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Week Ending July 14, 2017

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

Price Action: The August contract rose 11.6 cents (4.1%) to \$2.980 on an 18.3 cent range.

Price Outlook: The market posted a new high after last week's low on still generally supportive weather forecasts. The EIA also reported a storage injection lower than both last year and the 5-year average. This week should again expand the yearly storage deficit and reduce the surplus to the 5-year average. CFTC data indicated an approximately 15,000 contract reduction in the managed money net long position. Total open interest rose to 3.661 million as of July 11. Aggregated CME futures open interest fell to 1.355 million as of July 14. Open interest in the August \$4.00 call was unchanged at 100,357. Open interest in the August \$3.75 call fell 58 to 85,434. Open interest in the October \$2.50 put fell 3,927 to 68,601.

Weekly Storage: US working gas storage for the week ending July 7 indicated a working gas storage injection of 57 bcf. Working gas inventories rose to 2,945 bcf. Current inventories fall (298) bcf (9.2%) below last year while surpassing the 5-year average by 175 bcf (6.3%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 3 bcf larger than the actual EIA implied flow and is back within our tolerance range. The 5-week summation of our error rose to 8 bcf and is within our tolerance. The EIA has reported a net implied flow of 314 bcf over the last 5 weeks compared to our estimated 322 bcf. Our forecast for early November inventories is now 3,794 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Above normal national temperatures are considered bullish.

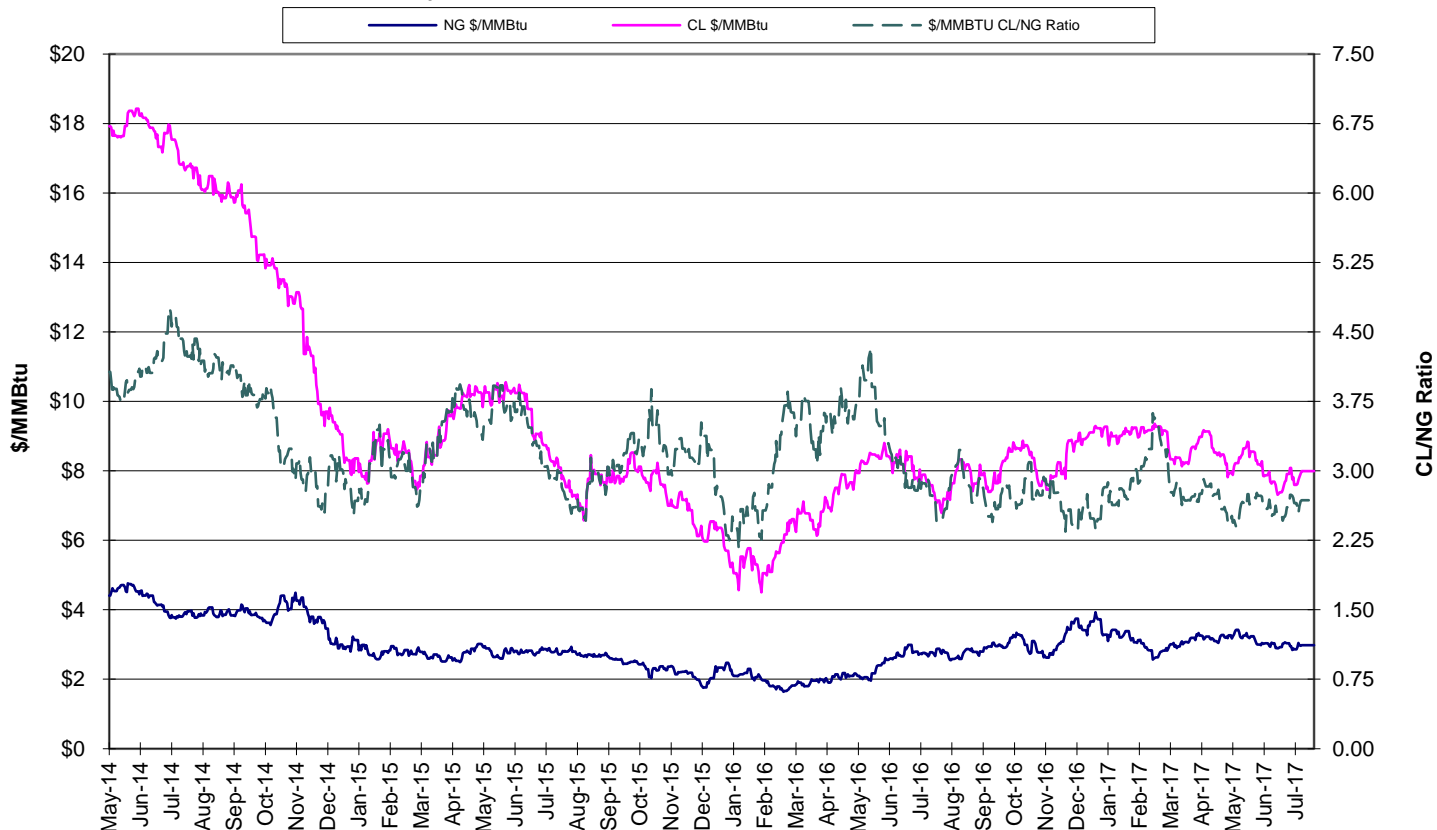
Supply Trends: Total supply rose +0.5 bcf/d to 71.6 bcf/d. US production, Canadian and LNG imports were higher. LNG exports were higher and Mexican exports were unchanged. The US Baker Hughes rig count was unchanged with oil activity higher while natural gas fell. The total US rig count now stands at 952. The Canadian rig count rose 16 to 191. Thus, the total North American rig count rose 16 to 1,143 and now exceeds last year by 601. **The higher efficiency US horizontal rig count was unchanged at 804 and rises 460 above last year.**

Demand Trends: Total demand rose 2.0 bcf/d to 63.4 bcf/d. Higher power demand offset lower R&C and industrial demand. Electricity demand rose (5,362) gigawatt-hrs to 87,622 which trails last year by (525) (0.6%) and exceeds the 5-year average by 668 (0.8%).

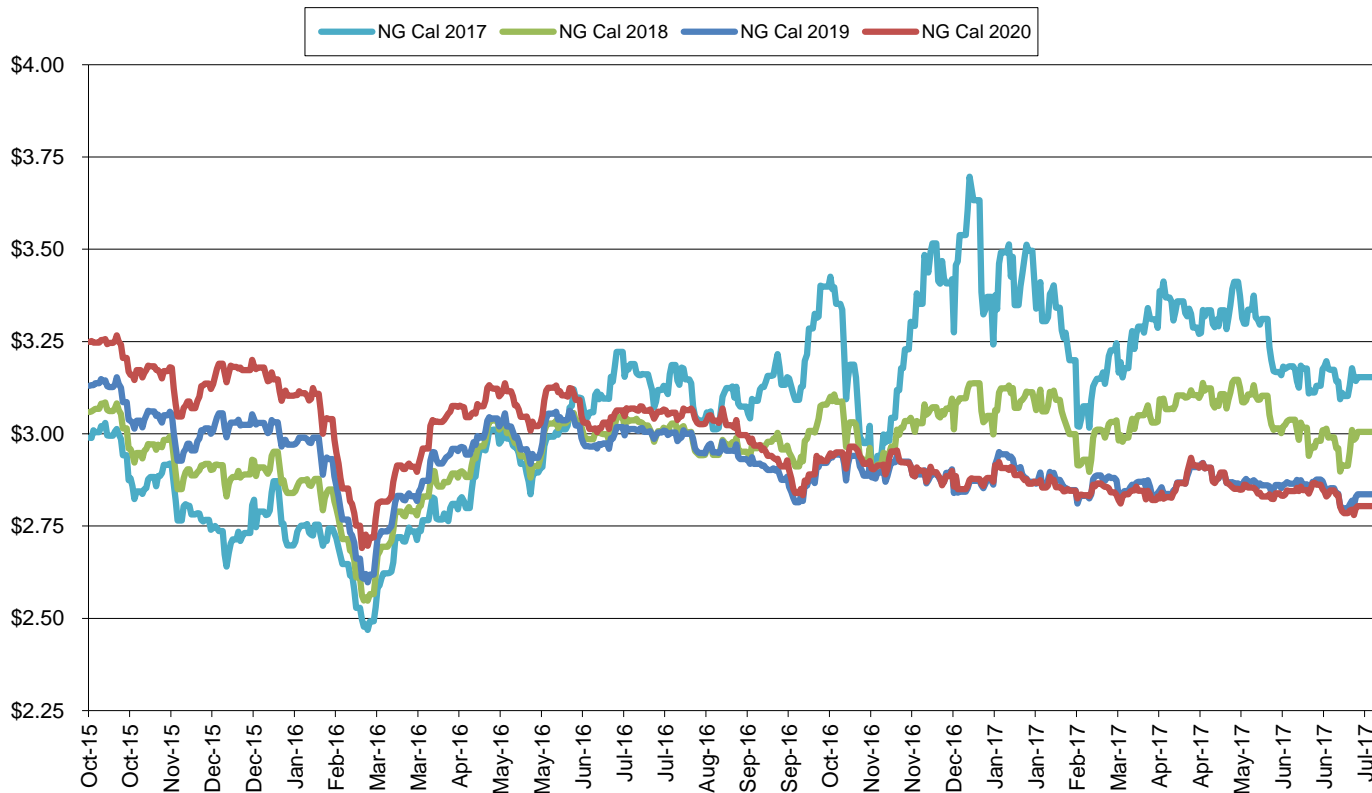
Nuclear Generation: Nuclear generation rose 1,439 MW in the reference week to 93,366 MW. This is 1,141 MW higher than last year and (43) MW lower than the 5-year average. **Recent output was at 94,320 MW.**

- The cooling season has past the halfway mark. With a forecast through July 28, the 2017 total cooling index is at 2,898 compared to 3,504 for 2016, 2,076 for 2015, 1,956 for 2014, 2,731 for 2013, 4,718 for 2012 and 3,464 bcf for 2011.

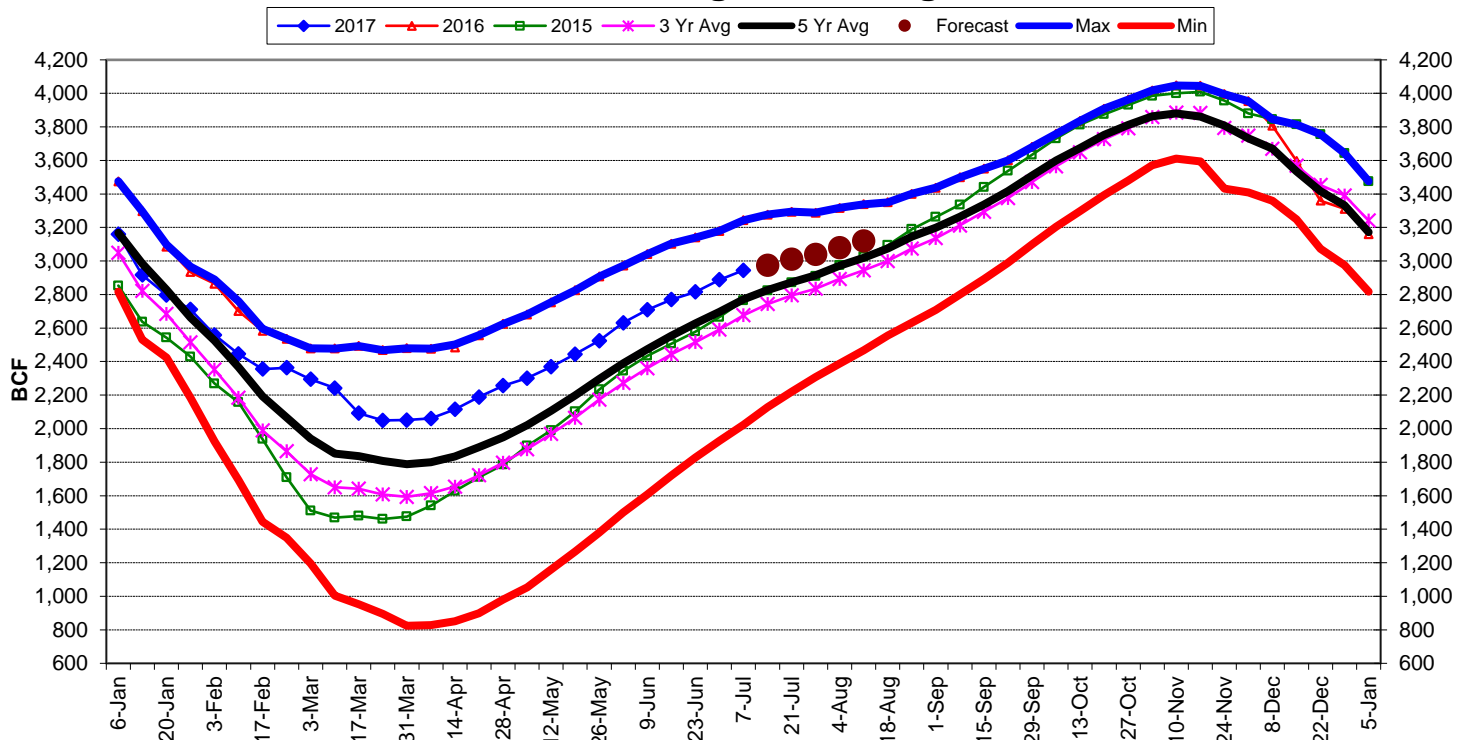
\$/MMBtu Ratio of NYMEX CL and NG



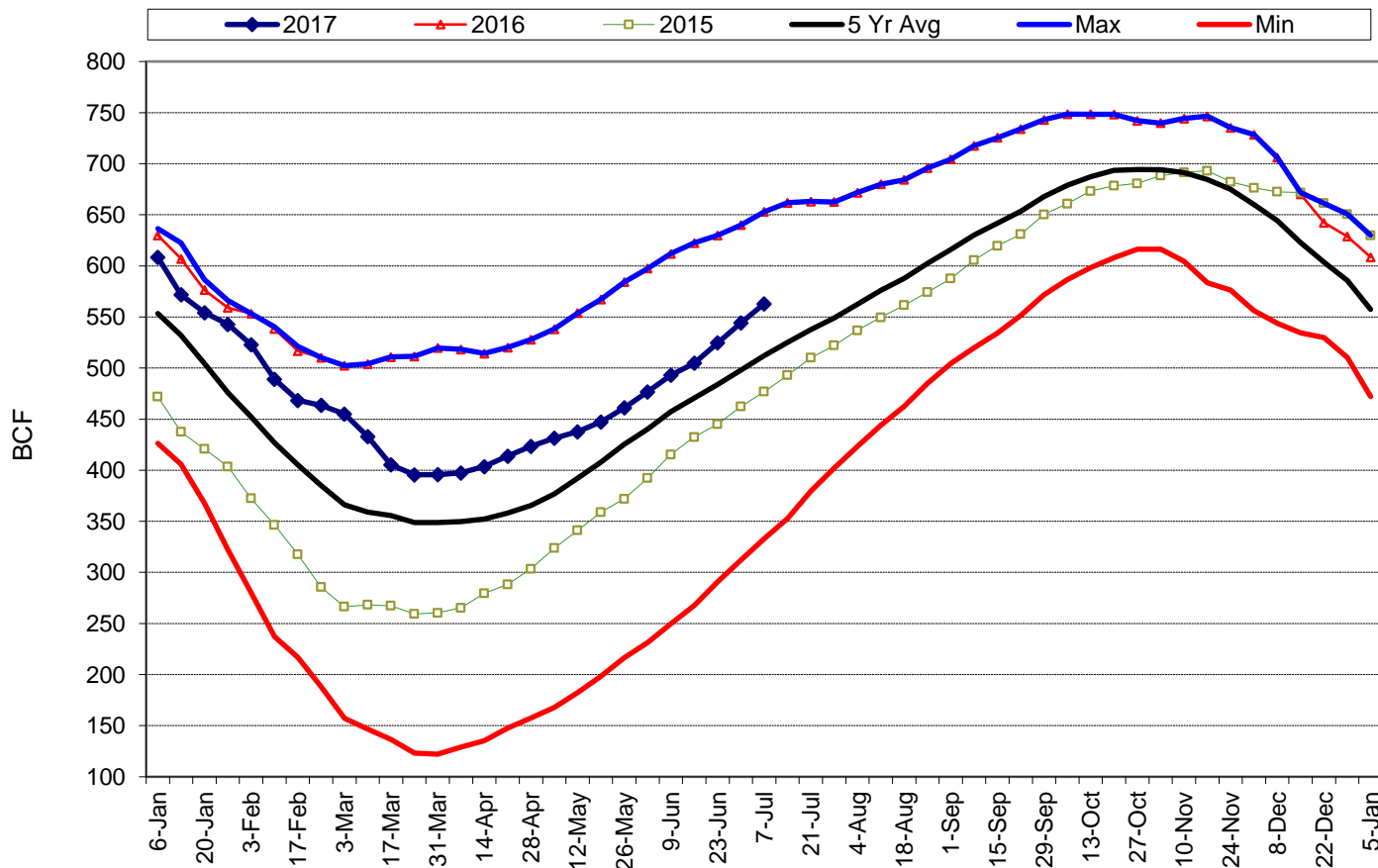
NYMEX Calendar Strips



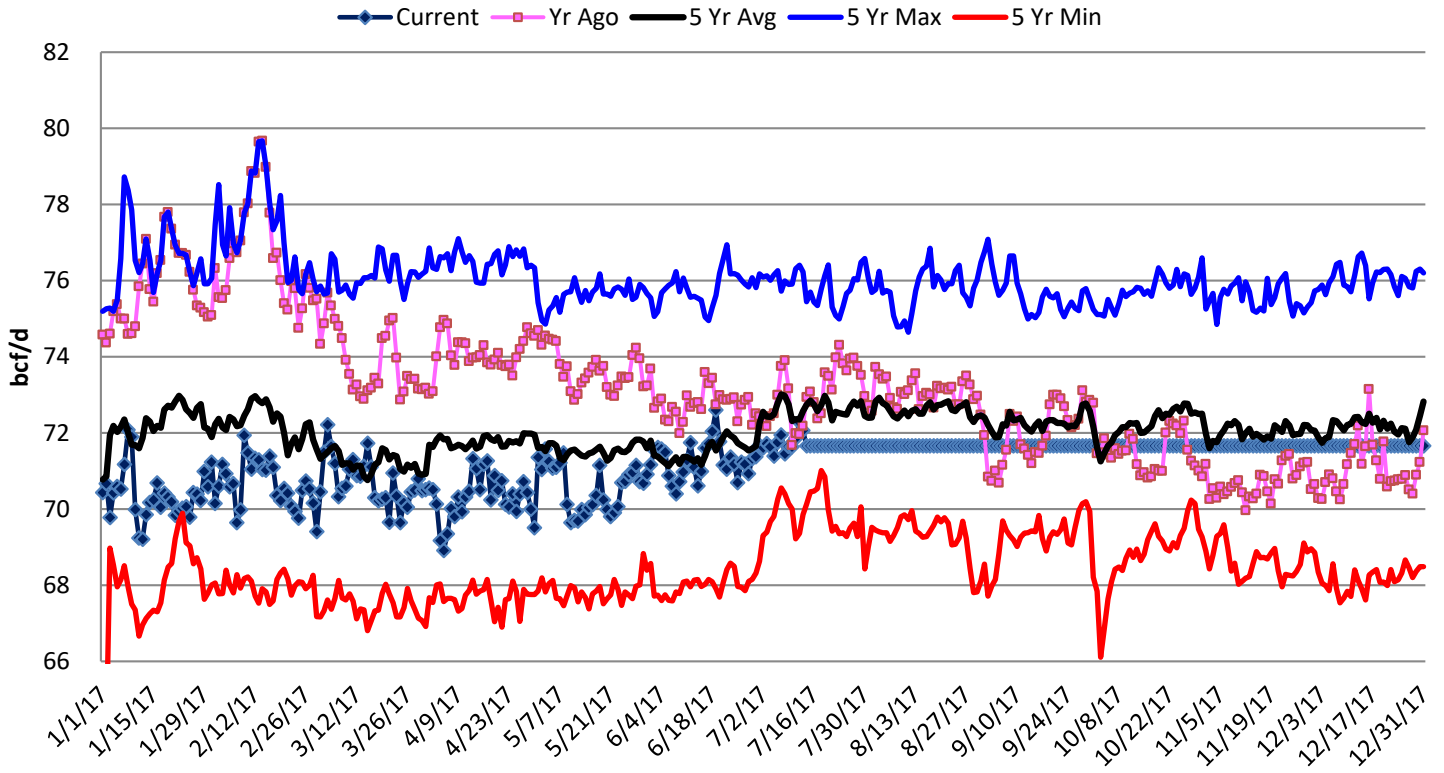
US Total Working Gas Storage - Source - EIA



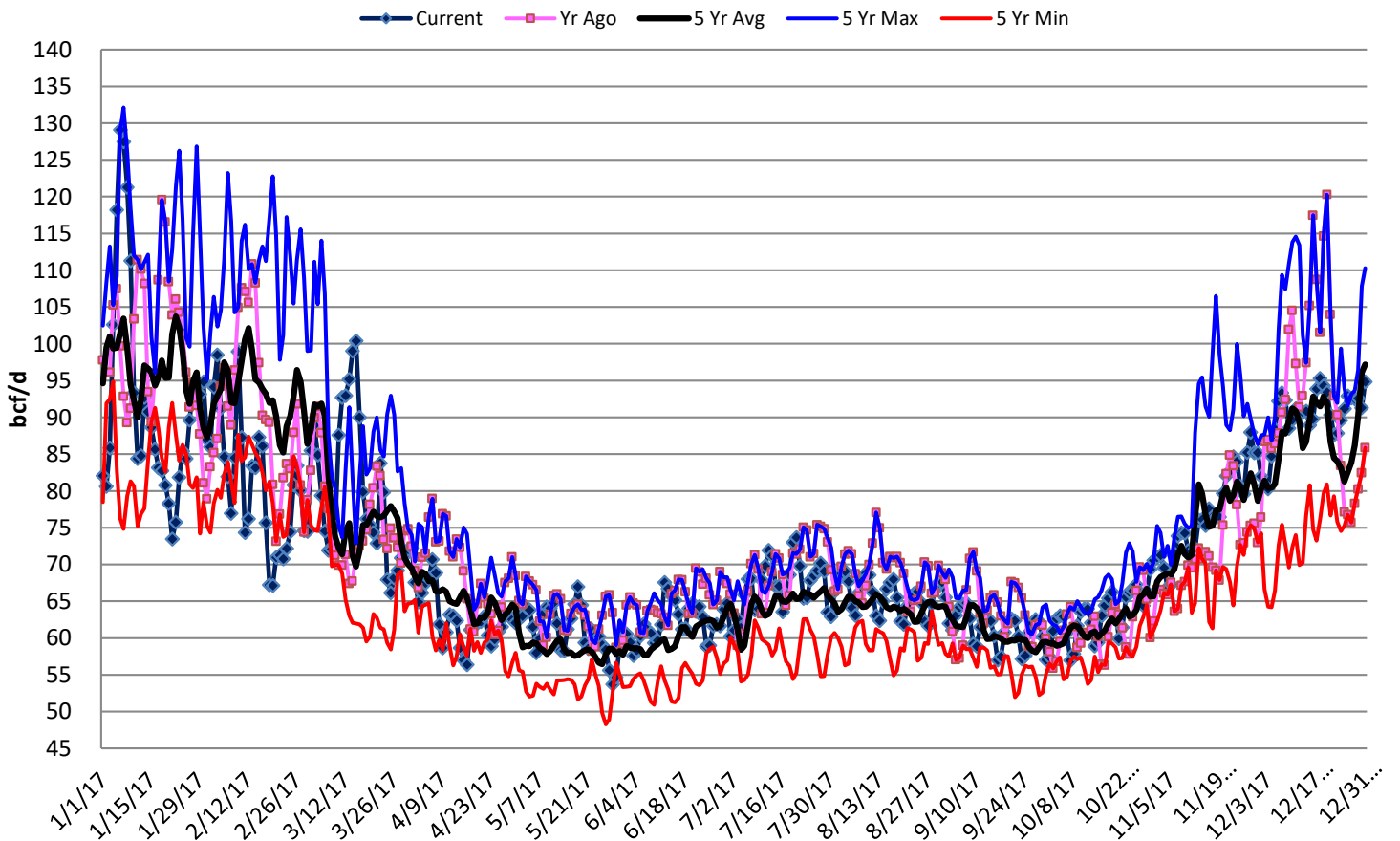
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



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