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Week Ending July 21, 2017

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

Price Action: The August contract fell 1.0 cent (0.3%) to \$2.970 on a 17.6 cent range.

Price Outlook: *Despite the lower week on week close, prices established a new high before falling at the end of the week. The market slipped despite supportive weather forecasts, bullish physical pipeline data and a lower than expected EIA storage injection. The injection was lower than both last year and the 5-year average, typically a supportive factor for price. This week should reduce the yearly storage deficit awhile shrinking the surplus to the 5-year average. CFTC data indicated an increase in the managed money net long position as more shorts liquidated compared to longs. Total open interest rose to 3.683 million as of July 18. Aggregated CME futures open interest fell to 1.327 million as of July 21. Open interest in the August \$4.00 call was unchanged at 100,357. Open interest in the August \$3.75 call was unchanged at 85,376. Open interest in the October \$4.00 call rose 9,478 to 81,163. Open interest in the October \$2.50 put fell 80 to 68,521.*

Weekly Storage: US working gas storage for the week ending July 14 indicated a working gas storage injection of 28 bcf. Working gas inventories rose to 2,973 bcf. Current inventories fall (304) bcf (9.3%) below last year while surpassing the 5-year average by 146 bcf (5.2%).

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 fell to 3 bcf and is within our tolerance. The EIA has reported a net implied flow of 264 bcf over the last 5 weeks compared to our estimated 267 bcf. Our forecast for early November inventories is now 3,764 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Above normal national temperatures are considered bullish.*

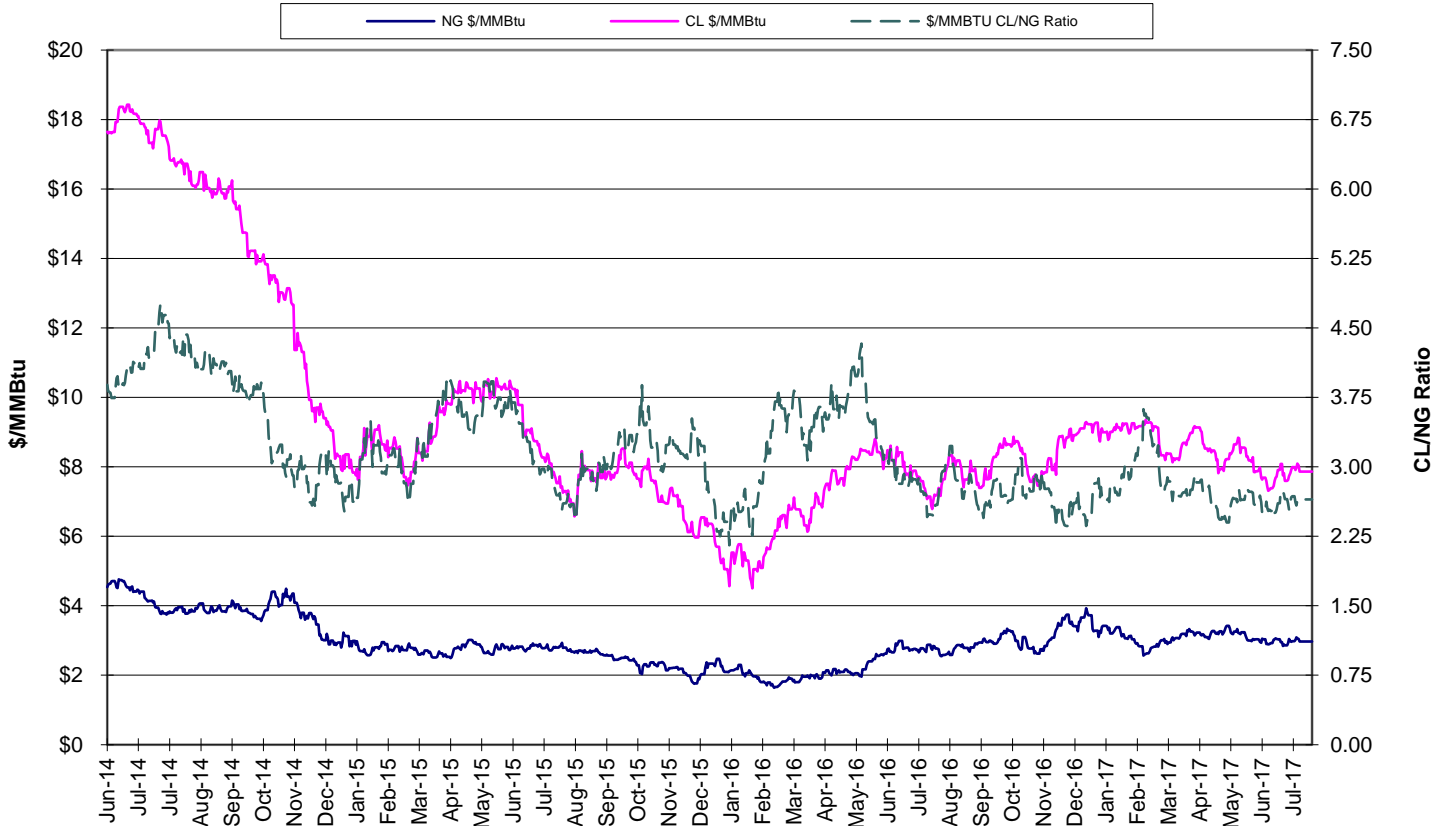
Supply Trends: Total supply rose 0.2 bcf/d to 71.9 bcf/d. Canadian imports surged. US production was lower while Mexican exports edged higher. LNG imports and exports were unchanged. The US Baker Hughes rig count fell 2 with both oil and natural gas activity lower. The total US rig count now stands at 950. The Canadian rig count rose 15 to 206. Thus, the total North American rig count rose 13 to 1,156 and now exceeds last year by 592. **The higher efficiency US horizontal rig count fell 1 to 803 and rises 446 above last year.**

Demand Trends: Total demand rose 4.6 bcf/d to 68.2 bcf/d. Higher power and industrial demand offset lower R&C. Electricity demand rose 3,305 gigawatt-hrs to 90,927 which trails last year by (103) (0.1%) and exceeds the 5-year average by 2,836 (3.2%).

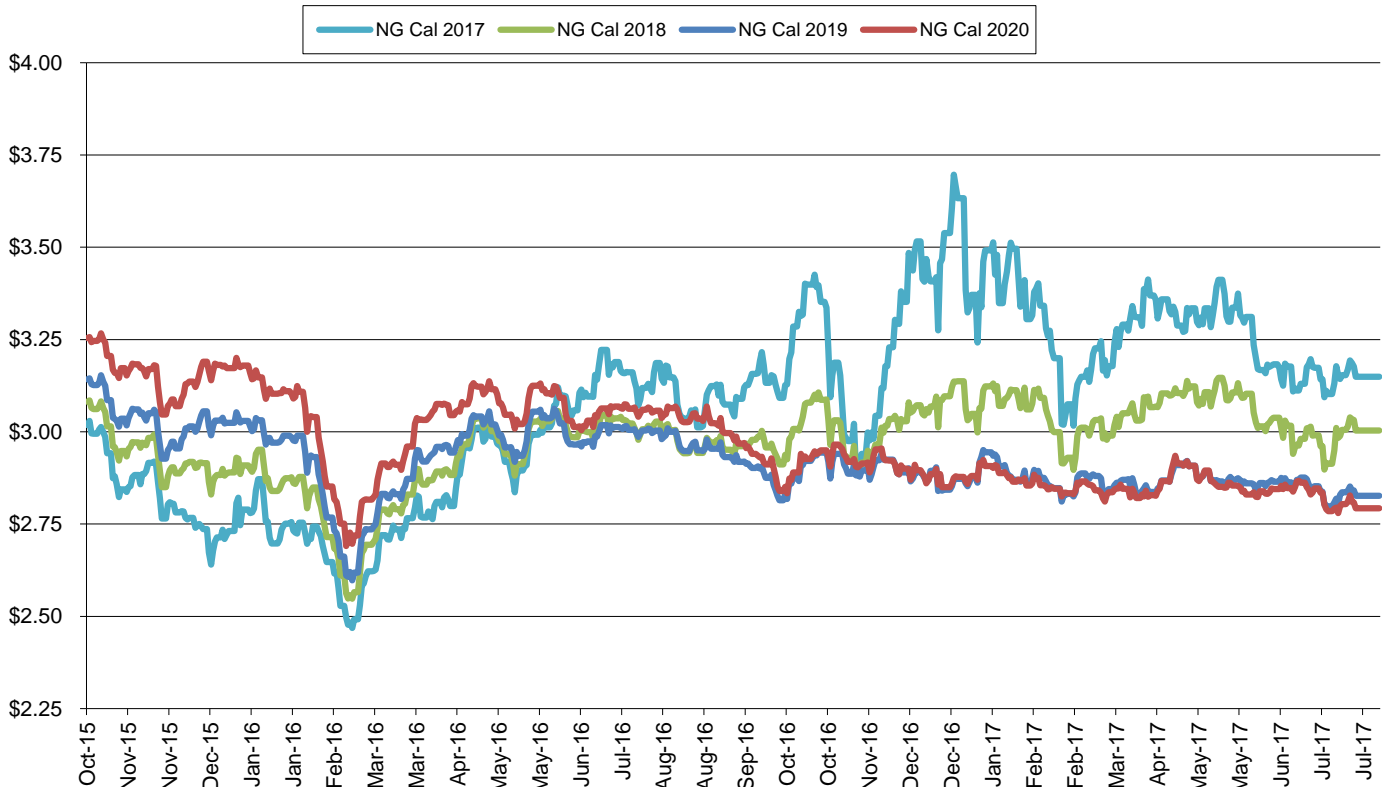
Nuclear Generation: Nuclear generation rose 987 MW in the reference week to 94,353 MW. This is 1,703 MW higher than last year and 586 MW higher than the 5-year average. **Recent output was at 93,868 MW.**

- The cooling season has past the halfway mark. With a forecast through August 4, the 2017 total cooling index is at 3,490 compared to 3,861 for 2016, 2,571 for 2015, 2,128 for 2014, 3,031 for 2013, 5,345 for 2012 and 4,039 for 2011.

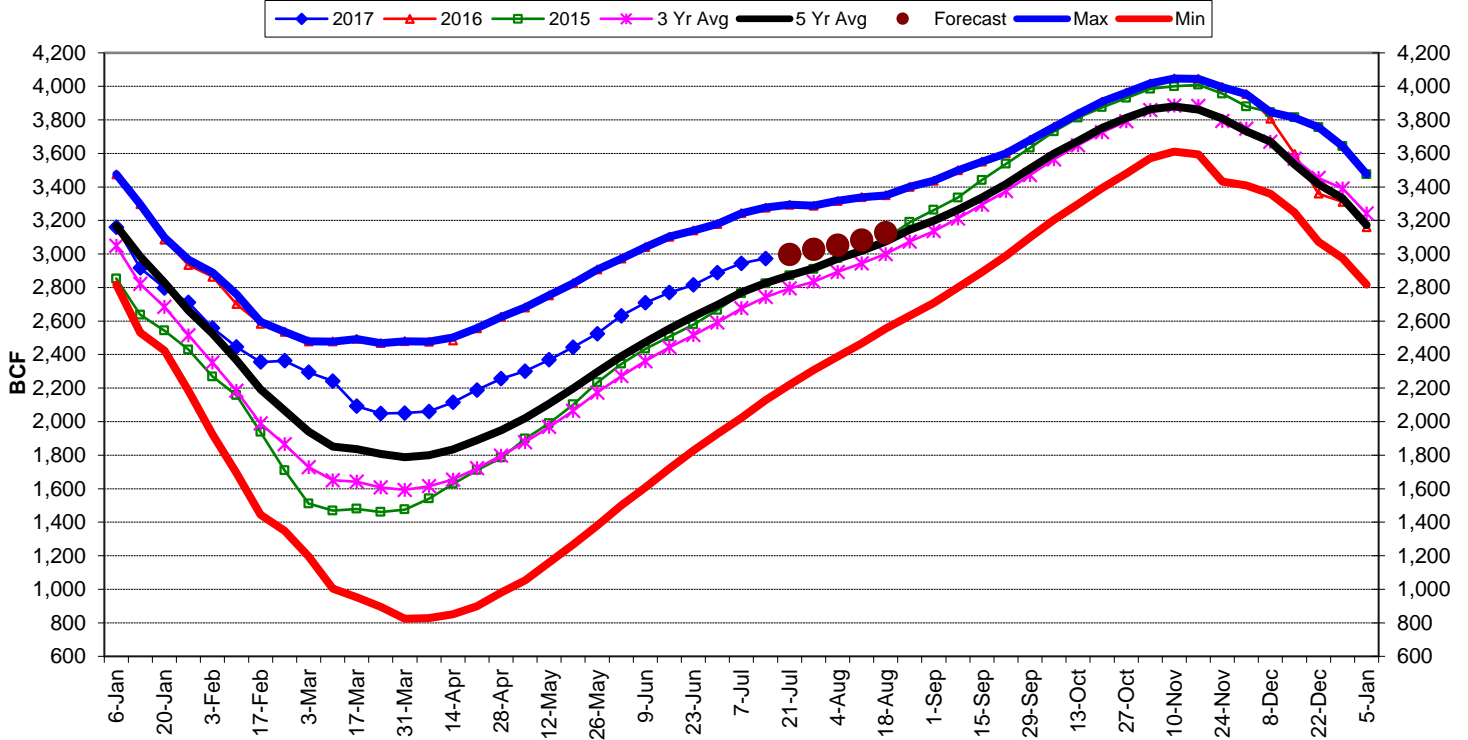
\$/MMBtu Ratio of NYMEX CL and NG



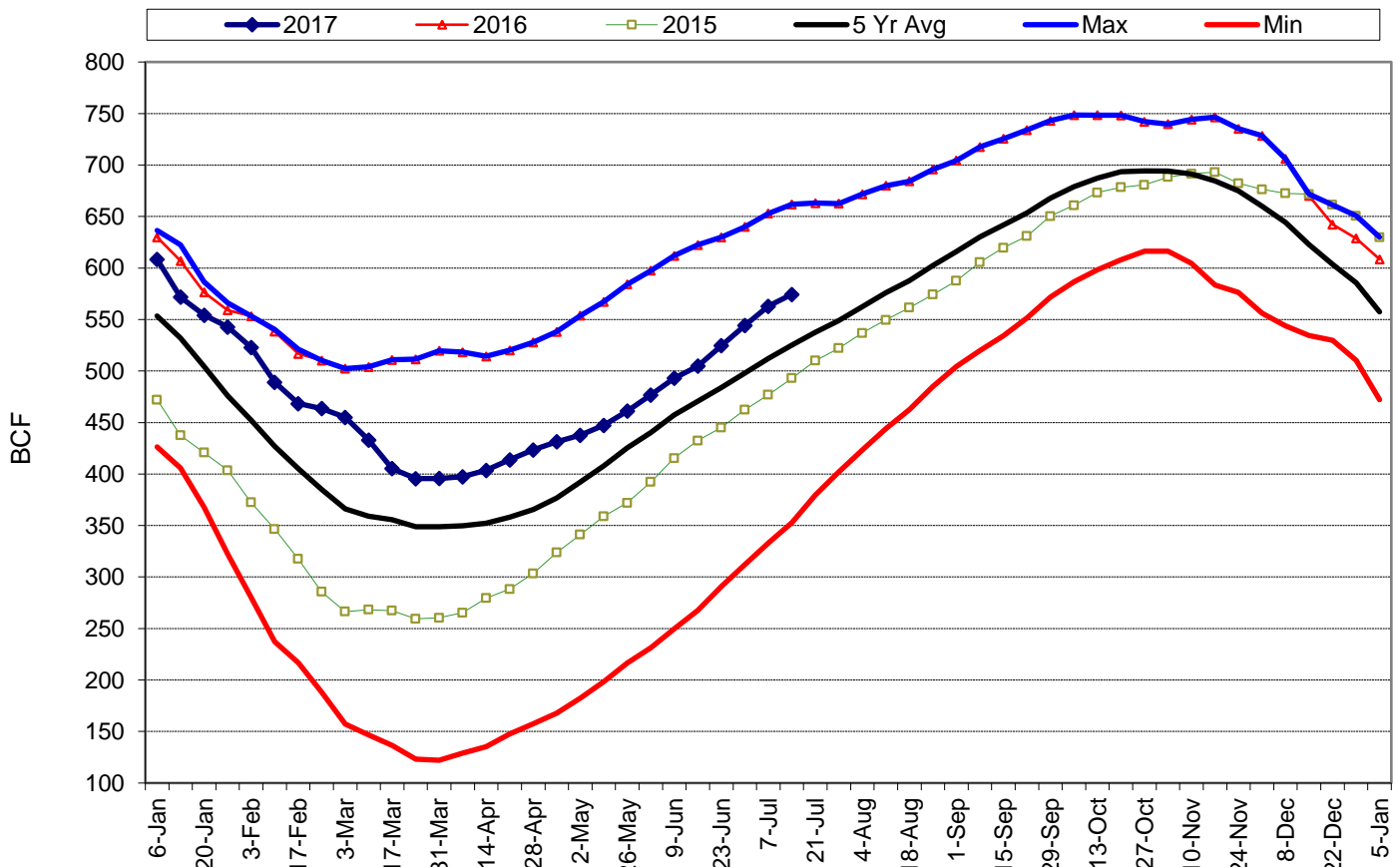
NYMEX Calendar Strips



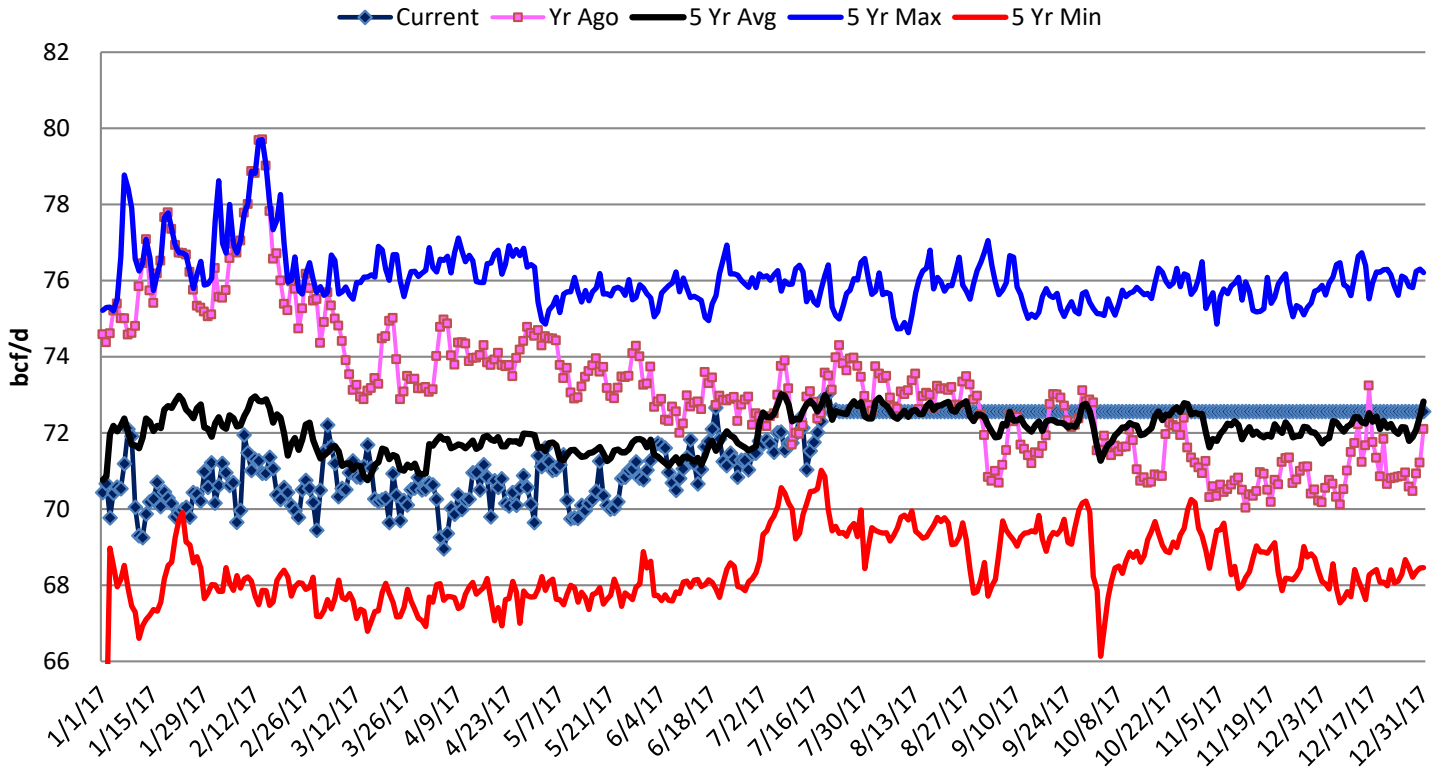
US Total Working Gas Storage - Source - EIA



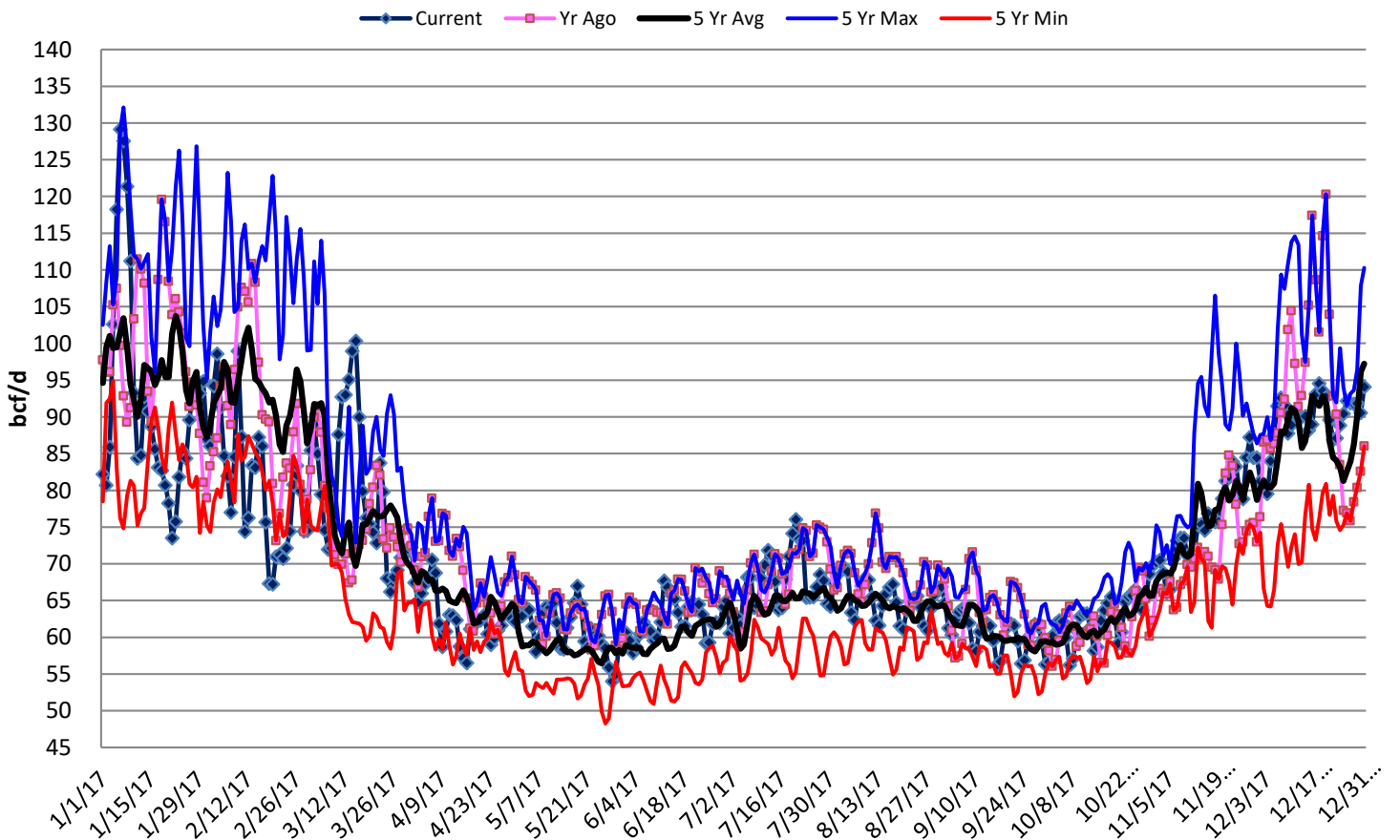
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



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