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Week Ending June 30, 2017

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

Price Action: The now prompt August contract rose 8.4 cents (2.9%) to \$3.035 on an 11.6 cent range.

Price Outlook: Despite a weekly range that was still well below average, prices did post a new high compared to last week primarily due to the even smaller range last week. Prices posted a new weekly high and ended the string of 5 consecutive weeks lower. Further increases will be largely dependent on weather forecasts and the implications for A/C demand. Prices returned above the psychologically important \$3 level. CFTC data indicated an increase in the managed money net position as more shorts liquidated compared to longs. **The managed money number of longs is now the smallest since March 28, 2017.** Total open interest fell to 3.645 million as of June 27. Aggregated CME futures open interest fell to 1.341 million as of June 30.

Weekly Storage: US working gas storage for the week ending June 23 indicated a working gas storage injection of 46 bcf. Working gas inventories rose to 2,816 bcf. Current inventories fall (324) bcf (10.3%) below last year while surpassing the 5-year average by 187 bcf (7.1%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 5 bcf larger than the actual EIA implied flow and is at the upper end of our tolerance range. The 5-week summation of our error fell to 9 bcf and is within our tolerance. The EIA has reported a net implied flow of 376 bcf over the last 5 weeks compared to our estimated 367 bcf. Our forecast for early November inventories is now 3,795 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Above normal national temperatures are considered bullish.

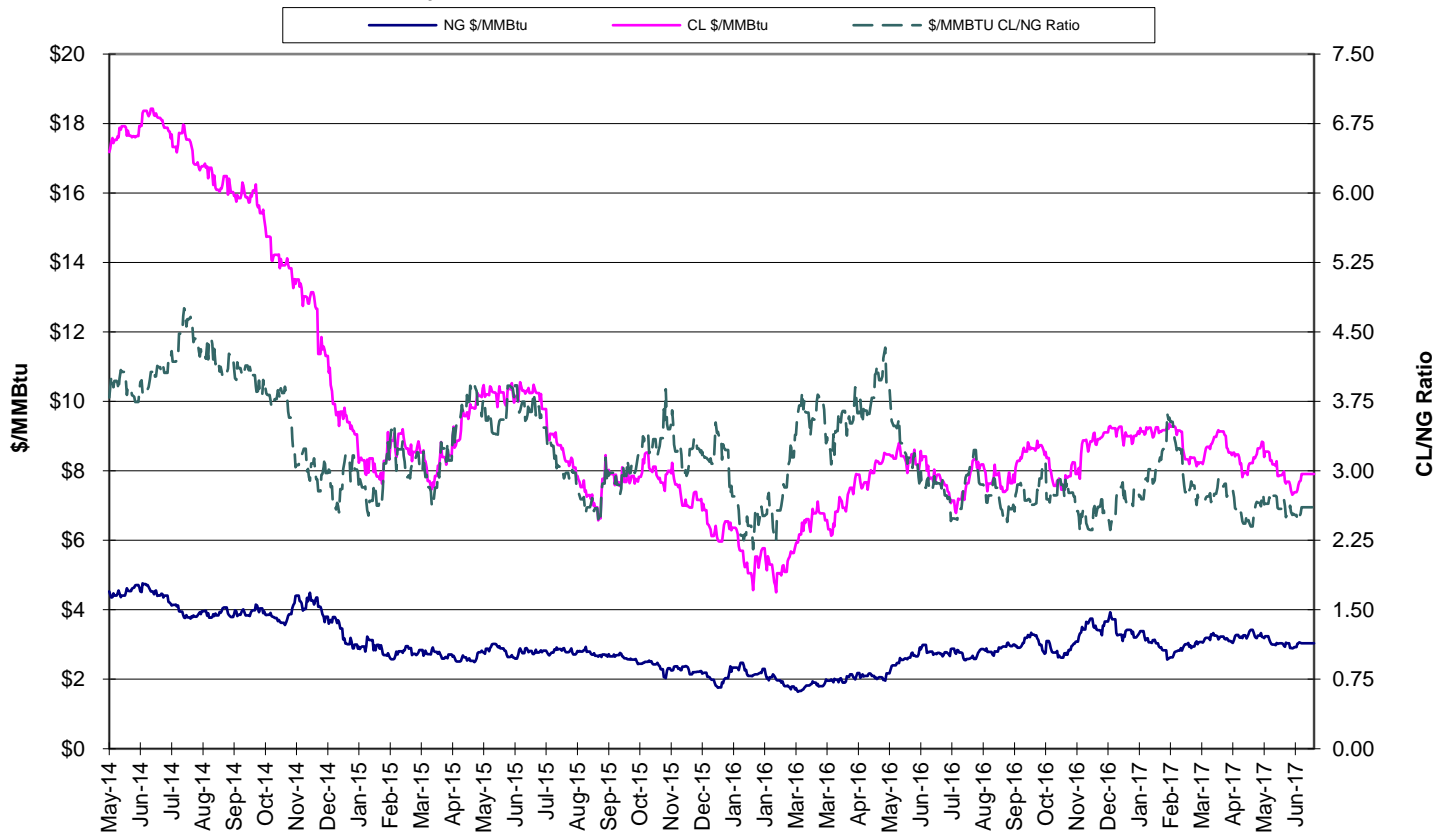
Supply Trends: Total supply rose +0.6 bcf/d to 71.8 bcf/d. LNG and Mexican exports were lower. Canadian imports were lower. US production and LNG imports were unchanged. The US Baker Hughes rig count fell 1 with natural gas activity higher while oil slipped. The total US rig count now stands at 940. The Canadian rig count rose 19 to 189. Thus, the total North American rig count rose 18 to 1,129 and now exceeds last year by 622. **The higher efficiency US horizontal rig count was unchanged at 792 and rises 460 above last year. This was the first drop in the US rig count since January 13.**

Demand Trends: Total demand fell (0.6) bcf/d to 64.6 bcf/d. Power demand rose. R&C and industrial demand were lower. Electricity demand fell (980) gigawatt-hrs to 87,167 which trails last year by (1,423) (1.6%) and exceeds 5-year average by 1,748 (2.0%).

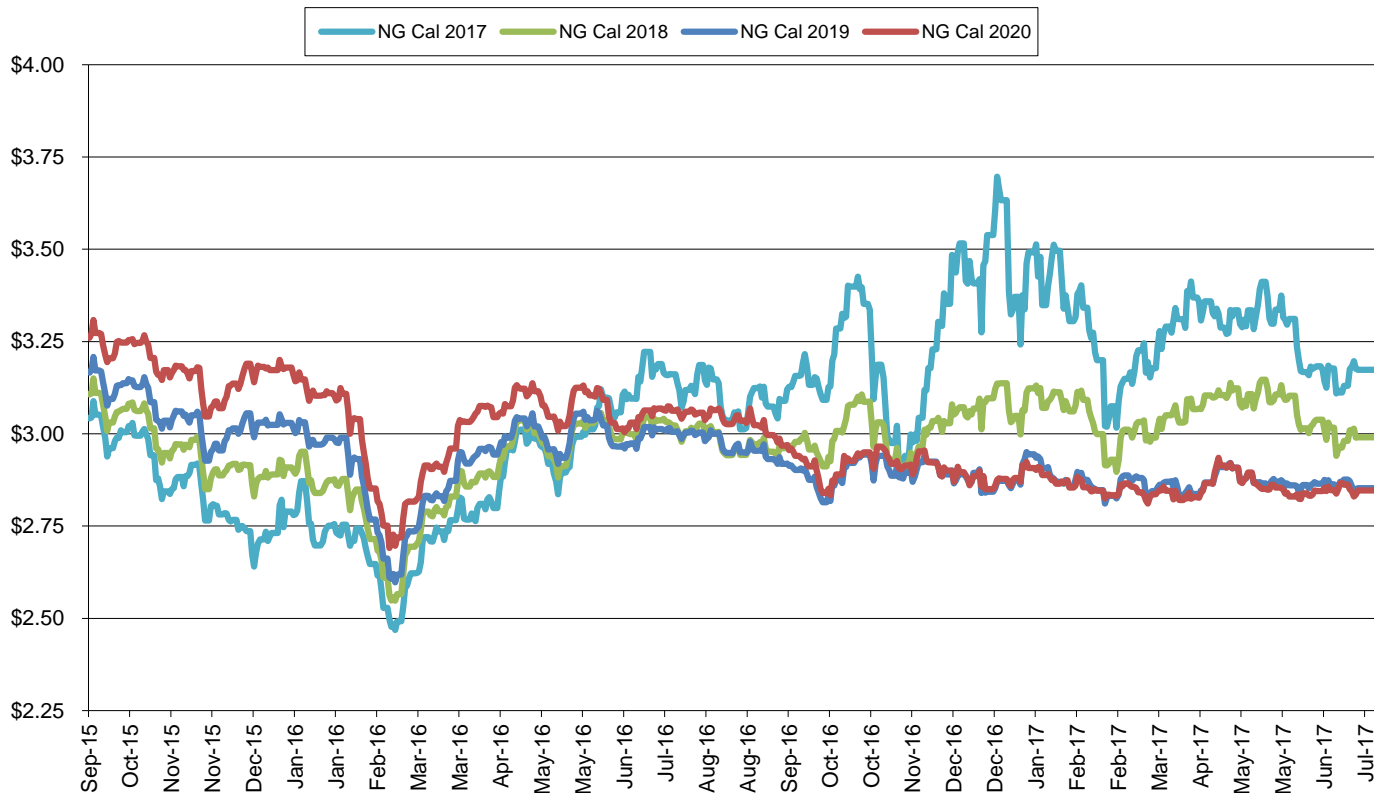
Nuclear Generation: Nuclear generation rose 1,448 MW in the reference week to 91,412 MW. This is 1,363 MW higher than last year and (408) MW lower than the 5-year average. **Recent output was at 91,908 MW.**

- The cooling season has begun. With a forecast through July 14, the 2017 total cooling index is at 2,011 compared to 2,192 for 2016, 1,449 for 2015, 1,392 for 2014, 1,932 for 2013, 3,377 for 2012 and 2,134 bcf for 2011.

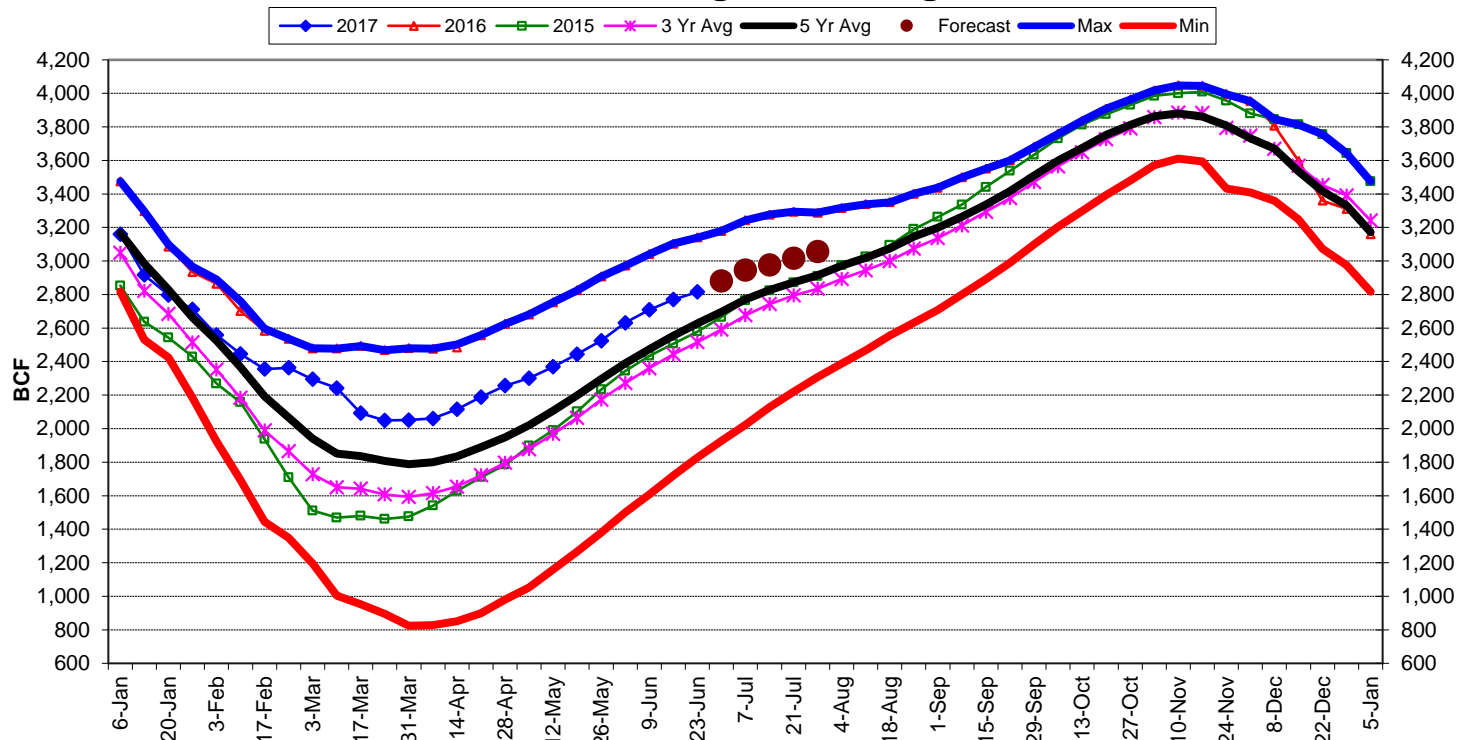
\$/MMBtu Ratio of NYMEX CL and NG



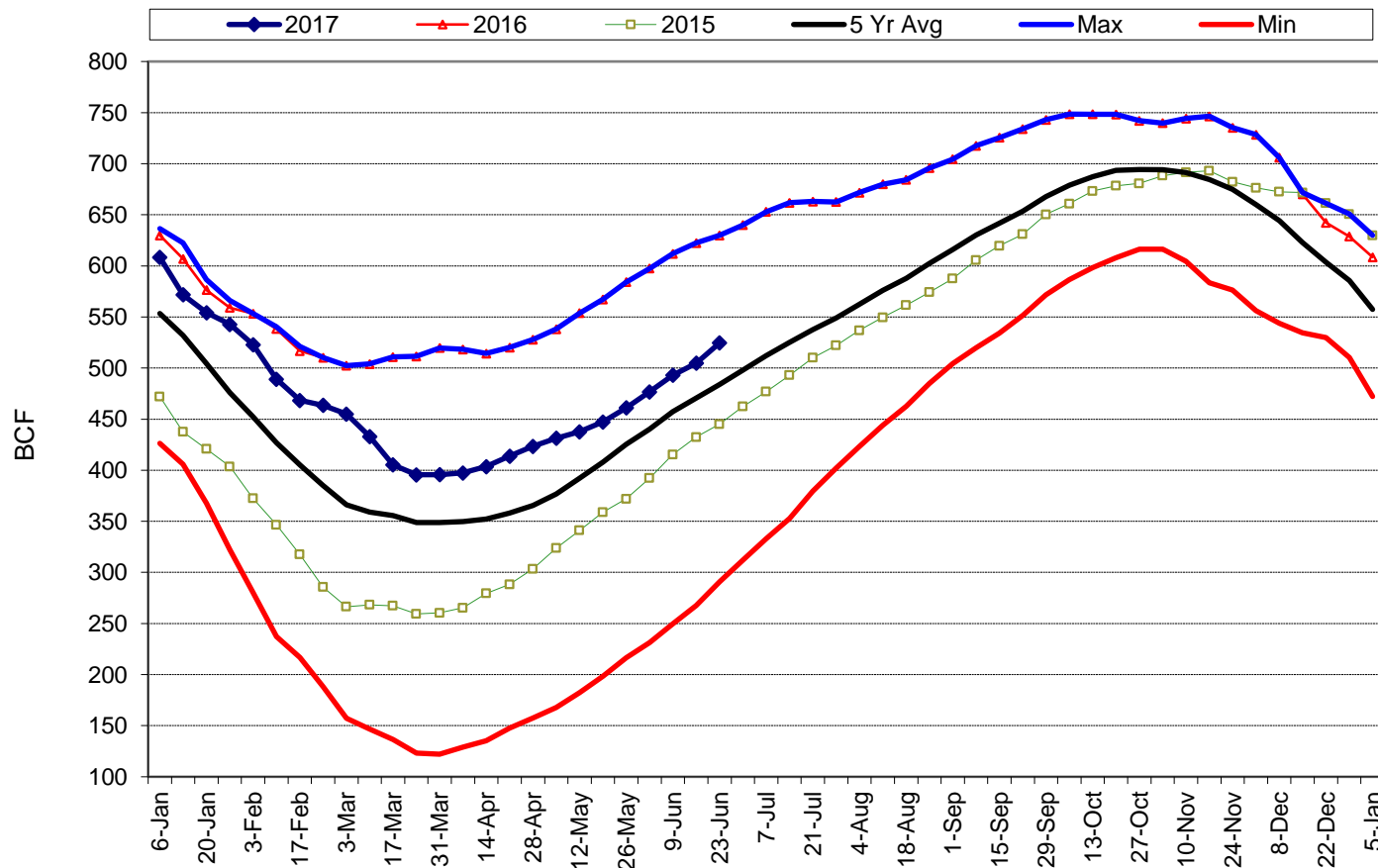
NYMEX Calendar Strips



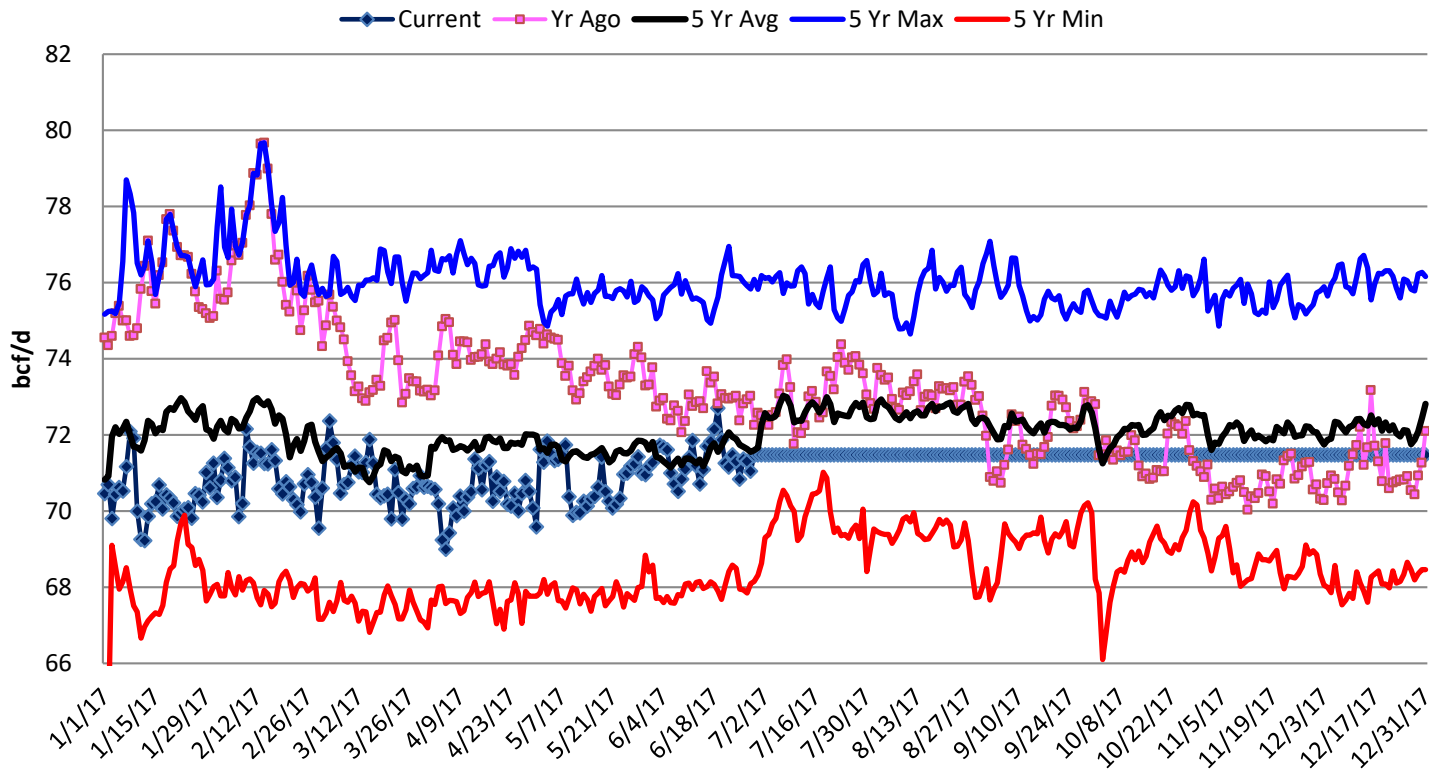
US Total Working Gas Storage - Source - EIA



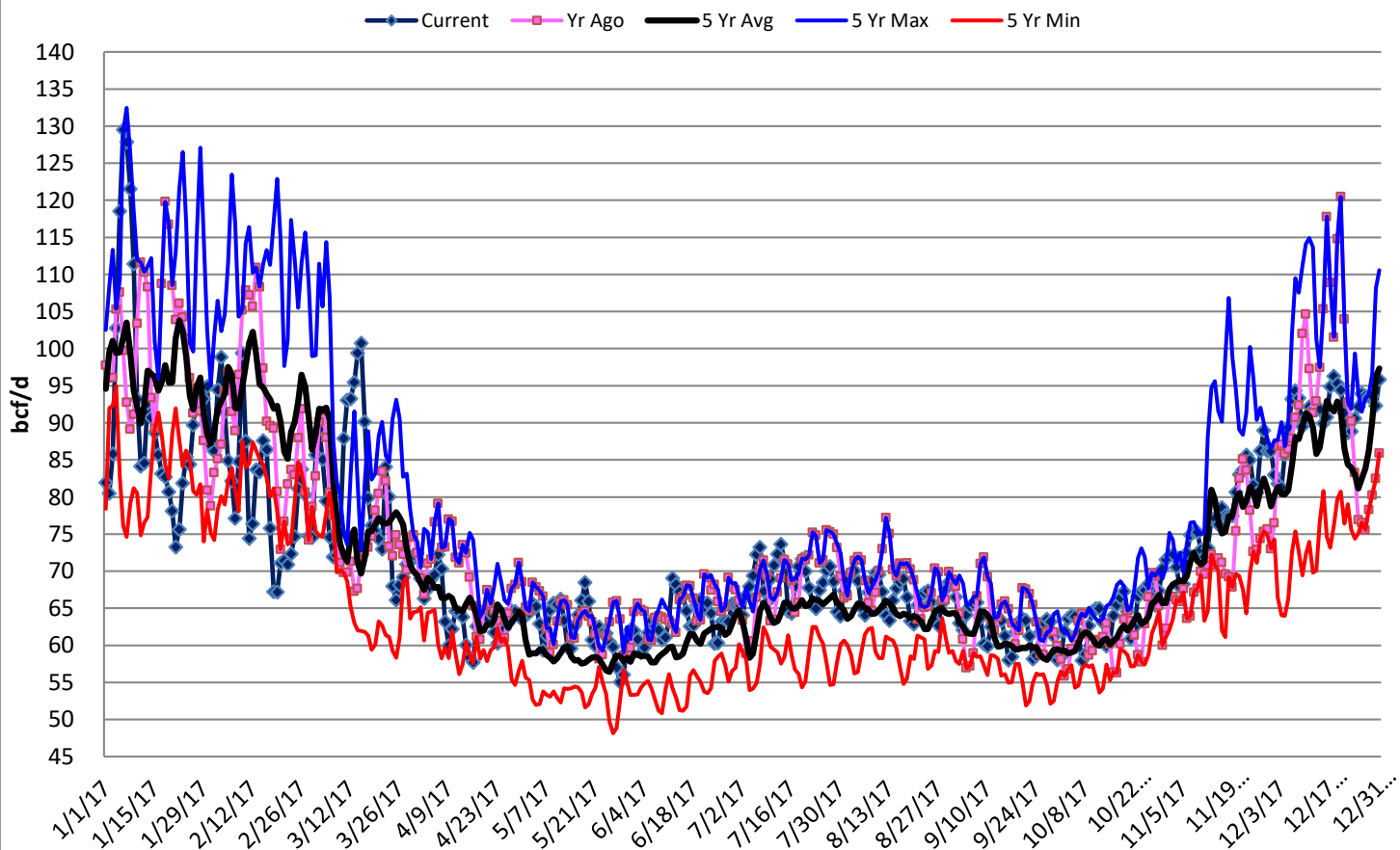
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



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