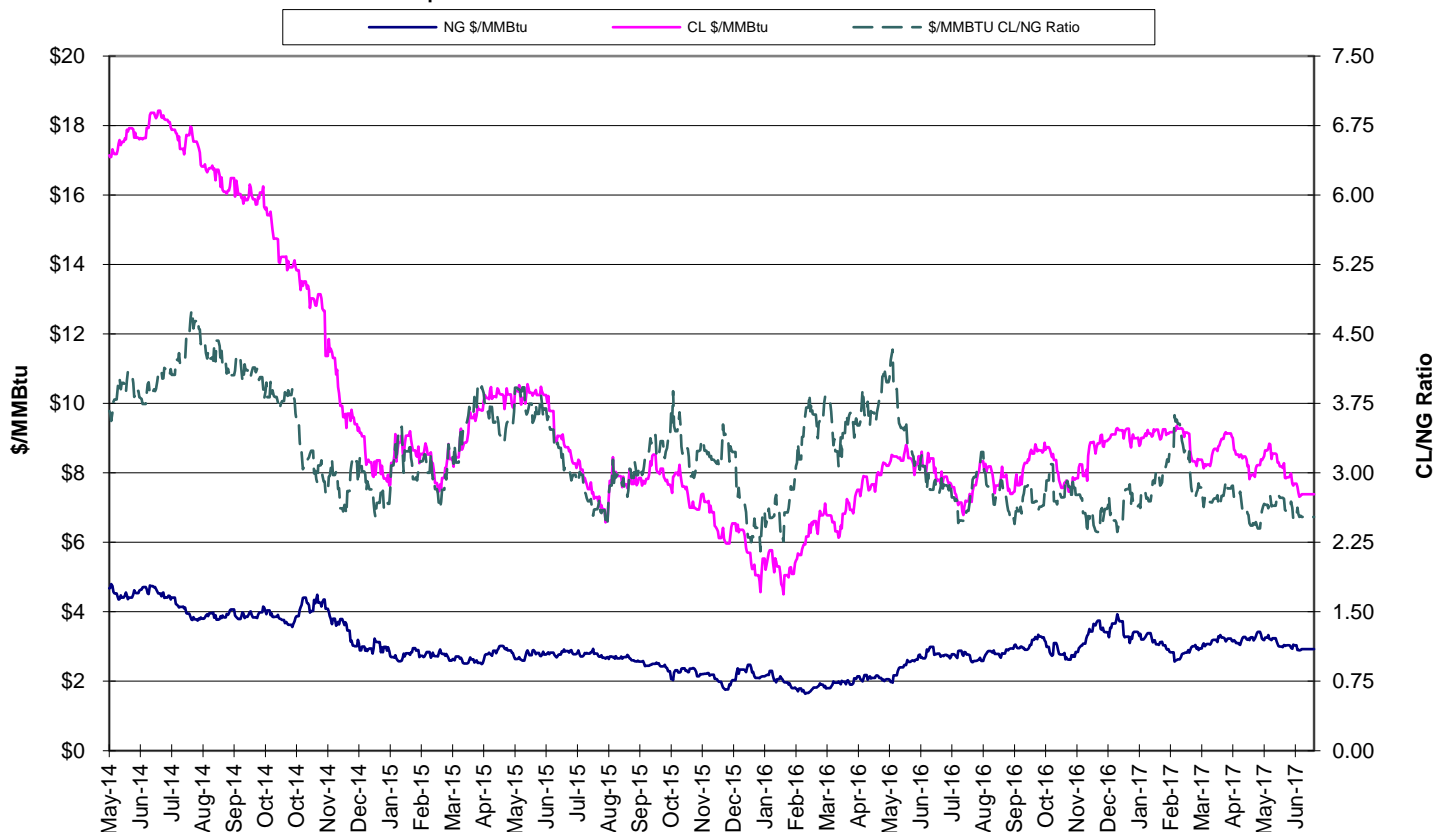
Supply Trends: Total supply fell 0.1 bcf/d to 71.3 bcf/d. Canadian imports were higher. US production was lower and Mexican exports were higher. LNG imports and exports were unchanged. The US Baker Hughes rig count rose 8 with oil activity higher while natural gas slipped. The total US rig count now stands at 941. The Canadian rig count rose 11 to 170. Thus, the total North American rig count rose 19 to 1,111 and now exceeds last year by 615. **The higher efficiency US horizontal rig count rose 10 to 792 and rises 467 above last year.**

Demand Trends: Total demand rose 3.9 bcf/d to 65.2 bcf/d. Power demand rose. R&C and industrial demand were lower. Electricity demand rose 10,762 gigawatt-hrs to 88,147 which exceeds last year by 3,222 (3.8%) and the 5-year average by 4,842 (5.8%).

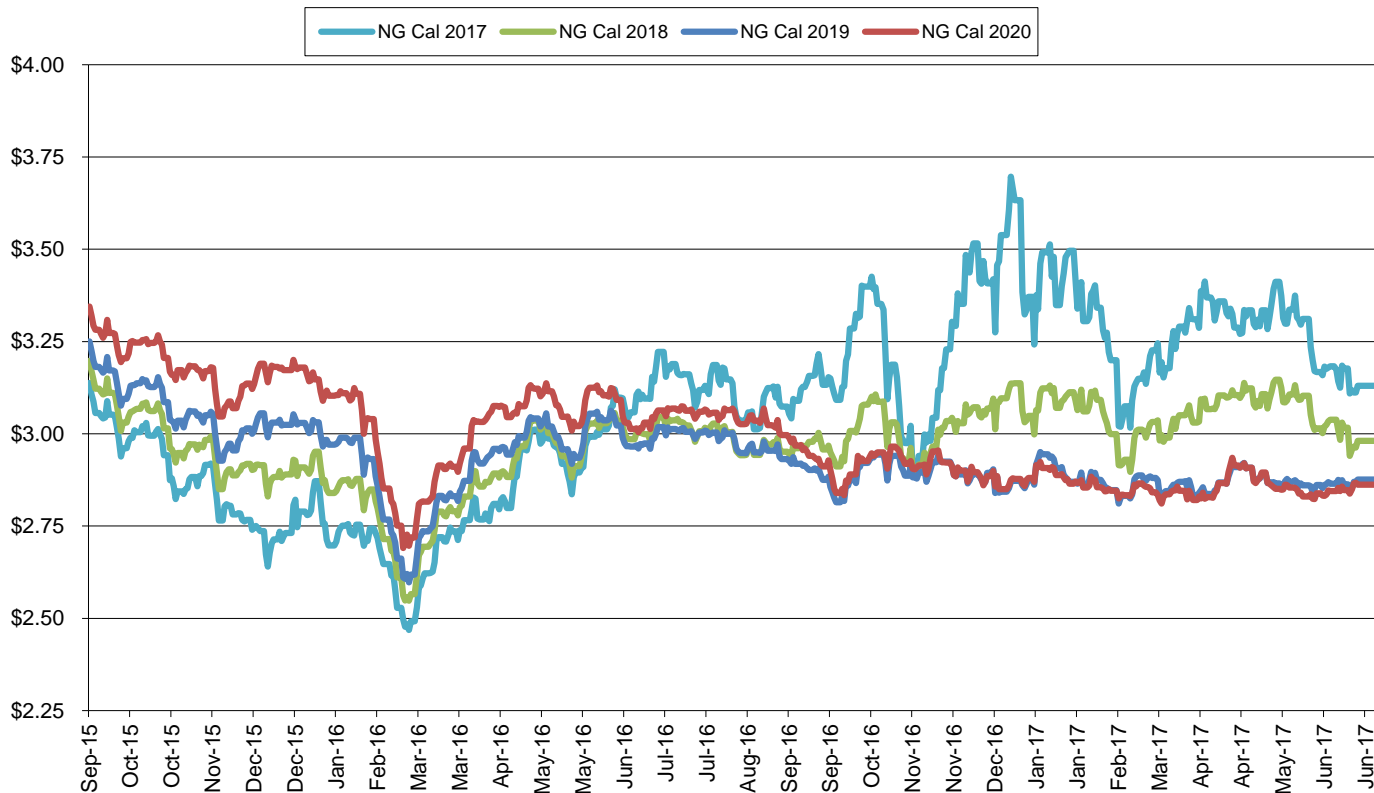
Nuclear Generation: Nuclear generation rose 880 MW in the reference week to 89,964 MW. This is (1,331) MW lower than last year and (1,815) MW lower than the 5-year average. **Recent output was at 91,846 MW.**

- The cooling season has begun. With a forecast through July 7, the 2017 total cooling index is at 1,522 compared to 1,786 for 2016, 1,263 for 2015, 1,111 for 2014, 1,583 for 2013, 2,924 for 2012 and 1,770 bcf for 2011.

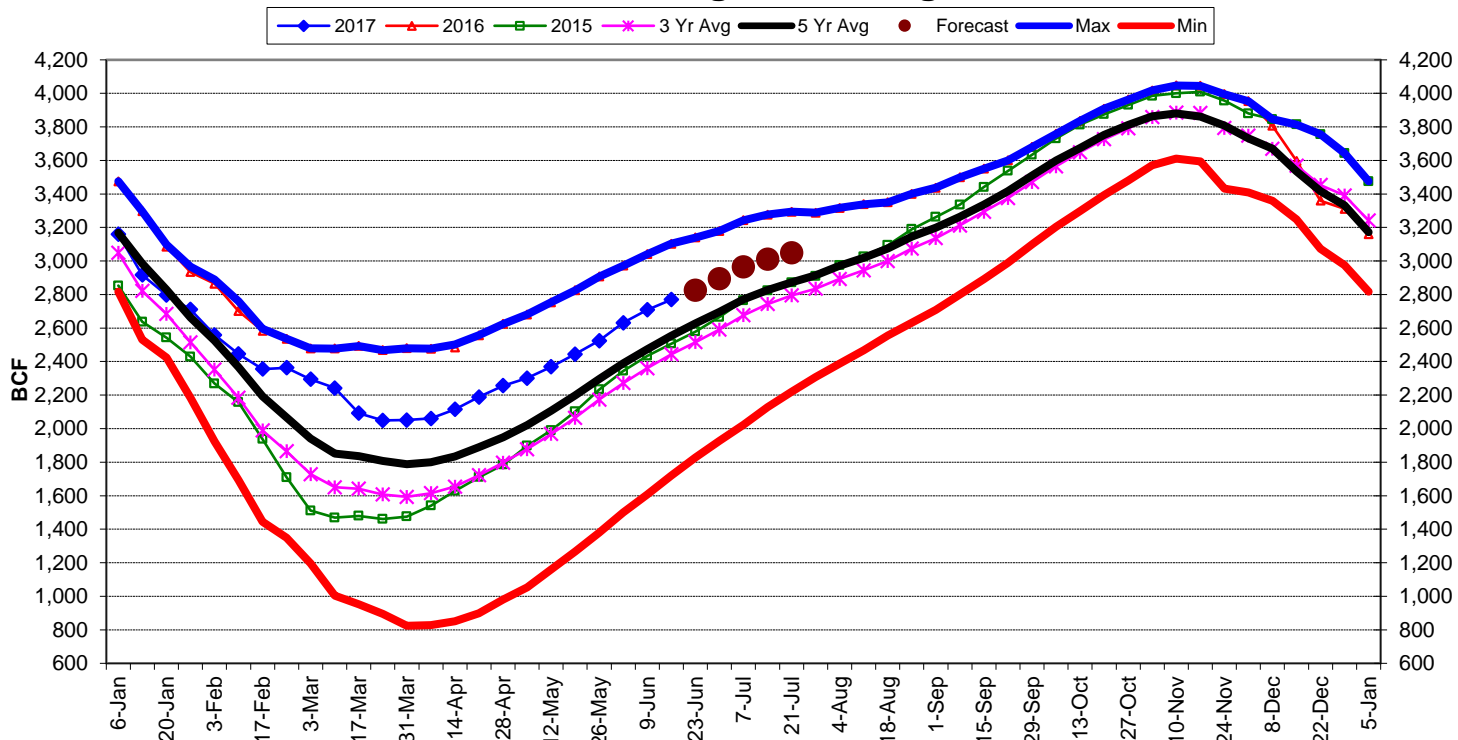
\$/MMBtu Ratio of NYMEX CL and NG



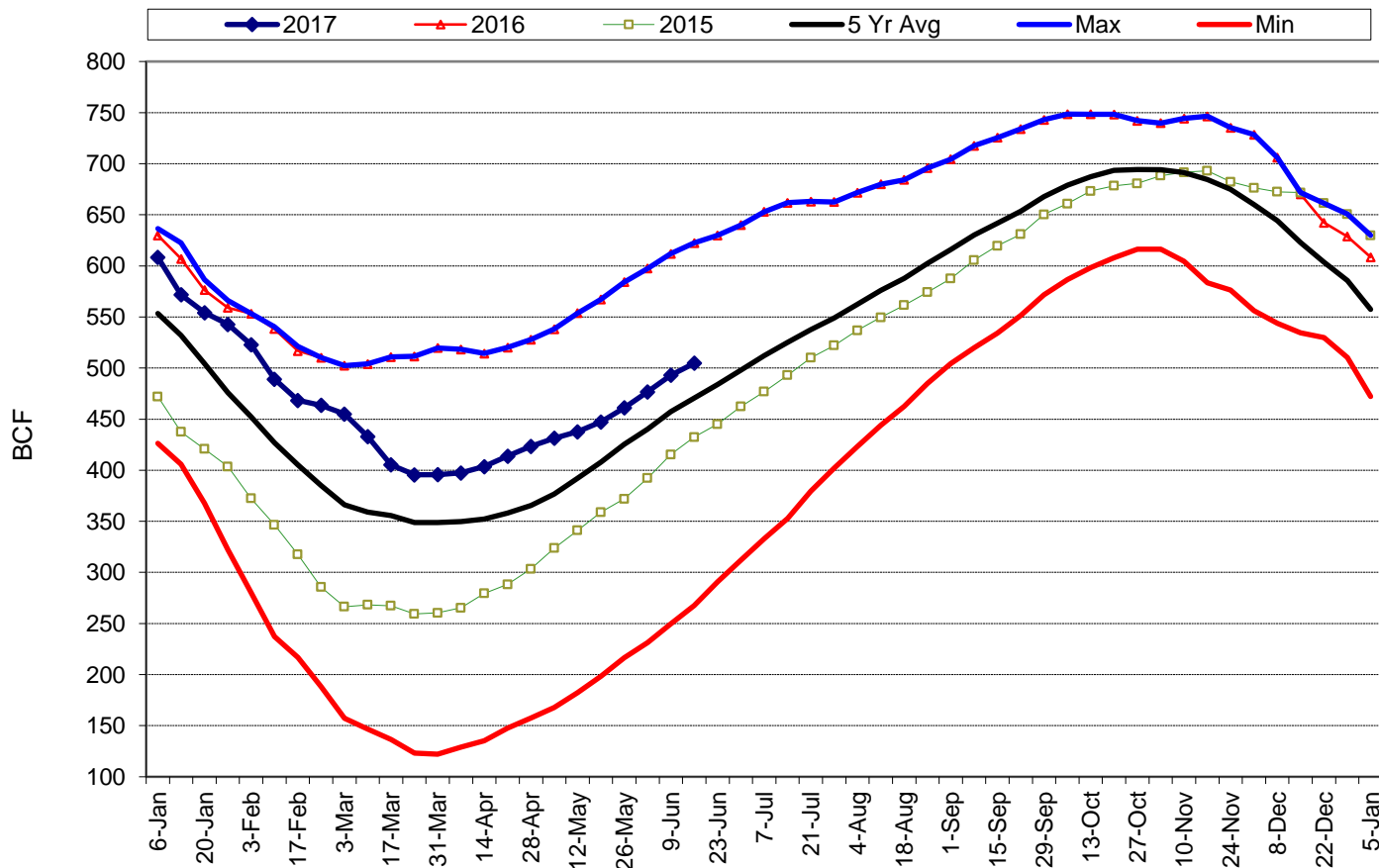
NYMEX Calendar Strips



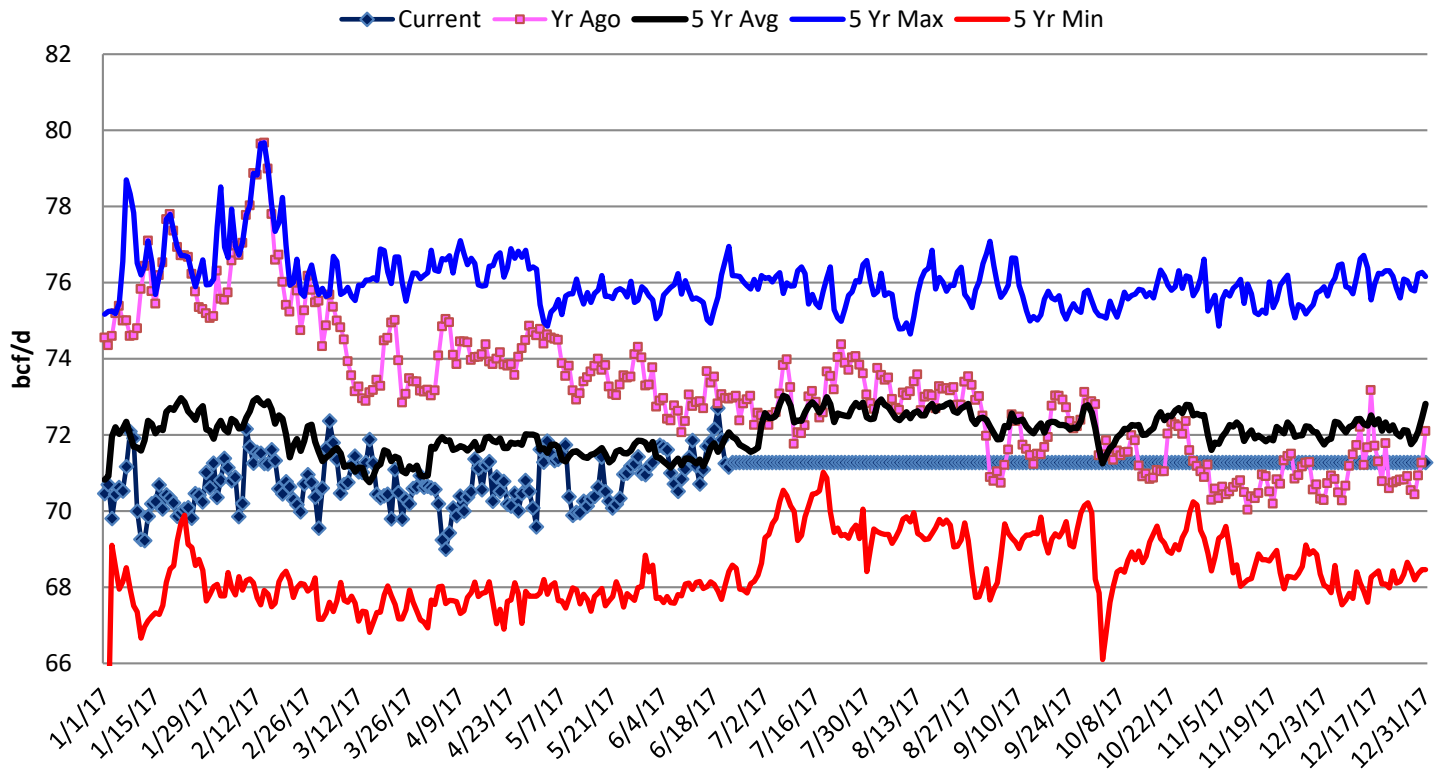
US Total Working Gas Storage - Source - EIA



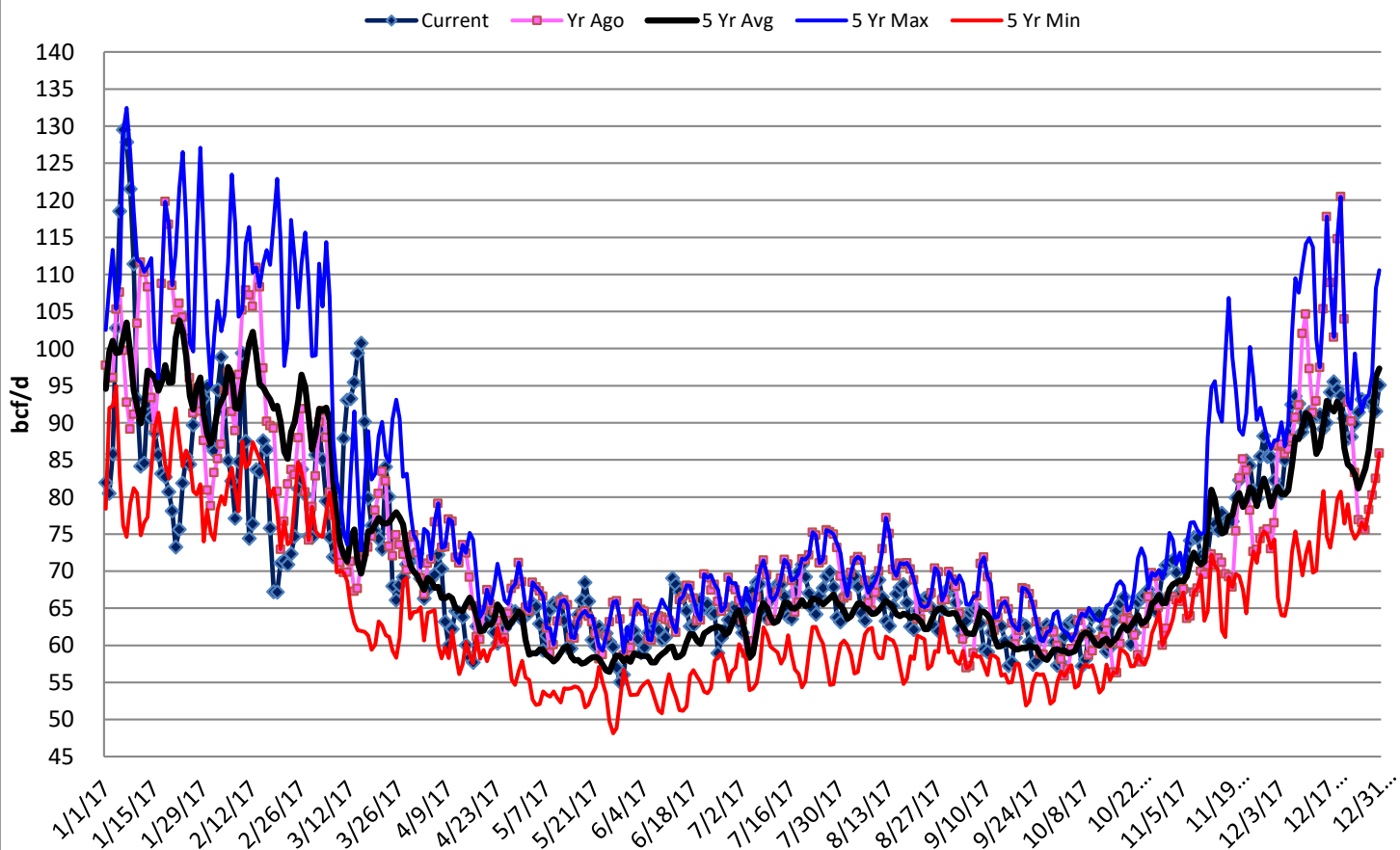
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



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