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Week Ending August 25, 2017

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

Price Action: The September contract fell 0.1 cents (3.0%) to \$2.892 on a minimal 13.9 cent range.

Price Outlook: Prices were little changed and posted a rare inside week as neither a new high nor low was posted. Since 2000, only 86 weeks have been inside weeks with 103 weeks posting both a new high and low. Admittedly the posting of both a new high and low is somewhat skewed using spot contract prices. Still, Natural gas remains a volatile commodity and if prices do begin to move, the current CFCT data suggests either new longs or shorts could contribute to a price move. CFTC data indicated a reduction in the managed money net long position as longs liquidated and shorts added. Despite the speculative liquidation, total open interest rose to 3.623 million as of August 22. Aggregated CME futures open interest fell to 1.302 million as of August 25. The October \$3.50 Call is now the highest open interest option with 87,493, up 27,240 on the week. Open interest in the October \$4.00 call fell 14 to 78,238. Open interest in the October \$2.50 put fell 461 to 70,037.

Weekly Storage: US working gas storage for the week ending August 18 indicated a working gas storage injection of 43 bcf. Working gas inventories rose to 3,125 bcf. Current inventories fall (225) bcf (6.7%) below last year while surpassing the 5-year average by 51 bcf (1.7%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 2 bcf larger than the actual EIA implied flow and is back within our tolerance range. The 5-week summation of our error fell to 4 bcf and is within our tolerance. The EIA has reported a net implied flow of 162 bcf over the last 5 weeks compared to our estimated 166 bcf. Our forecast for early November inventories is now 3,767 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Above normal national temperatures at the end of the forecast will soon be considered bearish.

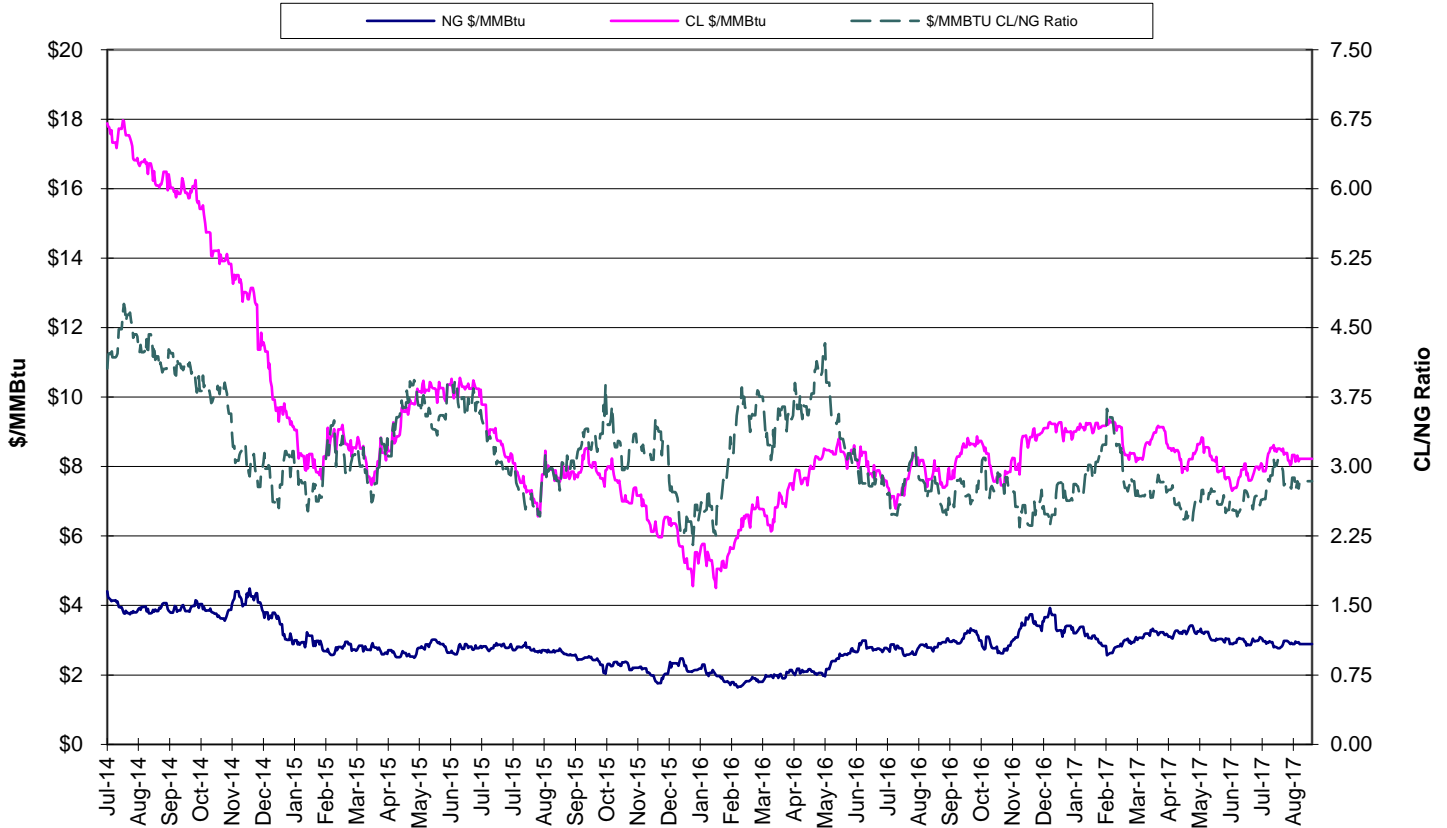
Supply Trends: Total supply was unchanged at 71.4 bcf/d. Mexican exports were slightly lower. US production and Canadian imports were lower. LNG imports and exports were unchanged. The US Baker Hughes rig count dropped 6 as both oil and natural gas activity fell. The total US rig count now stands at 940. The Canadian rig count rose 3 to 217. Thus, the total North American rig count fell 3 to 1,157 and now exceeds last year by 522. The higher efficiency US horizontal rig count fell 3 to 796 and rises 417 above last year.

Demand Trends: Total demand rose 0.9 bcf/d to 65.4 bcf/d. Higher power and industrial demand offset lower R&C consumption. Electricity demand rose 3,721 gigawatt-hrs to 87,790 which trails last year by 2,313 (2.6%) while surpassing the 5-year average by 1,247 (1.4%).

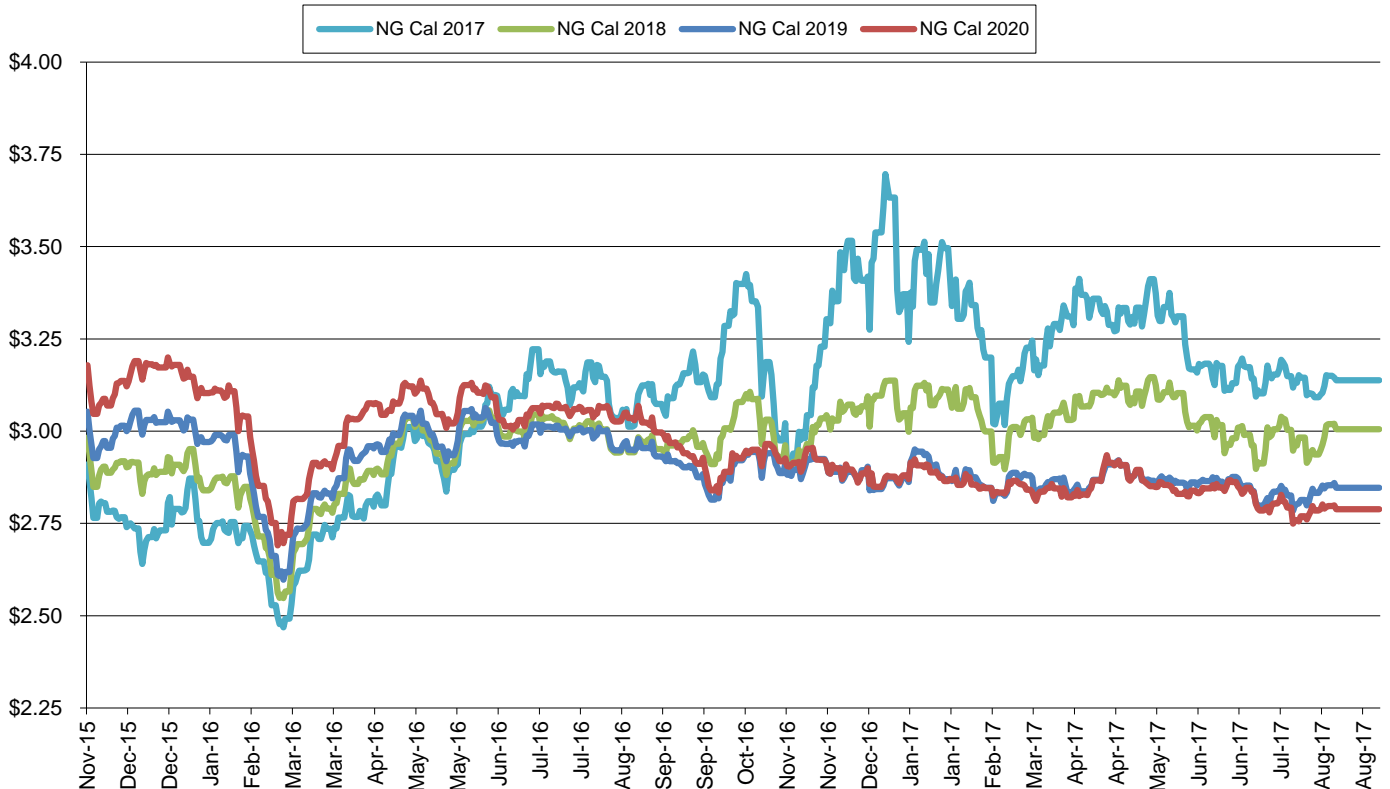
Nuclear Generation: Nuclear generation rose 2,574 MW in the reference week to 96,752 MW. This is 1,218 MW higher than last year and 2,128 MW higher than the 5-year average. Recent output was at 95,410 MW.

- The cooling season has past the halfway mark. With a forecast through September 8, the 2017 total cooling index is at 4,370 compared to 5,262 for 2016, 4,028 for 2015, 3,192 for 2014, 4,509 for 2013, 7,016 for 2012 and 6,347 for 2011.

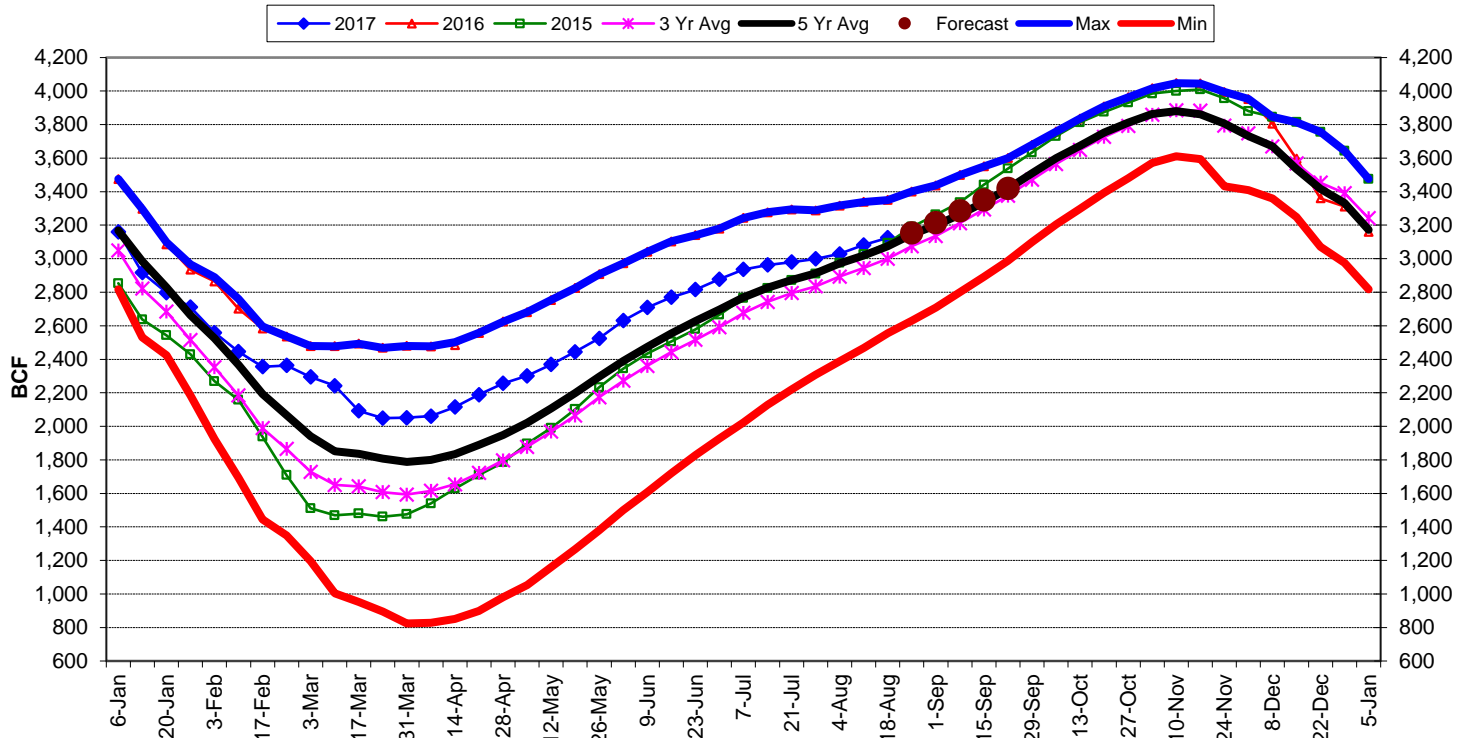
\$/MMBtu Ratio of NYMEX CL and NG



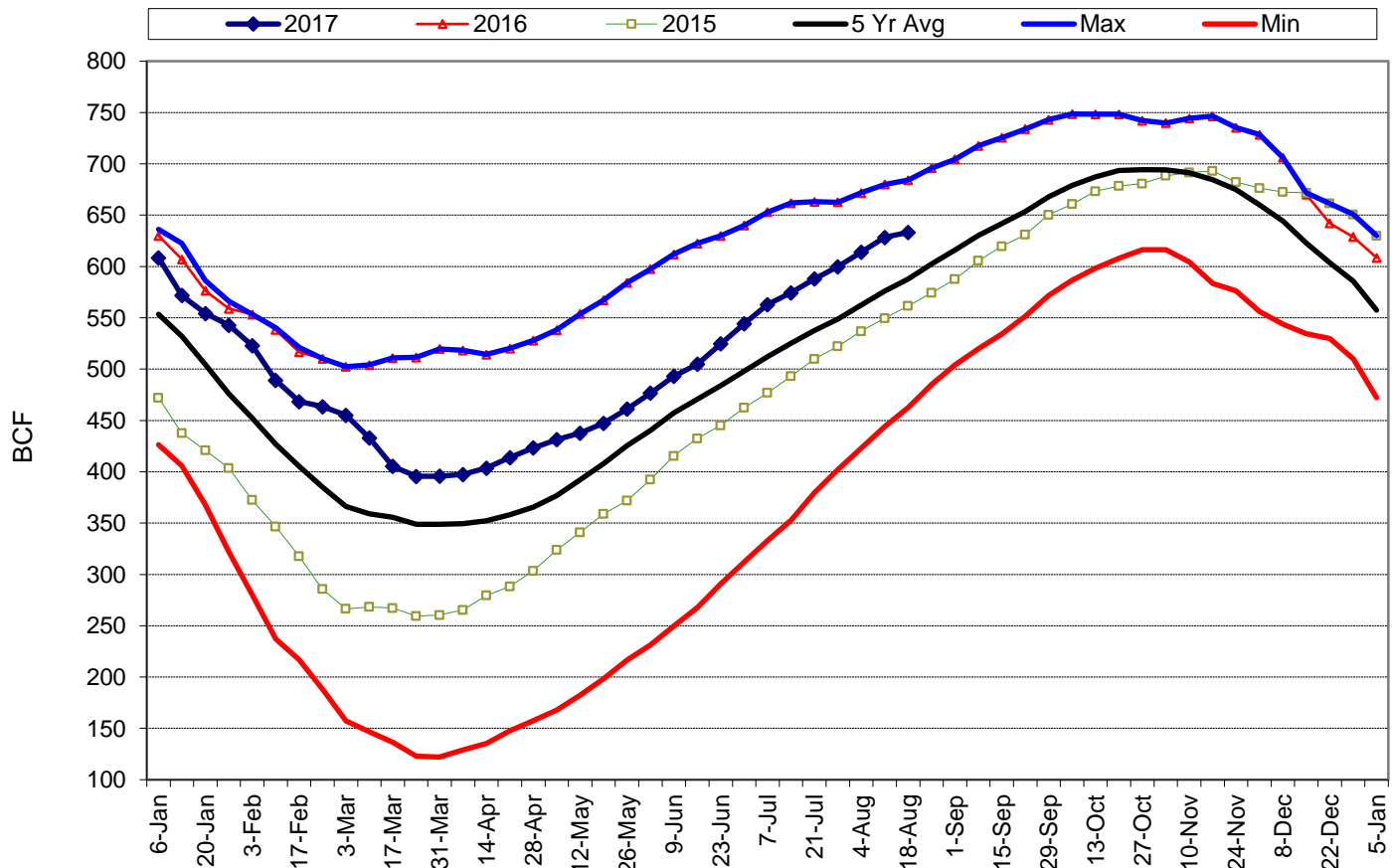
NYMEX Calendar Strips



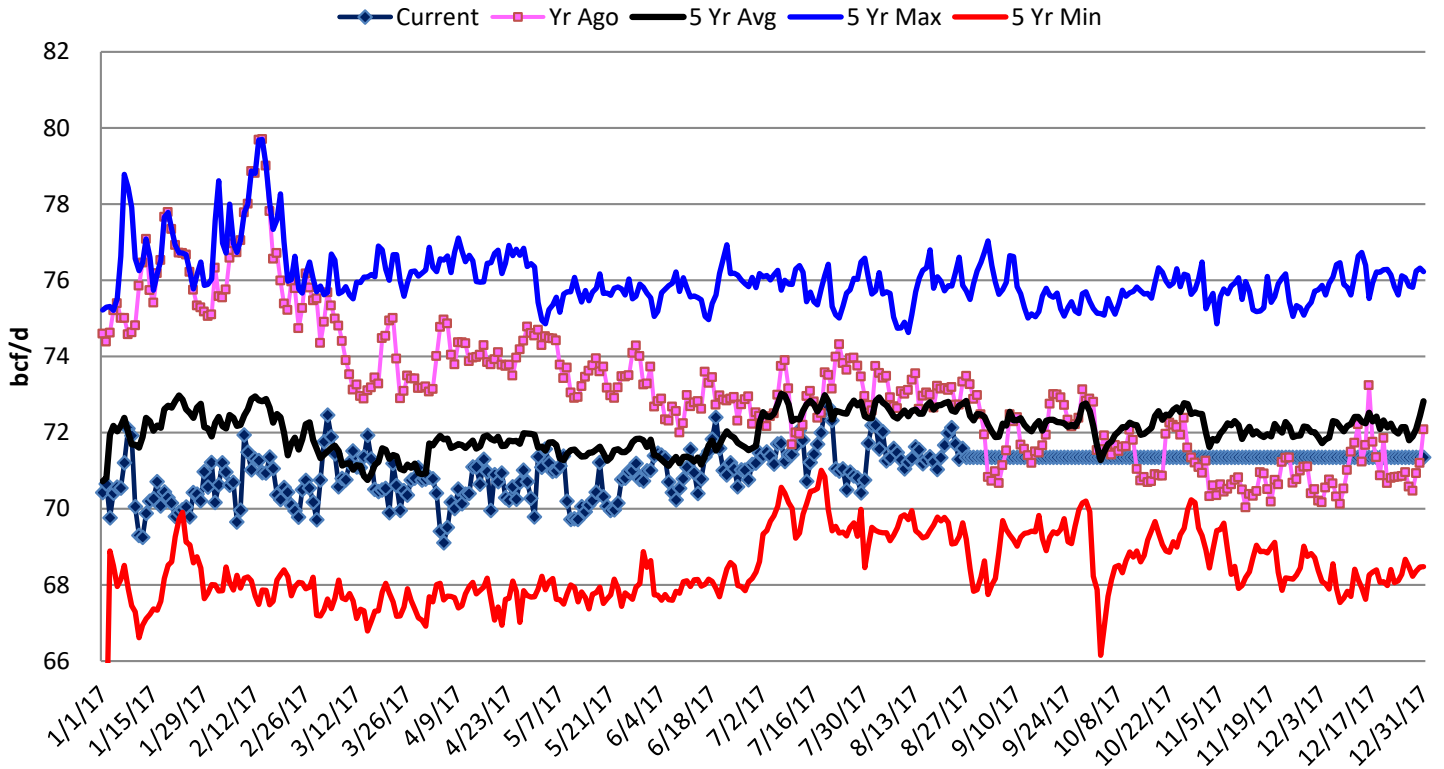
US Total Working Gas Storage - Source - EIA



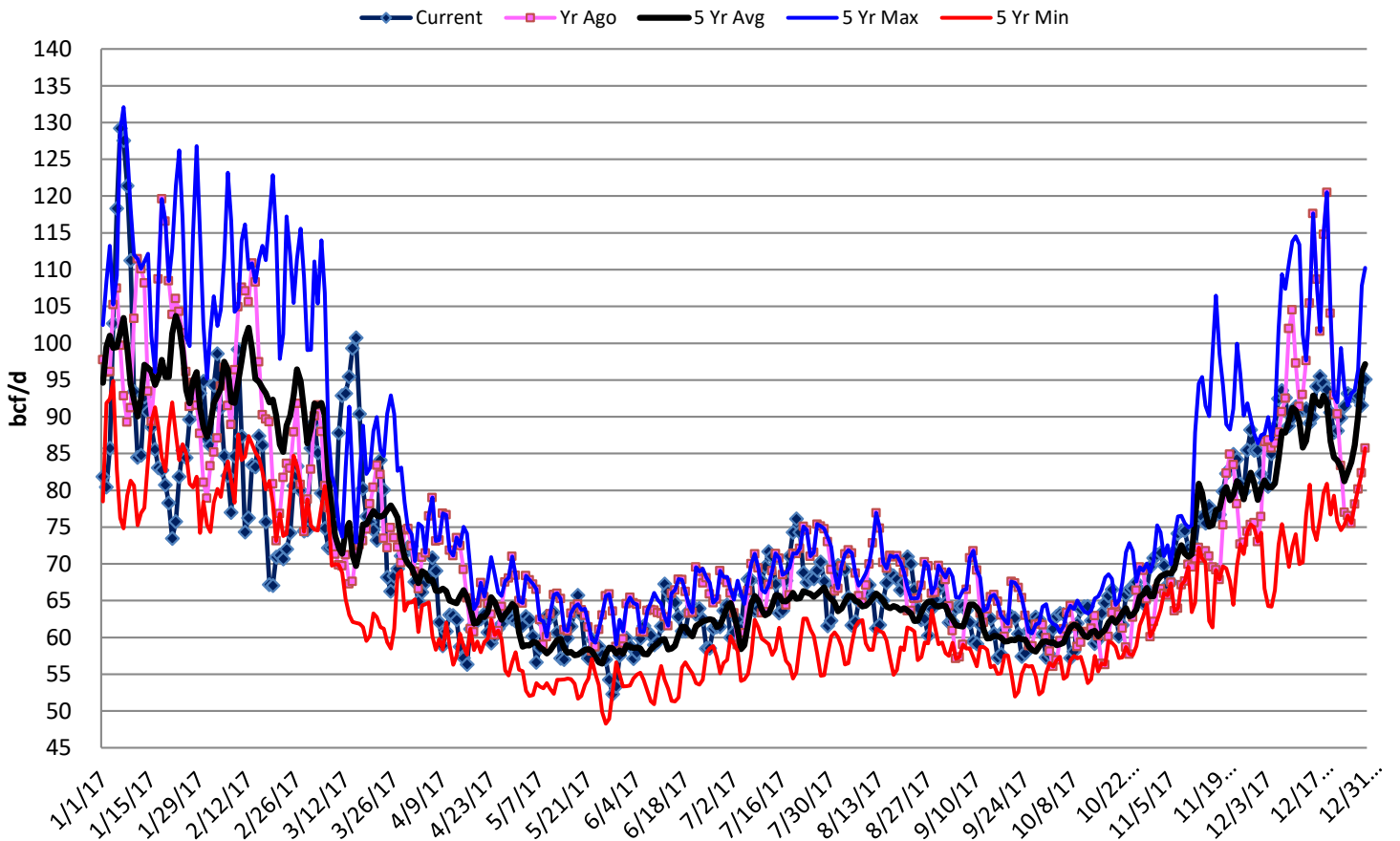
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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