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Week Ending August 4, 2017

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

Price Action: The August contract fell 16.7 cents (5.7%) to \$2.774 on a moderate 14.7 cent range.

Price Outlook: Prices easily established a new weekly low, the 2nd in a row as forecasts suggested an early end to the summer cooling season. With forecasts stretching through August 18, weather models now project slightly below normal temperatures that dramatically reduce projected A/C load. Over the last two weeks, over 50 bcf has been added to storage forecasts based on the projected moderating temperatures. Despite EIA storage injections that are bullish compared to the 5-year average, they have been bearish compared to last year. While the temperature adjusted supply/demand balance is considered bullish, injections will be increasing in coming weeks as temperatures moderate even further and summer comes to an end. CFTC data indicated a massive decrease in the managed money net long position as longs liquidated and shorts increased. Total open interest fell to 3.589 million as of August 1. Aggregated CME futures open interest fell to 1.351 million as of August 1.

Weekly Storage: US working gas storage for the week ending July 28 indicated a working gas storage injection of 20 bcf. Working gas inventories rose to 3,010 bcf. Current inventories fall (278) bcf (8.5%) below last year while surpassing the 5-year average by 96 bcf (3.3%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 1 bcf smaller than the actual EIA implied flow and is 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 194 bcf over the last 5 weeks compared to our estimated 197 bcf. Our forecast for early November inventories is now 3,786 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Above normal national temperatures are still considered bullish.

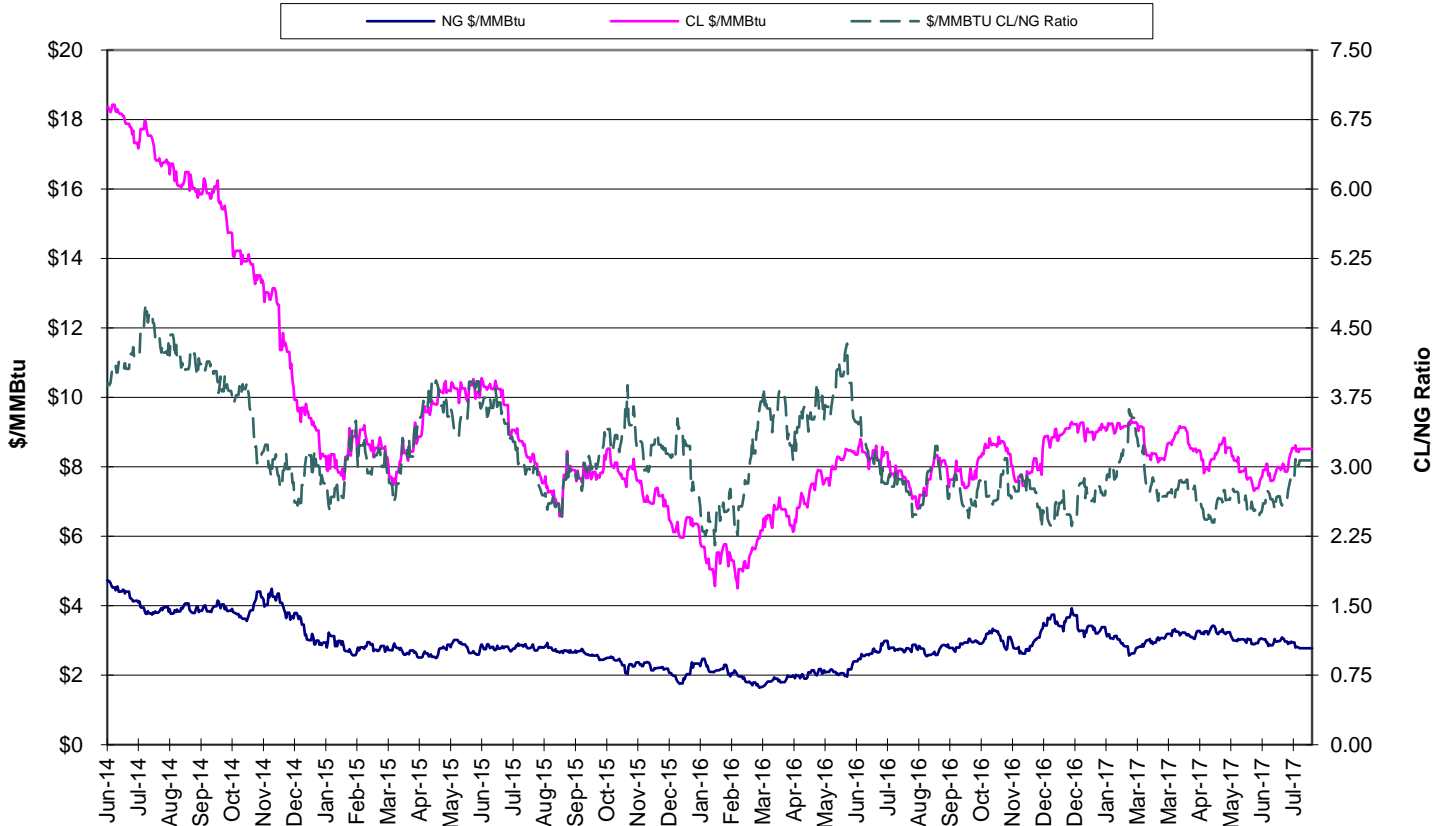
Supply Trends: Total supply fell (0.6) bcf/d to 71.4 bcf/d. US production rose. Canadian imports, LNG and Mexican exports were higher. LNG imports were unchanged. The US Baker Hughes rig count fell 4 with both oil and natural gas activity lower. The total US rig count now stands at 954. The Canadian rig count fell 3 to 217. Thus, the total North American rig count fell 7 to 1,171 and now exceeds last year by 585. **The higher efficiency US horizontal rig count fell 3 to 807 and rises 445 above last year.**

Demand Trends: Total demand rose 0.3 bcf/d to 68.2 bcf/d. Higher power and industrial demand offset lower R&C consumption. Electricity demand fell 3,924 gigawatt-hrs to 90,617 which trails last year by 5,482 (5.7%) and the 5-year average by 170 (0.2%).

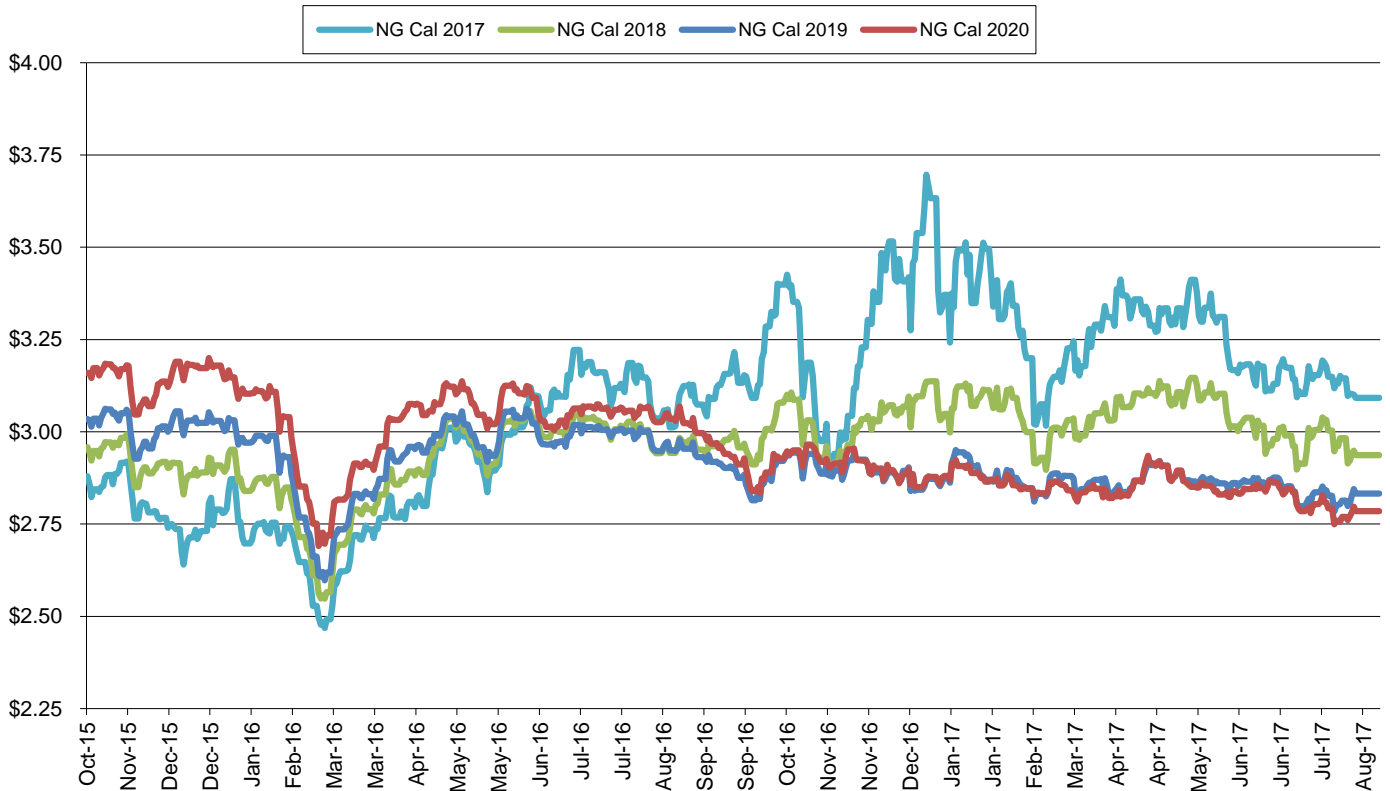
Nuclear Generation: Nuclear generation fell 668 MW in the reference week to 93,808 MW. This is 196 MW lower than last year and 30 MW lower than the 5-year average. **Recent output was at 95,105 MW.**

- The cooling season has past the halfway mark. With a forecast through August 18, the 2017 total cooling index is at 3,764 compared to 4,770 for 2016, 3,331 for 2015, 2,513 for 2014, 3,628 for 2013, 6,329 for 2012 and 4,838 for 2011.

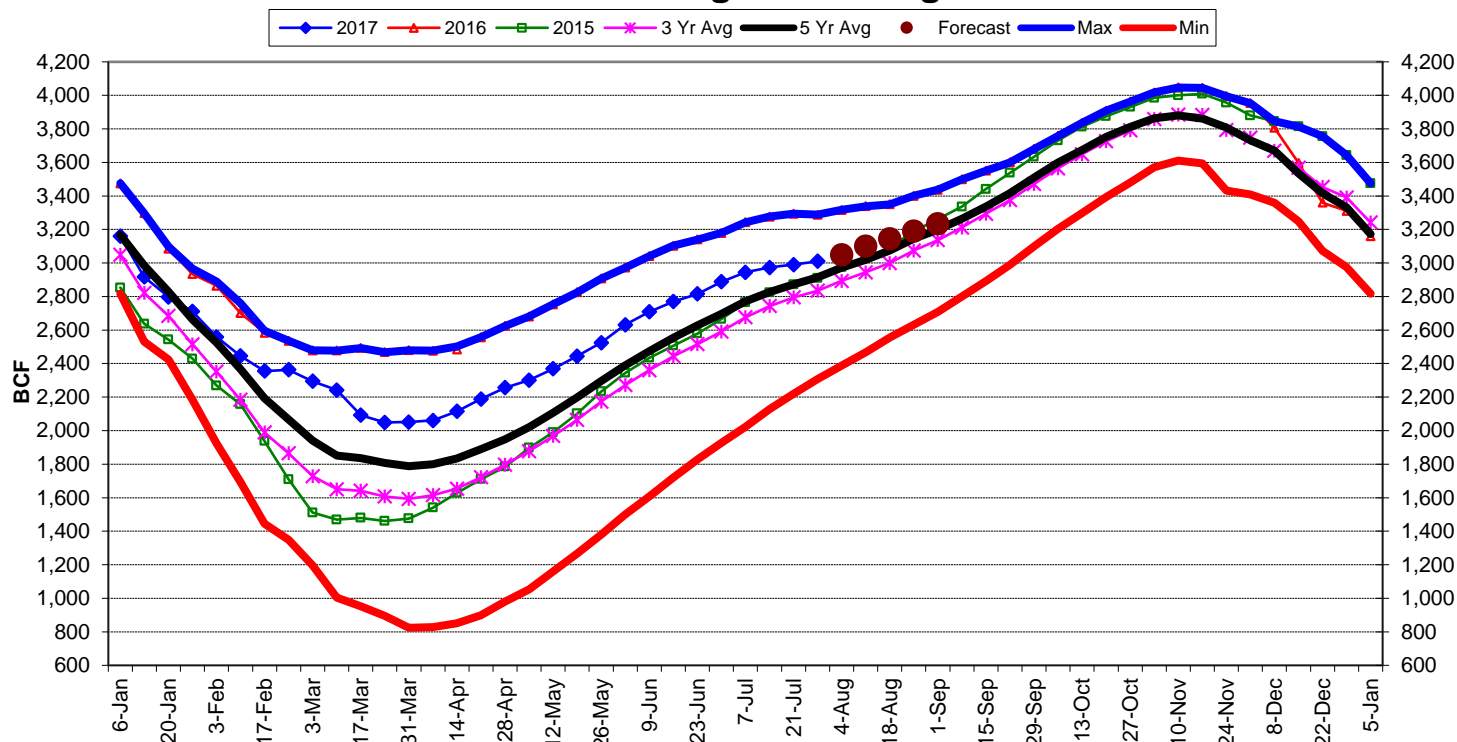
\$/MMBtu Ratio of NYMEX CL and NG



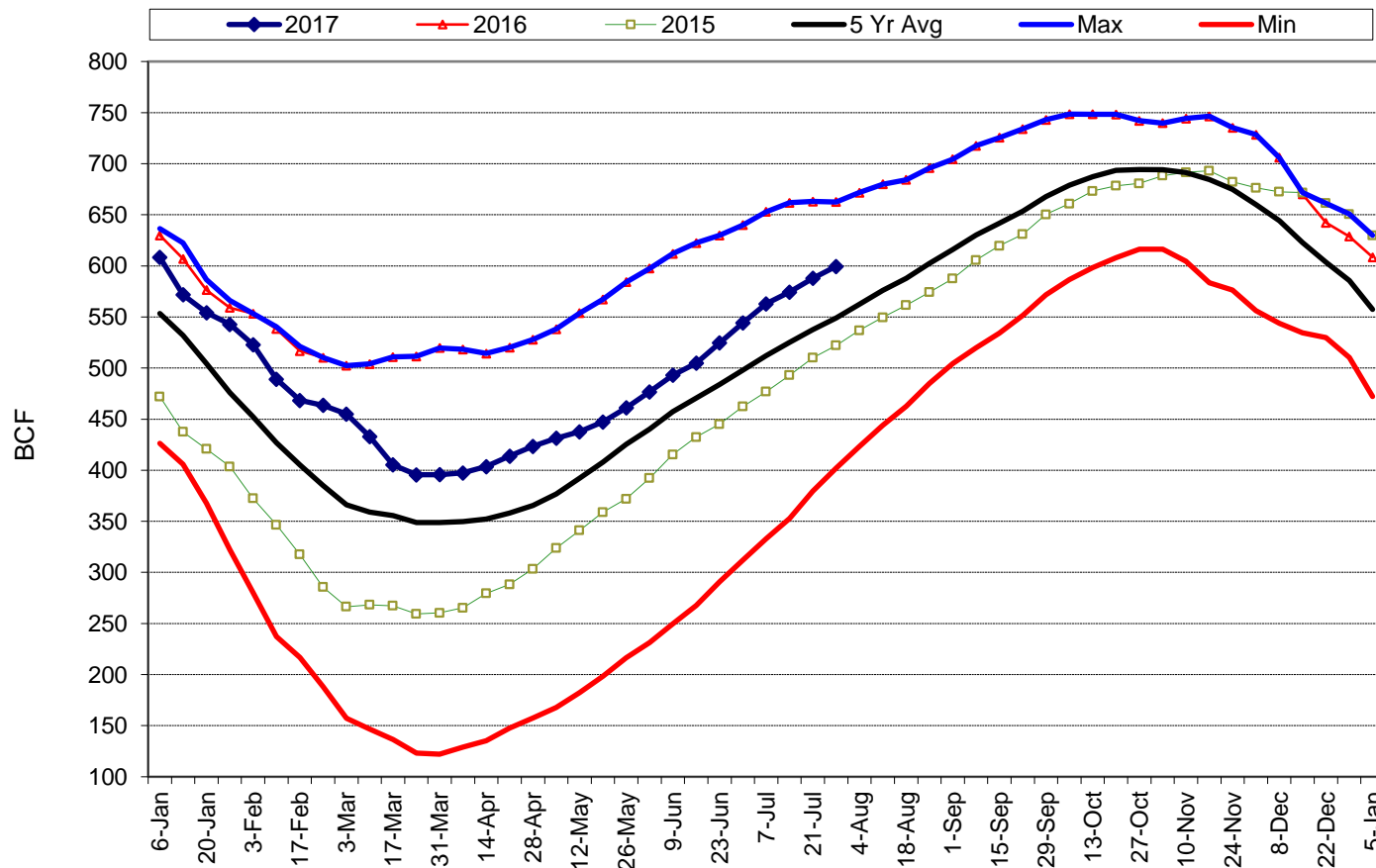
NYMEX Calendar Strips



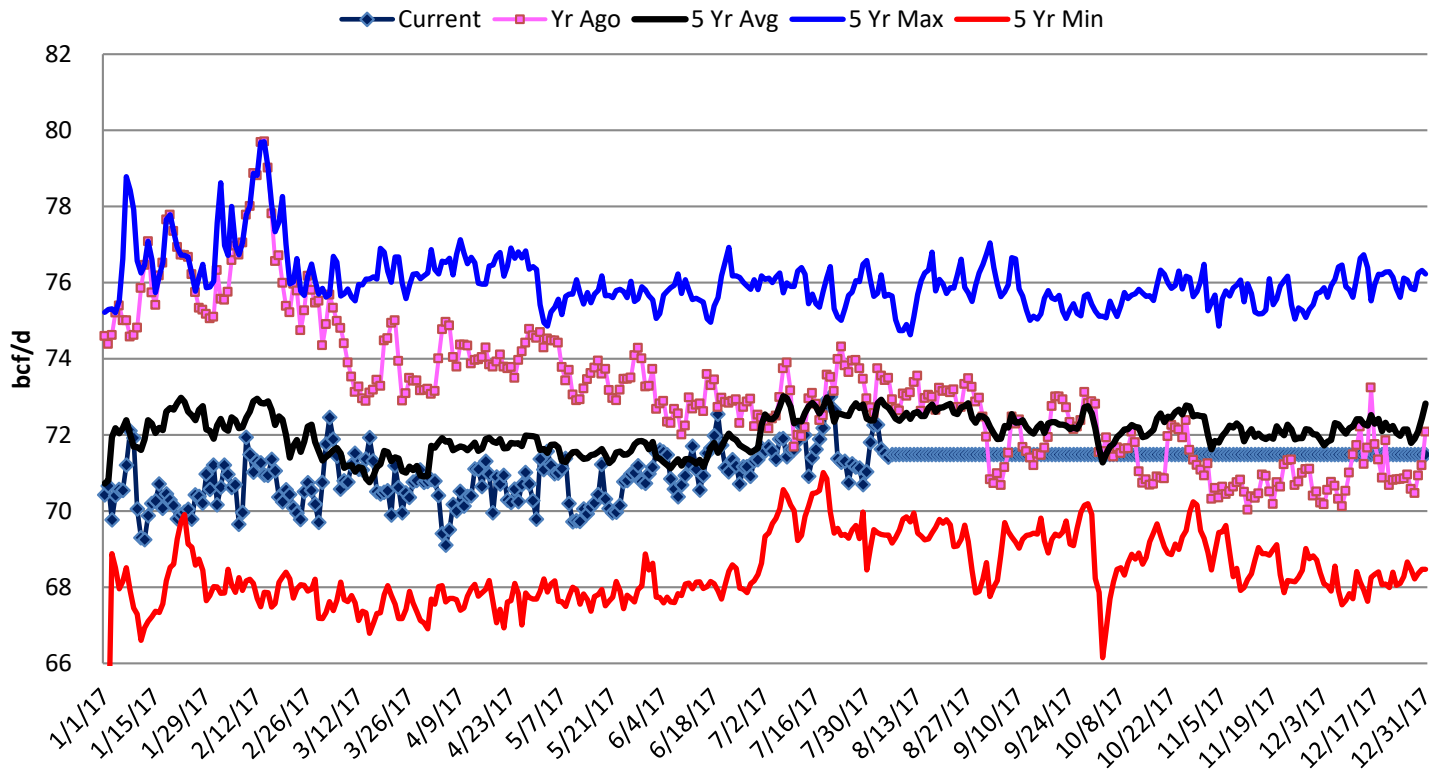
US Total Working Gas Storage - Source - EIA



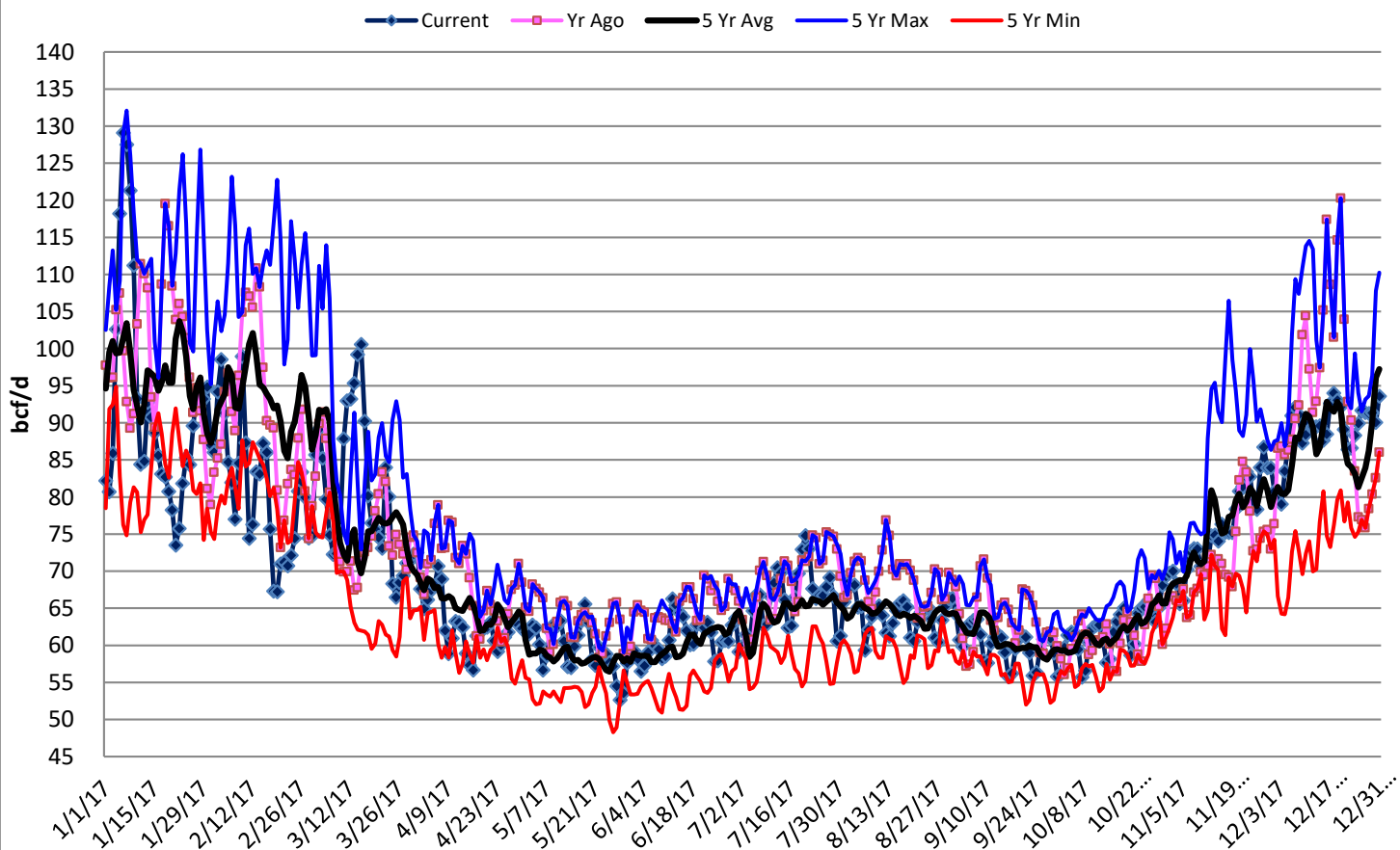
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



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