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Week Ending August 11, 2017

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

Price Action: The August contract rose 20.9 cents (7.5%) to \$2.983 on a respectable 23.3 cent range.

Price Outlook: Prices easily established a high as weather forecasts turned bullish and the EIA reported a much lower than expected storage injections. At the same time, the injection continued to reflect a very bullish temperature adjusted supply/demand balance and inventories are now projected to fall below the 5-year average in mid/late September. However, prices have been unable to move above the psychologically important \$3 level and demand will be falling in coming weeks as summer comes to an end. The market may simply chop near current levels. CFTC data indicated another decrease in the managed money net long position as again longs liquidated and shorts increased. This is the largest short position since November 22, 2016. Total open interest rose to 3.604 million as of August 8. Aggregated CME futures open interest fell to 1.347 million as of August 11. Open interest in the October \$4.00 call fell 57 to 78,281. Open interest in the September \$4.00 call fell 574 to 67,216. Open interest in the October \$2.50 put fell 551 to 73,237.

Weekly Storage: US working gas storage for the week ending August 4 indicated a working gas storage injection of 28 bcf. Working gas inventories rose to 3,038 bcf. Current inventories fall (279) bcf (8.4%) below last year while surpassing the 5-year average by 66 bcf (2.2%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 7 bcf larger than the actual EIA implied flow and is above our tolerance range. The 5-week summation of our error rose to 16 bcf and is at the upper end of our tolerance. The EIA has reported a net implied flow of 150 bcf over the last 5 weeks compared to our estimated 166 bcf. Our forecast for early November inventories is now 3,753 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Above normal national temperatures are still bullish.

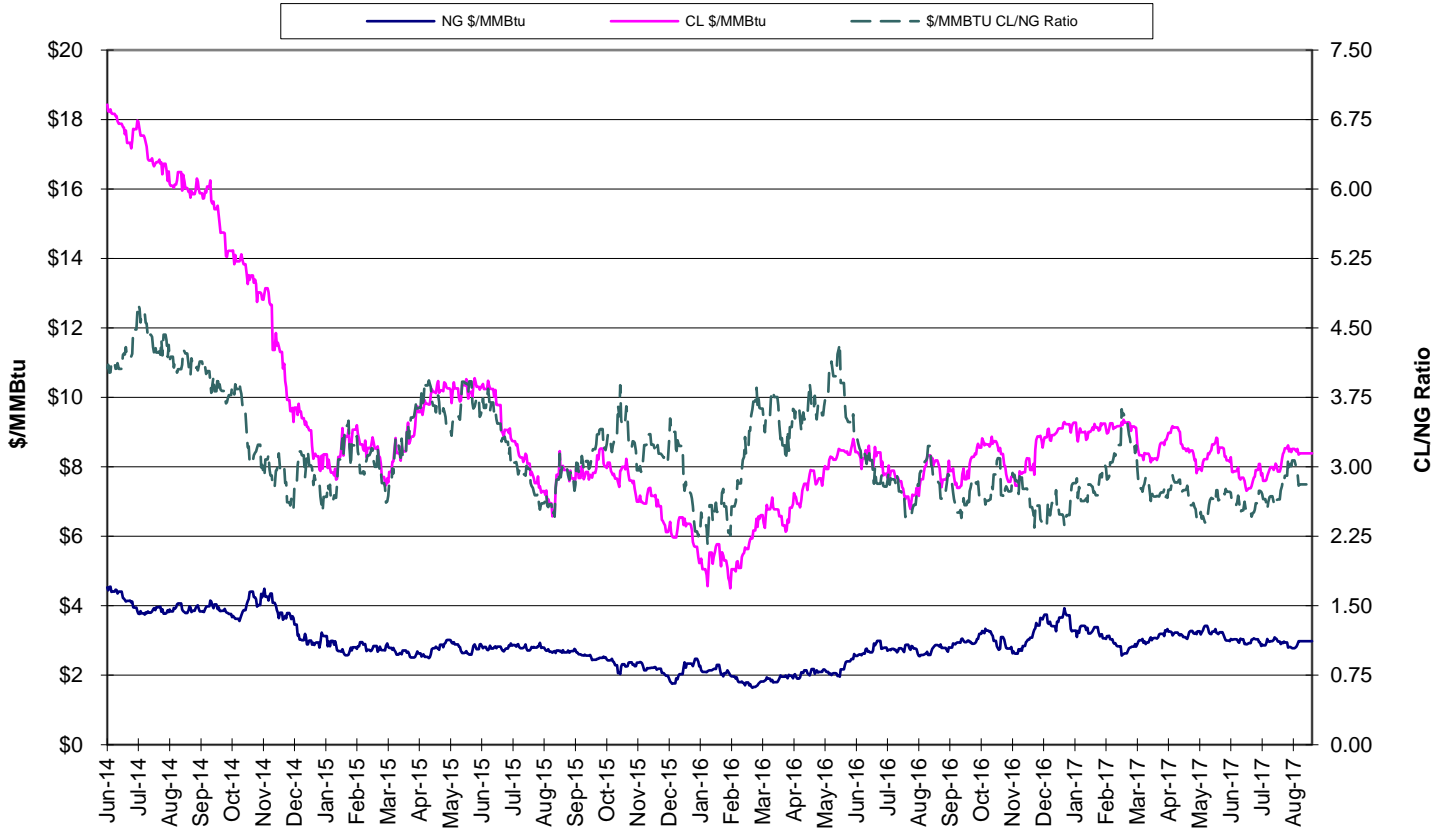
Supply Trends: Total supply rose 0.2 bcf/d to 71.6 bcf/d. Canadian imports rose and LNG exports fell. Mexican exports were higher. US production and LNG imports were unchanged. The US Baker Hughes rig count fell 5 as oil activity increased but natural gas slipped. The total US rig count now stands at 949. The Canadian rig count rose 3 to 220. Thus, the total North American rig count fell 2 to 1,169 and now exceeds last year by 562. **The higher efficiency US horizontal rig count fell 6 to 801 and rises 426 above last year.**

Demand Trends: Total demand fell 2.7 bcf/d to 65.5 bcf/d. Lower power and industrial demand offset higher R&C consumption. Electricity demand fell 4,344 gigawatt-hrs to 86,273 which trails last year by 6,222 (6.7%) and the 5-year average by 2,657 (3.0%).

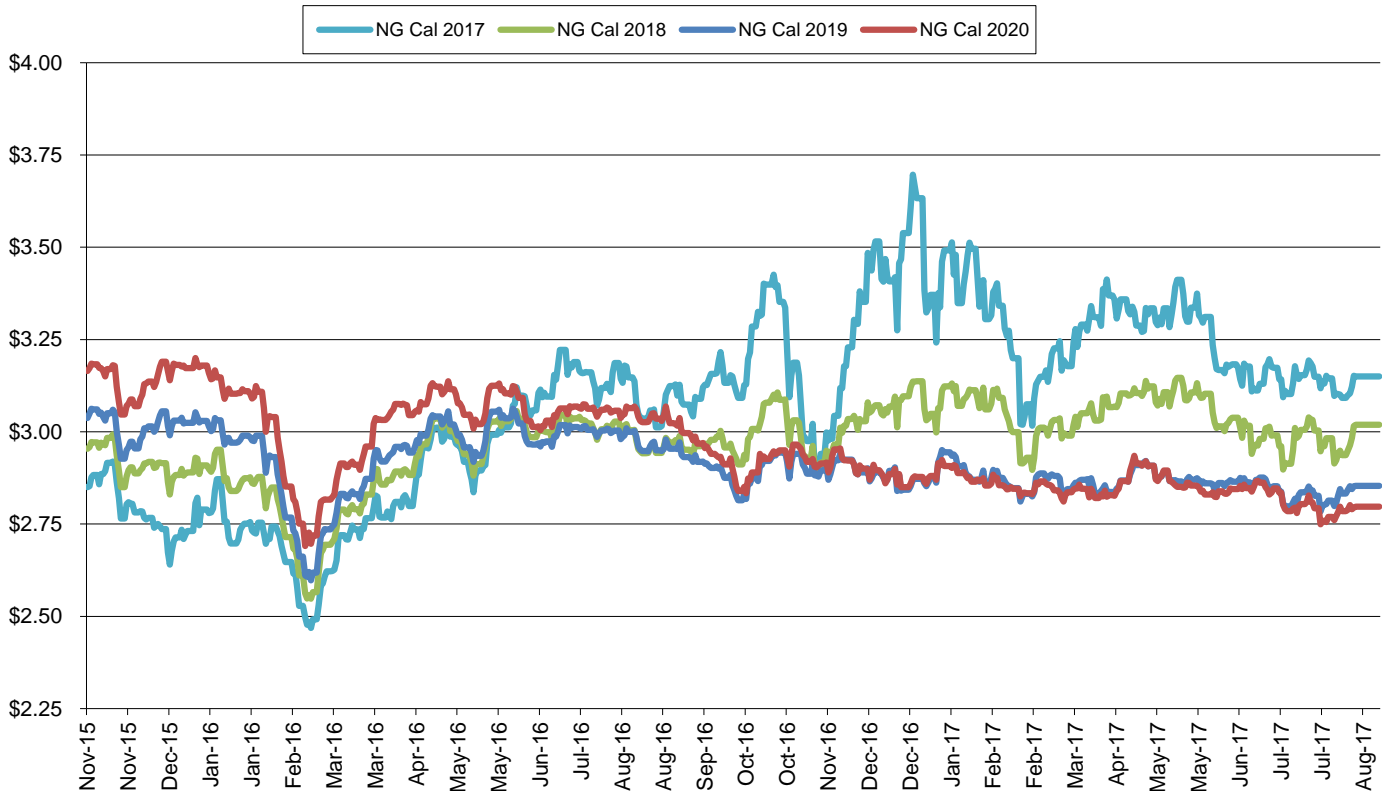
Nuclear Generation: Nuclear generation rose 601 MW in the reference week to 94,409 MW. This is 1,865 MW higher than last year and 217 MW higher than the 5-year average. **Recent output was at 94,911 MW.**

- The cooling season has past the halfway mark. With a forecast through August 25, the 2017 total cooling index is at 3,985 compared to 4,911 for 2016, 3,553 for 2015, 2,744 for 2014, 3,853 for 2013, 6,475 for 2012 and 5,400 for 2011.

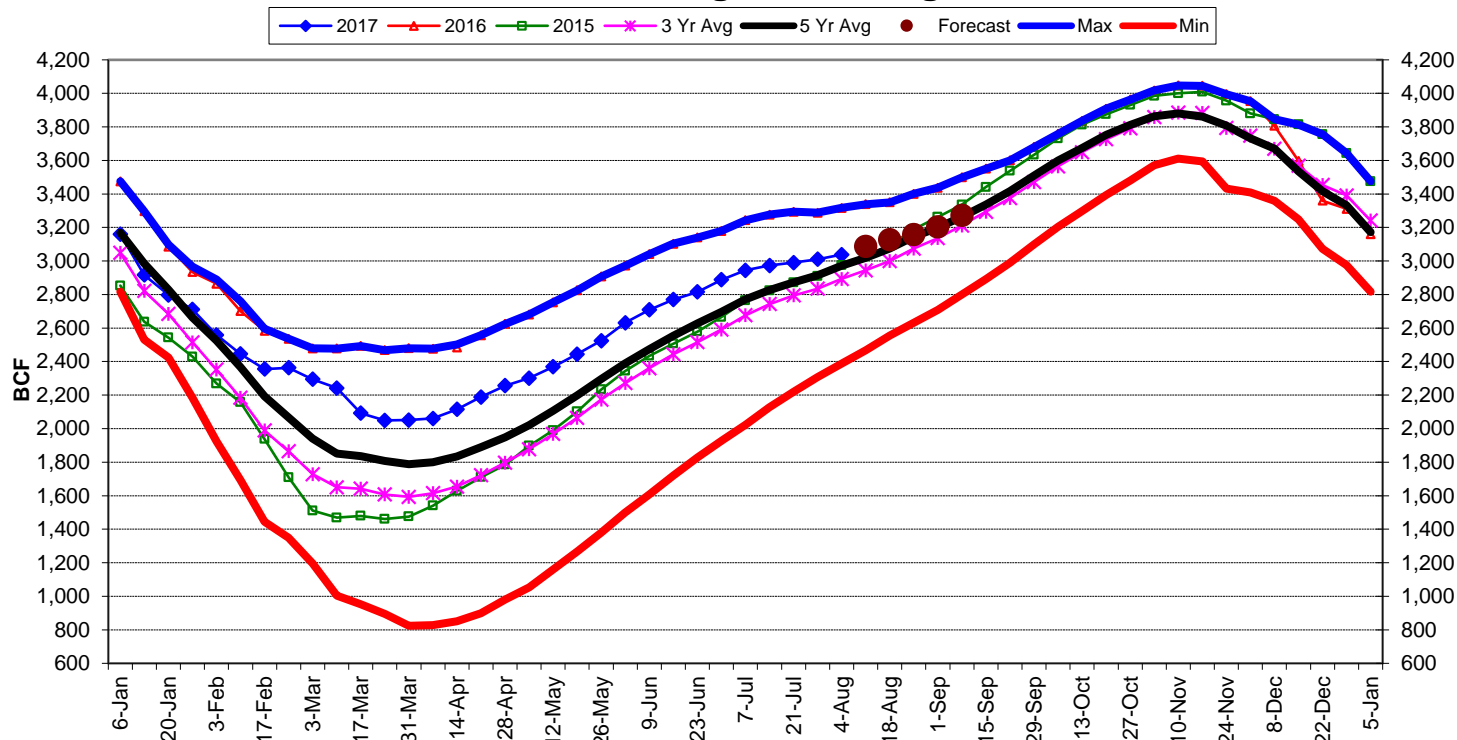
\$/MMBtu Ratio of NYMEX CL and NG



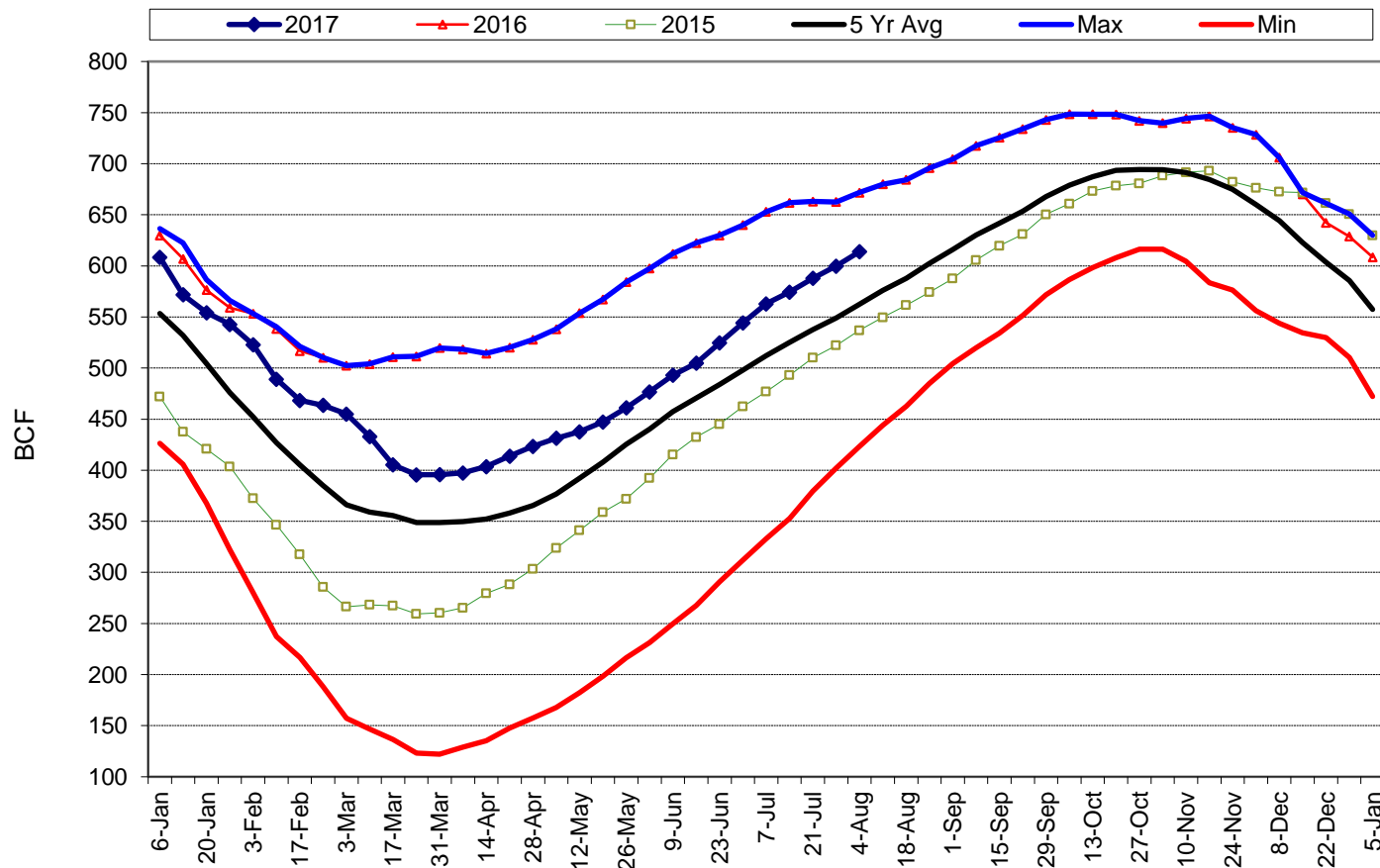
NYMEX Calendar Strips



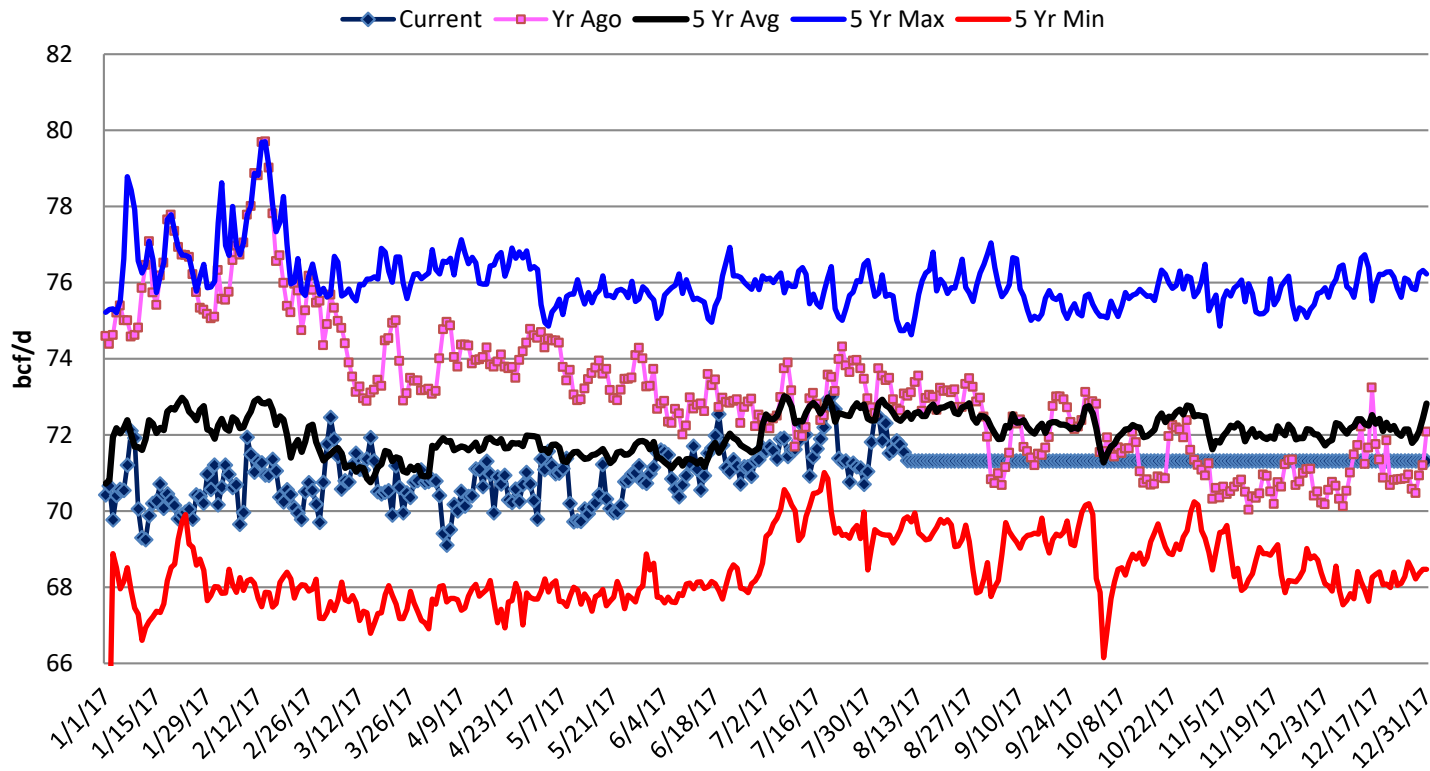
US Total Working Gas Storage - Source - EIA



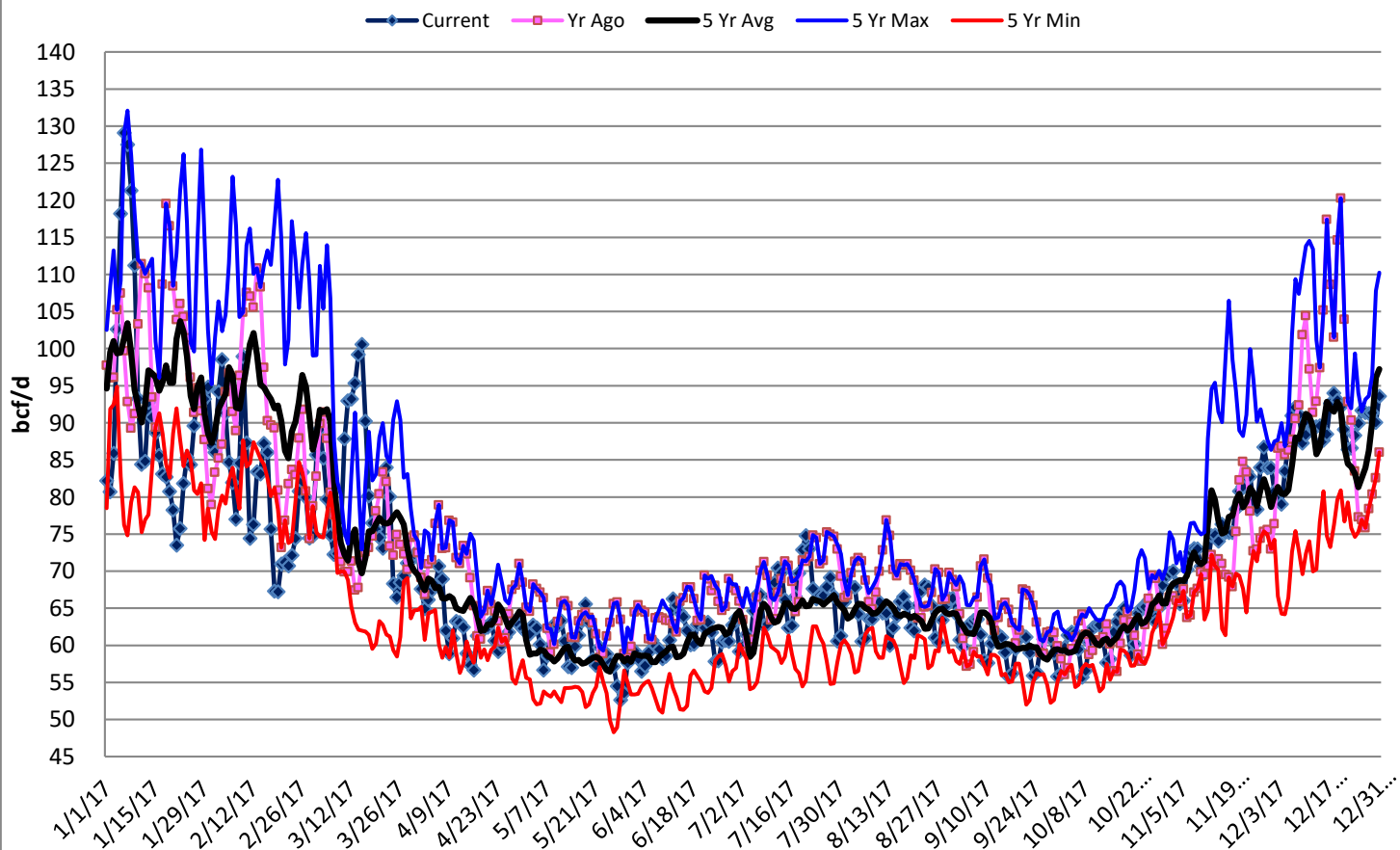
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



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