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Week Ending August 18, 2017

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

Price Action: The September contract fell 9.0 cents (3.0%) to \$2.893 on a subdued 16.2 cent range.

Price Outlook: Although prices were lower on the week, early strength established a high for the 2nd week in a row despite bearish weather forecasts. The EIA reported a larger than expected weekly injection. However, due to reclassifications and revisions dating back to June 30, the new absolute storage level rose less than anticipated. Even though the weekly storage implied flow was larger than expected, it continues 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, the market may simply chop near current levels. CFTC data indicated a huge increase in the managed money net long position as longs barely added while shorts covered massively. Total open interest rose to 3.606 million as of August 15. Aggregated CME futures open interest fell to 1.330 million as of August 18. Open interest in the October \$4.00 call fell 29 to 78,252. Open interest in the September \$4.00 call was unchanged at 67,216. Open interest in the October \$2.50 put fell 2,739 to 70,498.

Weekly Storage: US working gas storage for the week ending August 11 indicated a working gas storage injection of 53 bcf. Working gas inventories rose to 3,082 bcf. Current inventories fall (257) bcf (7.7%) below last year while surpassing the 5-year average by 62 bcf (2.0%). **The EIA reported reclassifications and revisions dating back to June 30.**

Storage Outlook: Our EIA weekly storage estimate was mathematically 7 bcf smaller than the actual EIA implied flow and is above our tolerance range. The 5-week summation of our error fell to 6 bcf and is within our tolerance. The EIA has reported a net implied flow of 146 bcf over the last 5 weeks compared to our estimated 152 bcf. Our forecast for early November inventories is now 3,770 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Above normal national temperatures are still considered bullish.

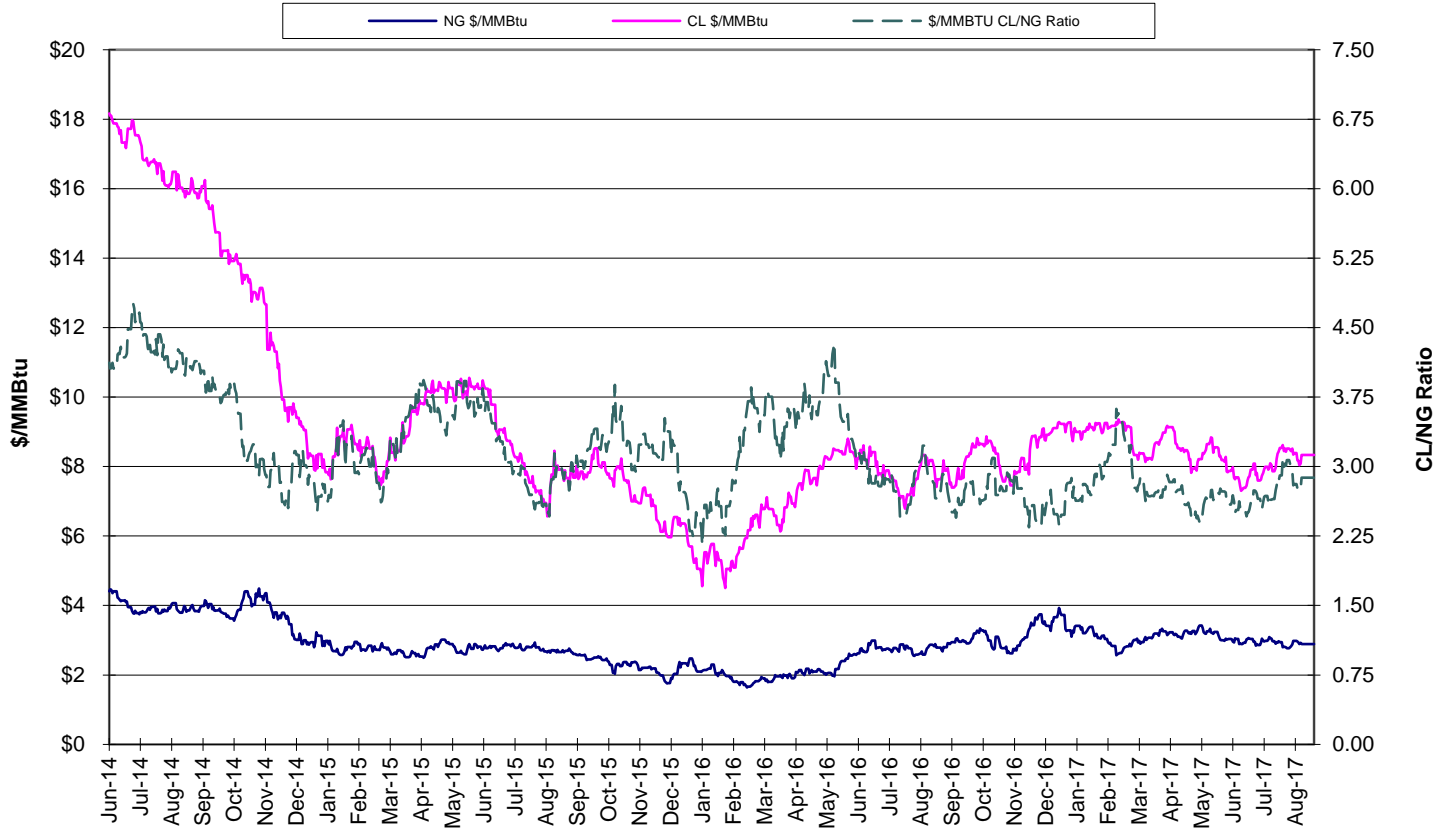
Supply Trends: Total supply was unchanged at 71.4 bcf/d. US production was higher as LNG exports fell. Canadian imports were lower. Mexican and LNG exports were unchanged. The US Baker Hughes rig count fell 3 as oil activity fell but natural gas rose. The total US rig count now stands at 946. The Canadian rig count fell 6 to 214. Thus, the total North American rig count fell 9 to 1,160 and now exceeds last year by 548. **The higher efficiency US horizontal rig count fell 2 to 799 and rises 417 above last year.**

Demand Trends: Total demand fell 2.1 bcf/d to 64.6 bcf/d. Lower power and industrial demand offset higher R&C consumption. Electricity demand fell 2,204 gigawatt-hrs to 84,069 which trails last year by 9,763 (10.4%) and the 5-year average by 4,453 (5.0%).

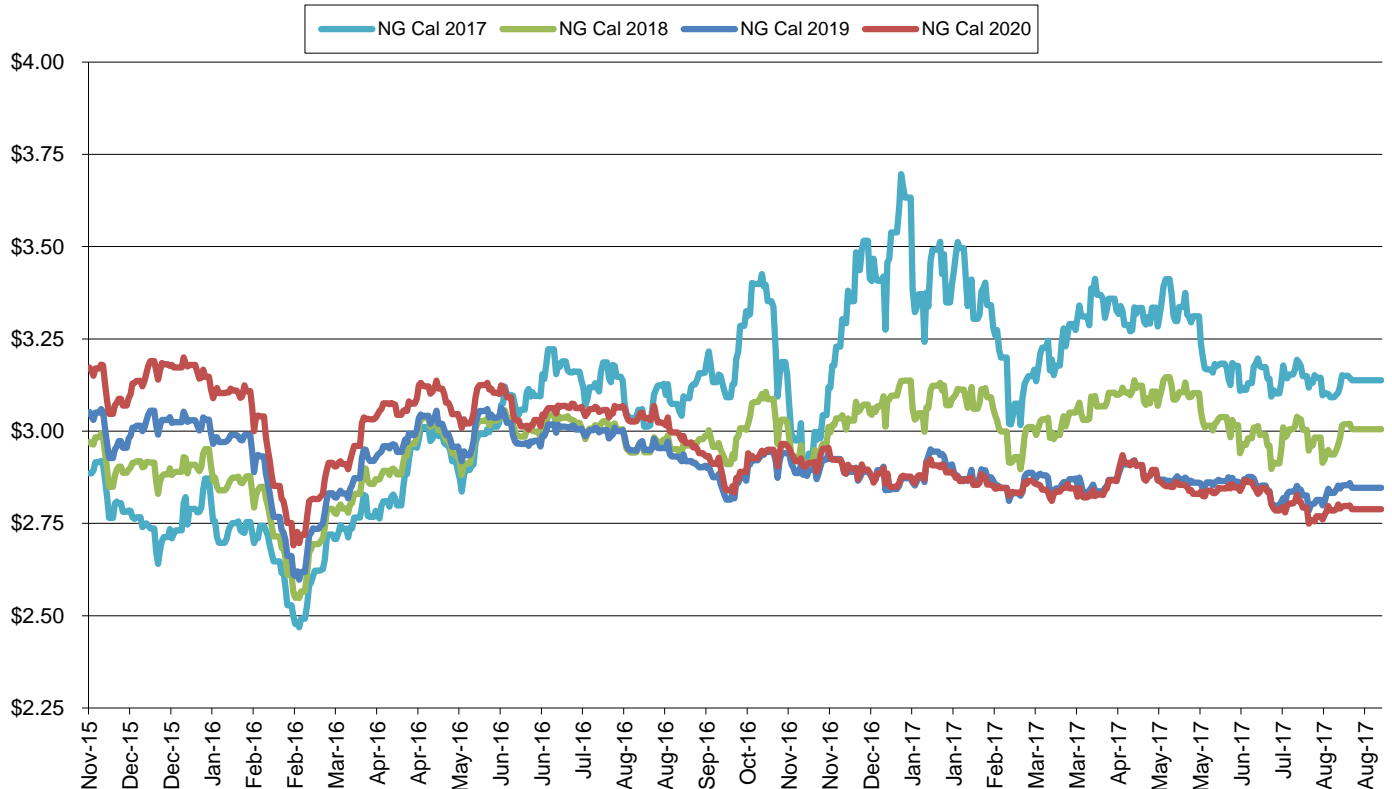
Nuclear Generation: Nuclear generation fell 231 MW in the reference week to 94,178 MW. This is 963 MW lower than last year and 428 MW lower than the 5-year average. **Recent output was at 97,030 MW, the highest level since 2011.**

- The cooling season has past the halfway mark. With a forecast through September 1, the 2017 total cooling index is at 4,090 compared to 5,089 for 2016, 3,767 for 2015, 2,994 for 2014, 4,239 for 2013, 6,808 for 2012 and 5,956 for 2011.

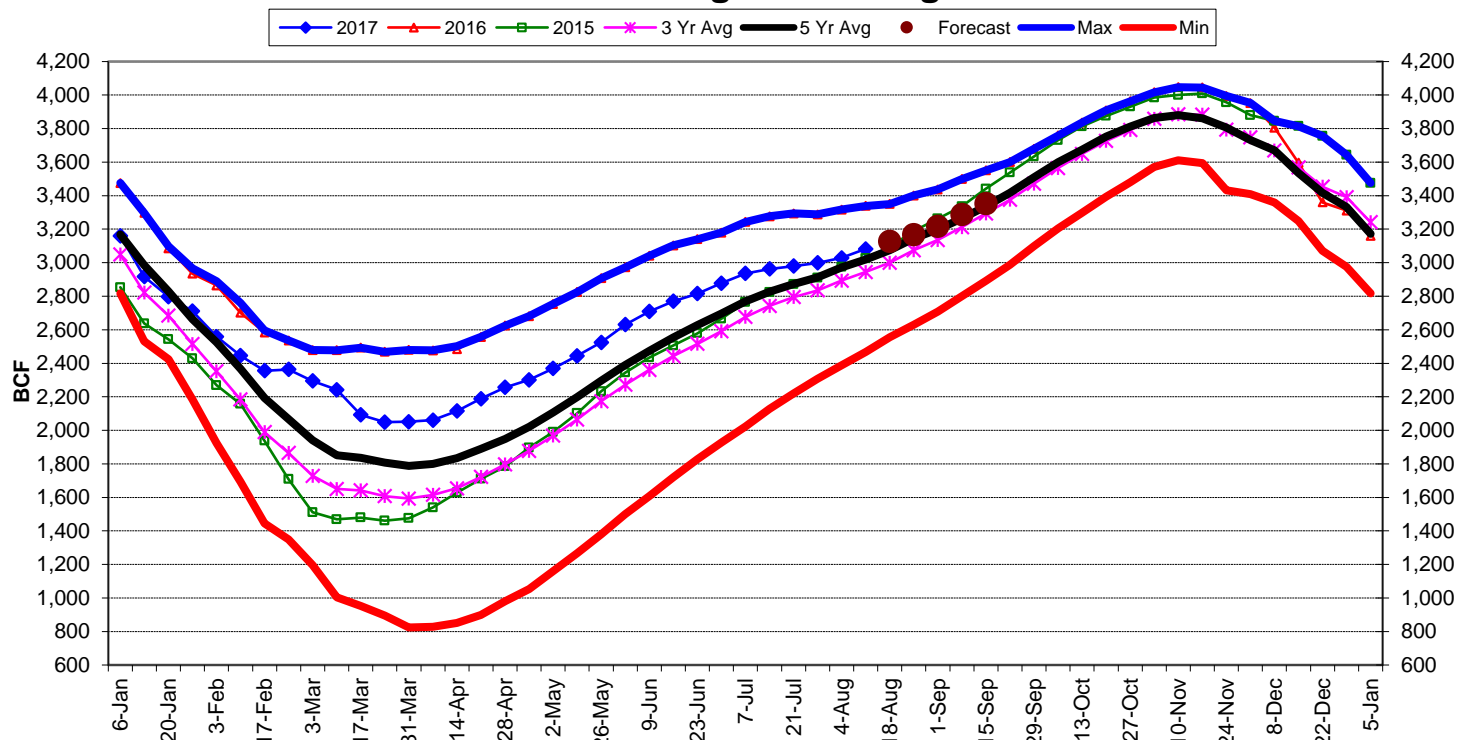
\$/MMBtu Ratio of NYMEX CL and NG



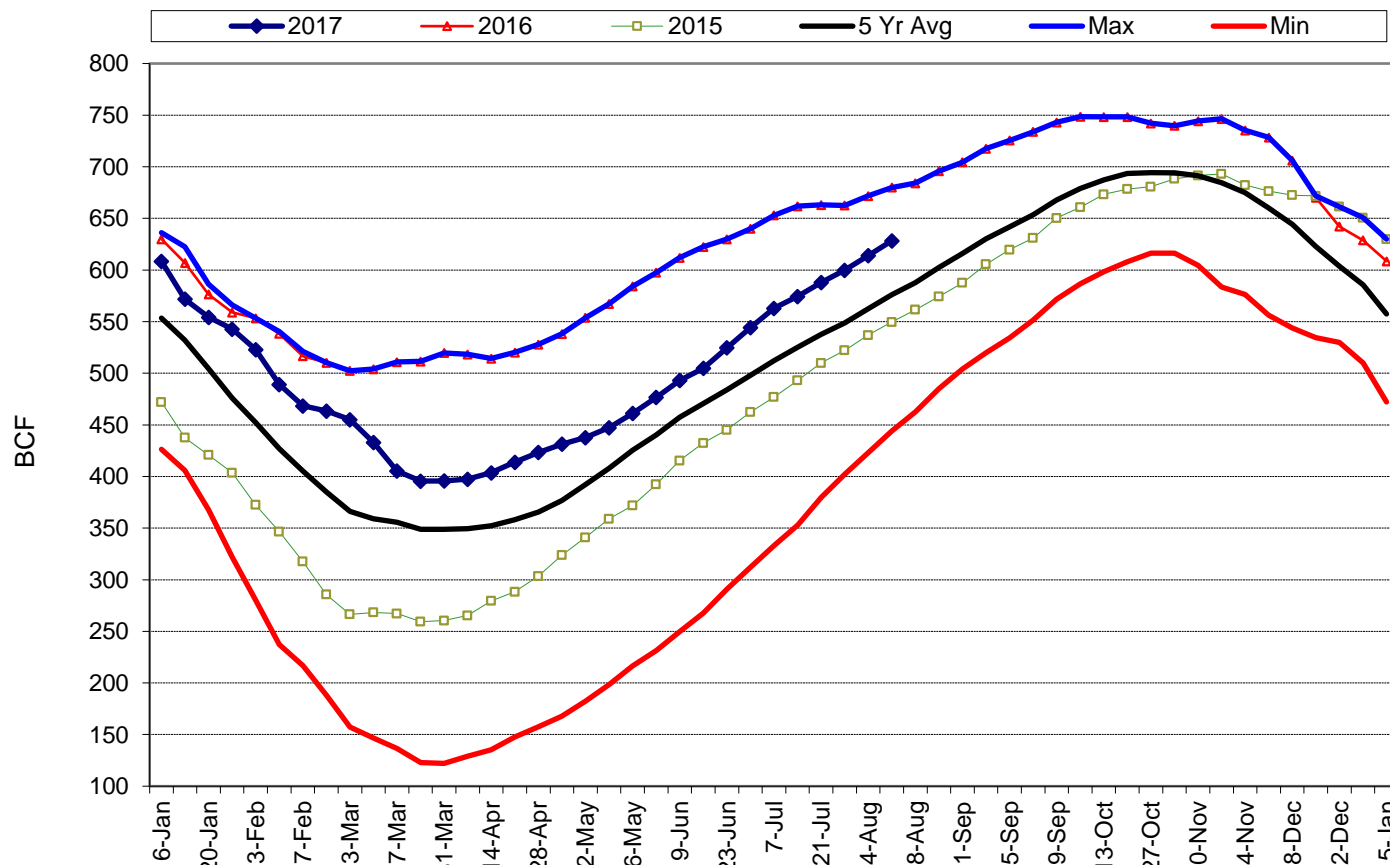
NYMEX Calendar Strips



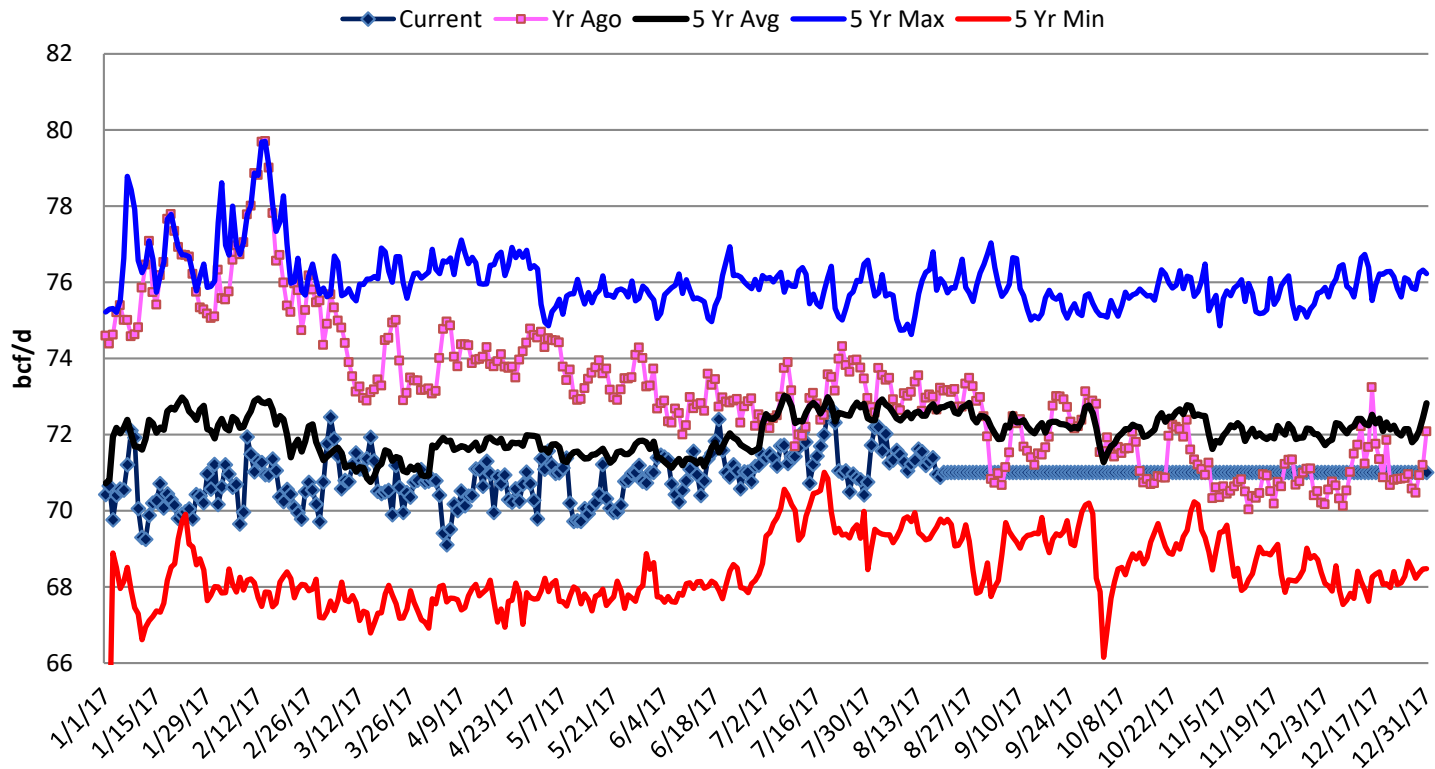
US Total Working Gas Storage - Source - EIA



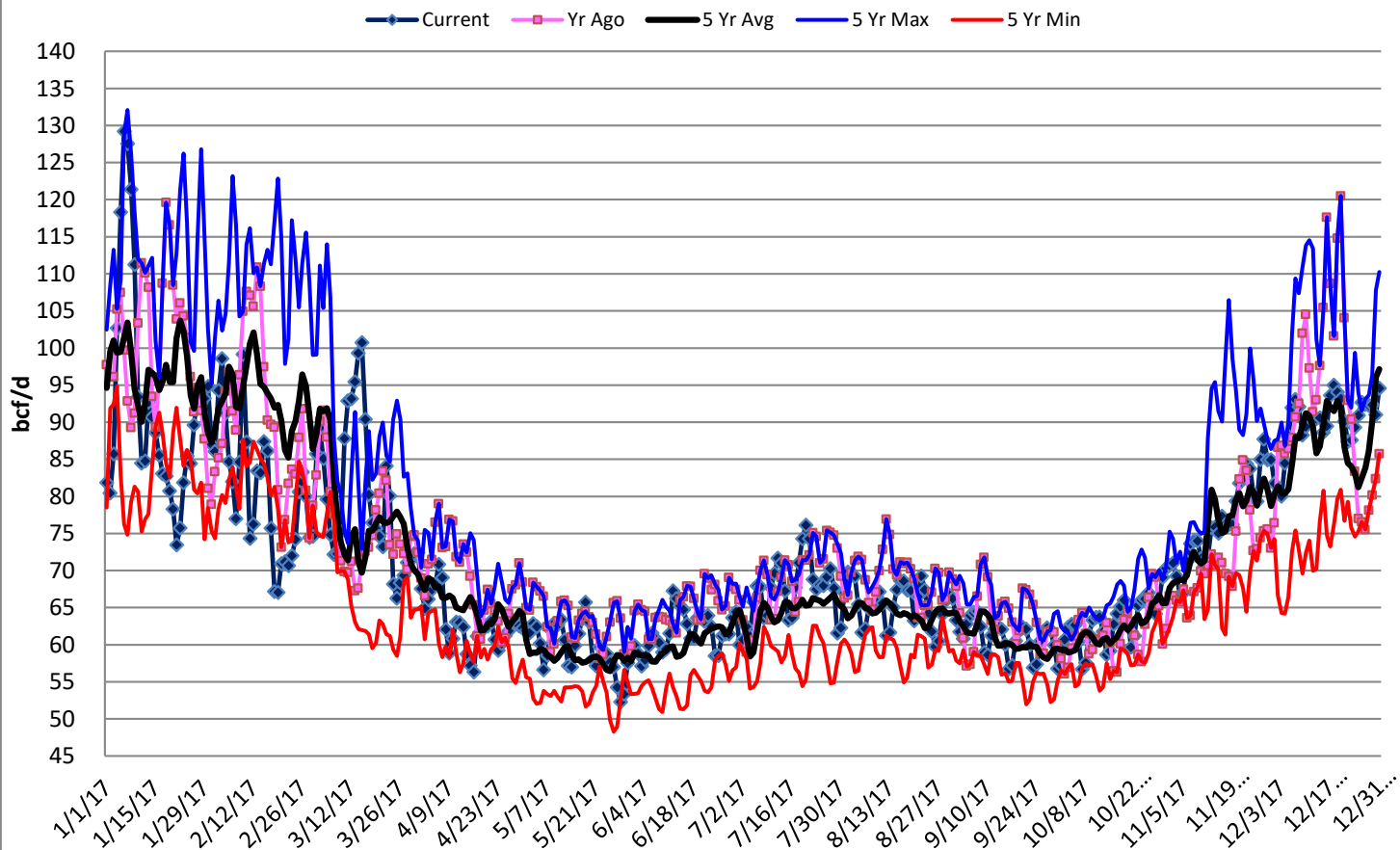
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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