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Week Ending October 20, 2017

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

Price Action: The November contract fell 8.5 cents (2.8%) to \$32.915 on an average 25.3 cent range.

Price Outlook: Prices slid despite a well below average storage injection as weather forecast overall remain bearish and production recovered after Hurricane Nate. Prices established a new weekly low for the 4th week in a row and that is my no means extreme compared to the record 9 consecutive weeks lower. Still, it is becoming extended, especially heading into winter. **The current 15-day forecast is warmer than 8 of the previous 10 years.** CFTC data indicated a notable increase in the managed money net long position as shorts covered and longs grew. The short position remains elevated. Total combined open interest rose to 3.582 million as of October 17. Aggregated CME futures open interest rose to 1.378 million as of October 20. Open interest in the March \$4.00 call rose 2,269 to 76,157. Open interest in the January \$4.00 call fell 1,589 to 66,513. Open interest in the December \$2.50 put rose 12,885 to 58,586.

Weekly Storage: US working gas storage for the week ending October 13 indicated a working gas storage injection of +51 bcf. Working gas inventories rose to 3,646 bcf. Current inventories fall (190) bcf (5.0%) below last year and (29 bcf (0.8%) below the 5-year average.

Storage Outlook: Our EIA weekly storage estimate was mathematically 7 bcf smaller than the actual EIA implied flow and above our tolerance range. The 5-week summation of our error rose to 17 bcf and is at the upper end of our tolerance. The EIA has reported a net implied flow of 335 bcf over the last 5 weeks compared to our estimated 318 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast.

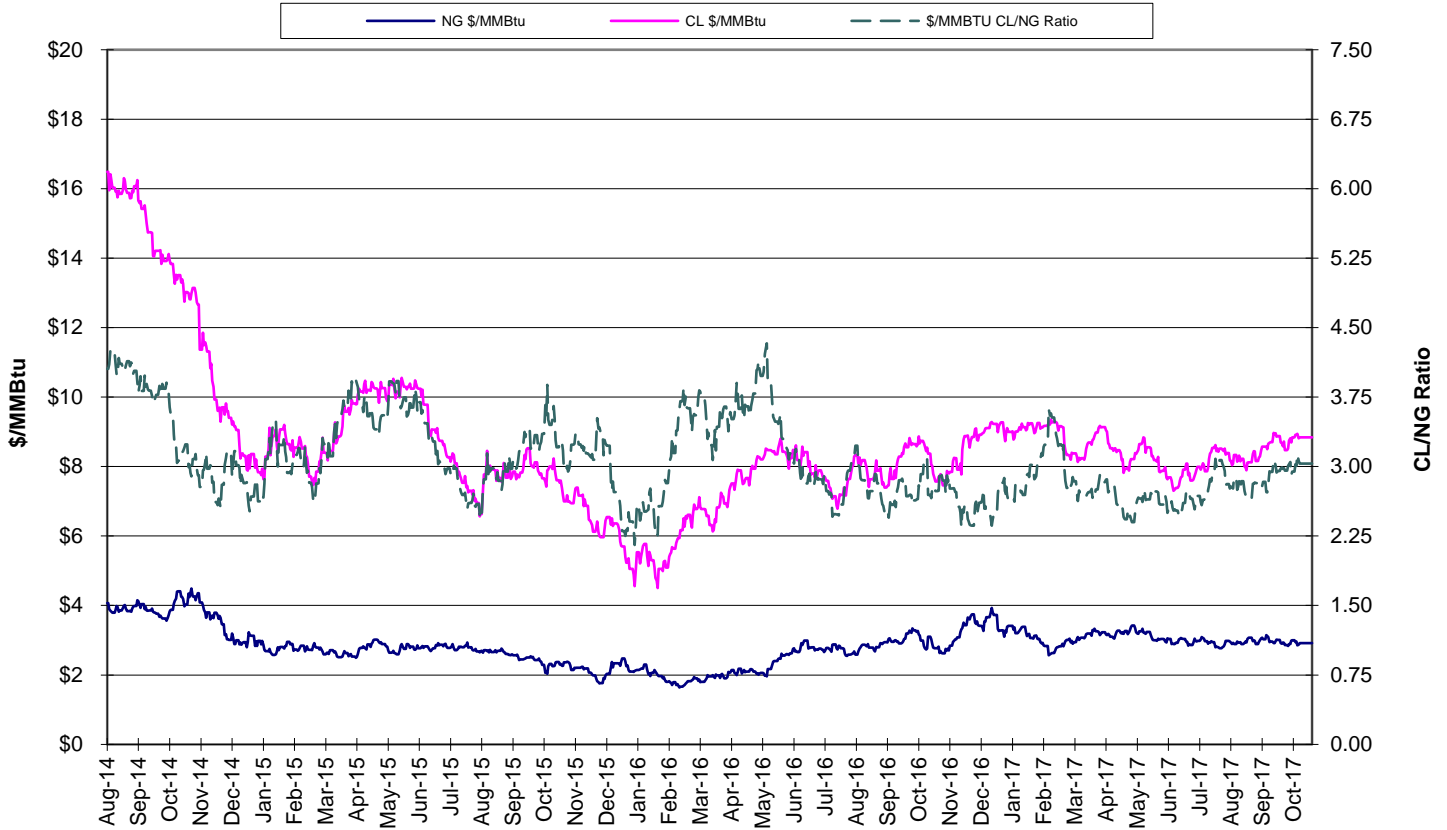
Supply Trends: Total supply fell (2.6) bcf to 70.9 bcf/d. Canadian imports rose and Mexican exports fell. US production fell while LNG exports rose. LNG imports were unchanged. The US Baker Hughes rig count fell 15 with both oil and natural gas activity lower. The total US rig count now stands at 913. The Canadian rig count fell 10 to 202. Thus, the total North American rig count fell 25 to 1,115 and now exceeds last year by 419. **The higher efficiency US horizontal rig count fell 15 to 771 and rises 326 above last year.**

Demand Trends: Total demand rose 3.7 bcf/d to 66.0 bcf/d. Higher power and industrial demand easily overcame lower R&C demand. Electricity demand rose 607 gigawatt-hrs to 74,900 which exceeds last year by 4,885 (7.0%) and the 5-year average by 4,477 (6.4%).

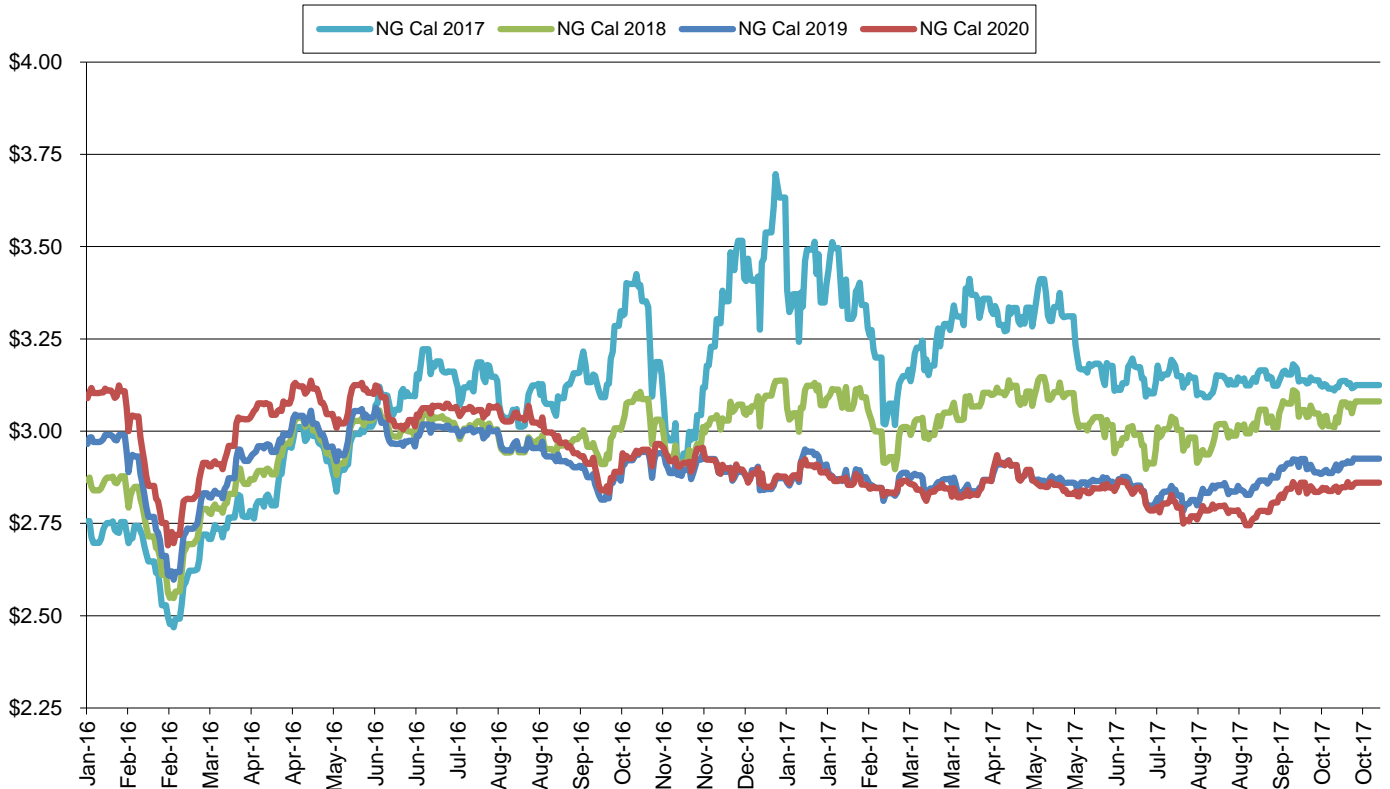
Nuclear Generation: Nuclear generation fell 3,277 MW in the reference week to 86,692 MW. This is 9,239 MW higher than last year and 5,977 MW higher than the 5-year average. **Recent output was at 86,192 MW.**

- The cooling season has come to a close. The 2017 total cooling index is at 4,781 compared to 5,496 for 2016, 4,402 for 2015, 3,451 for 2014, 4,811 for 2013, 7,212 for 2012 and 6,709 for 2011.

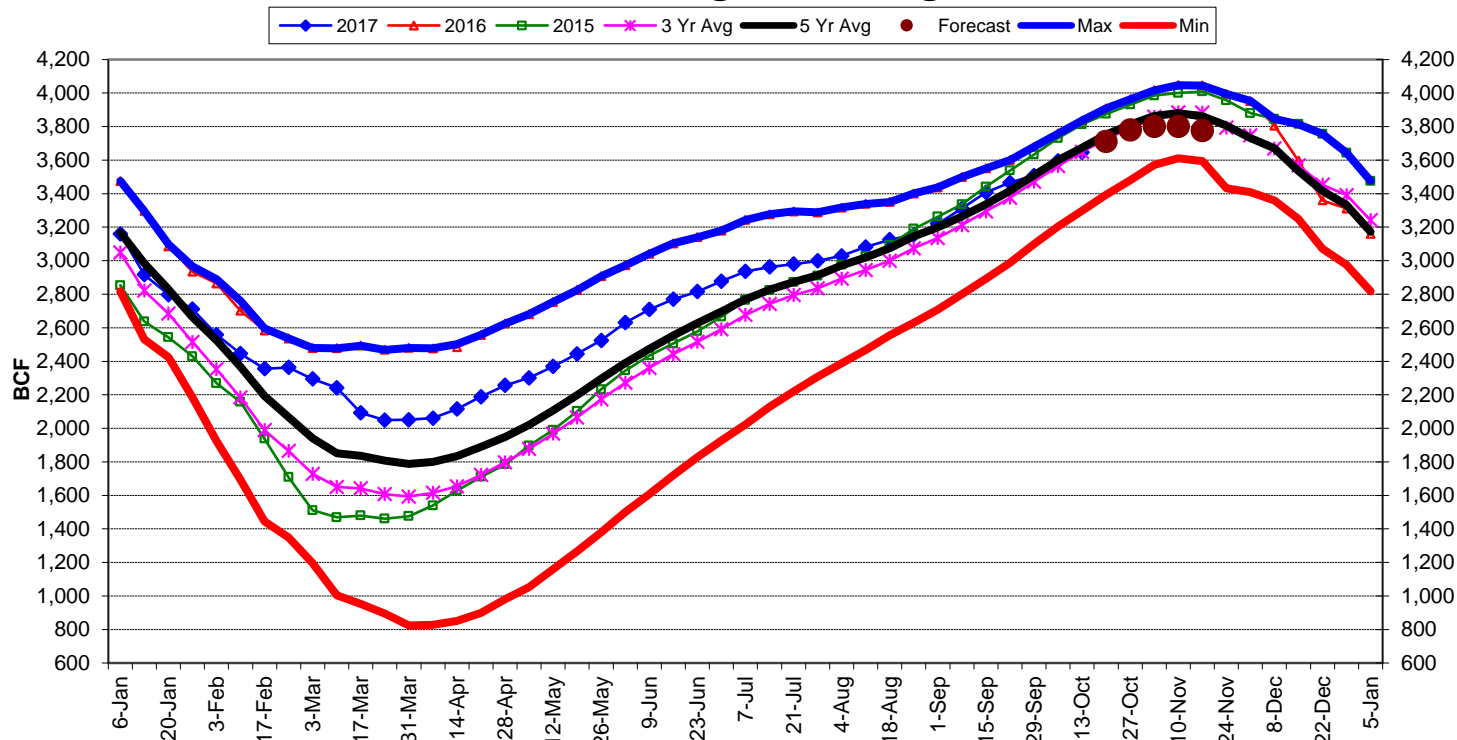
\$/MMBtu Ratio of NYMEX CL and NG



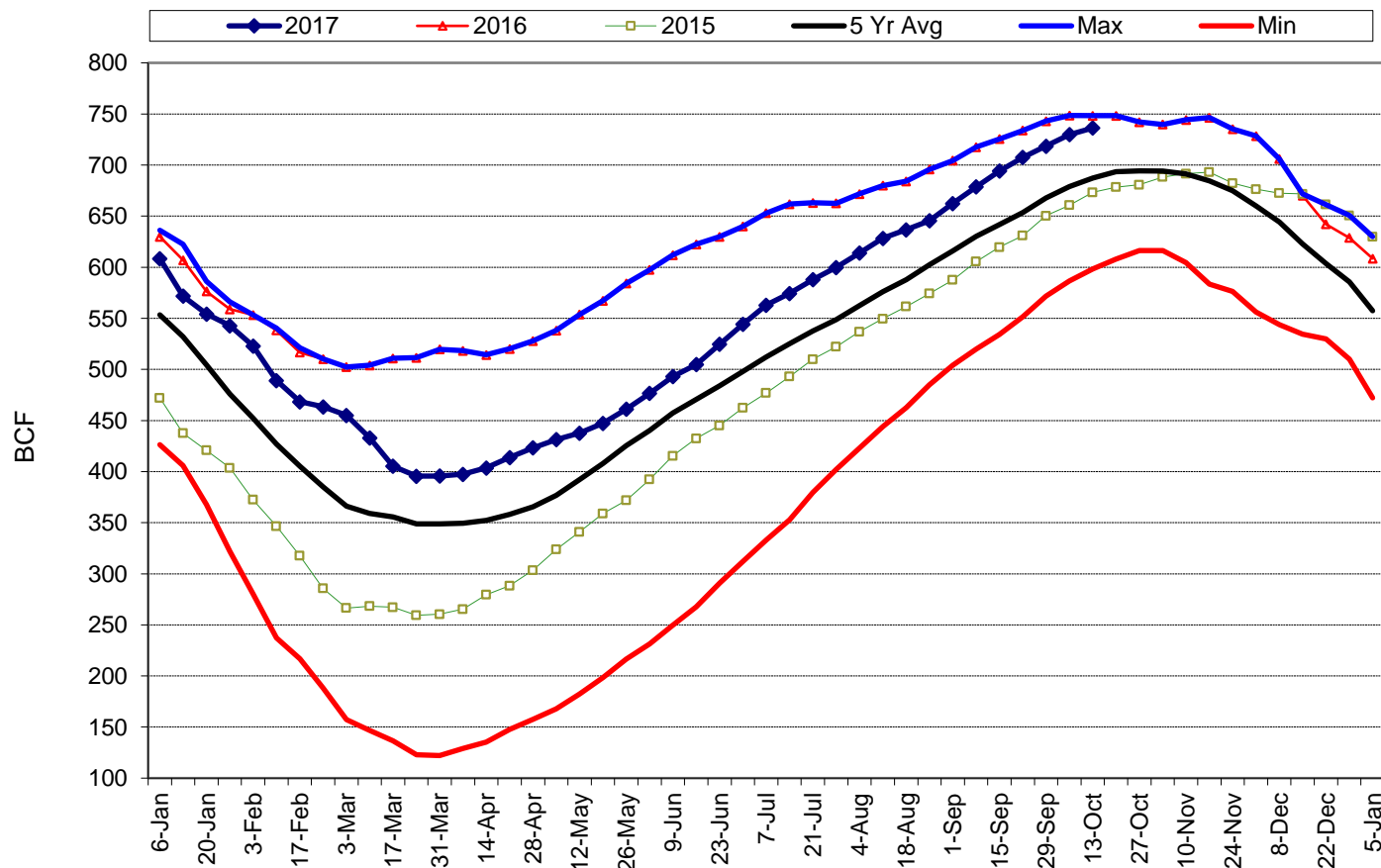
NYMEX Calendar Strips



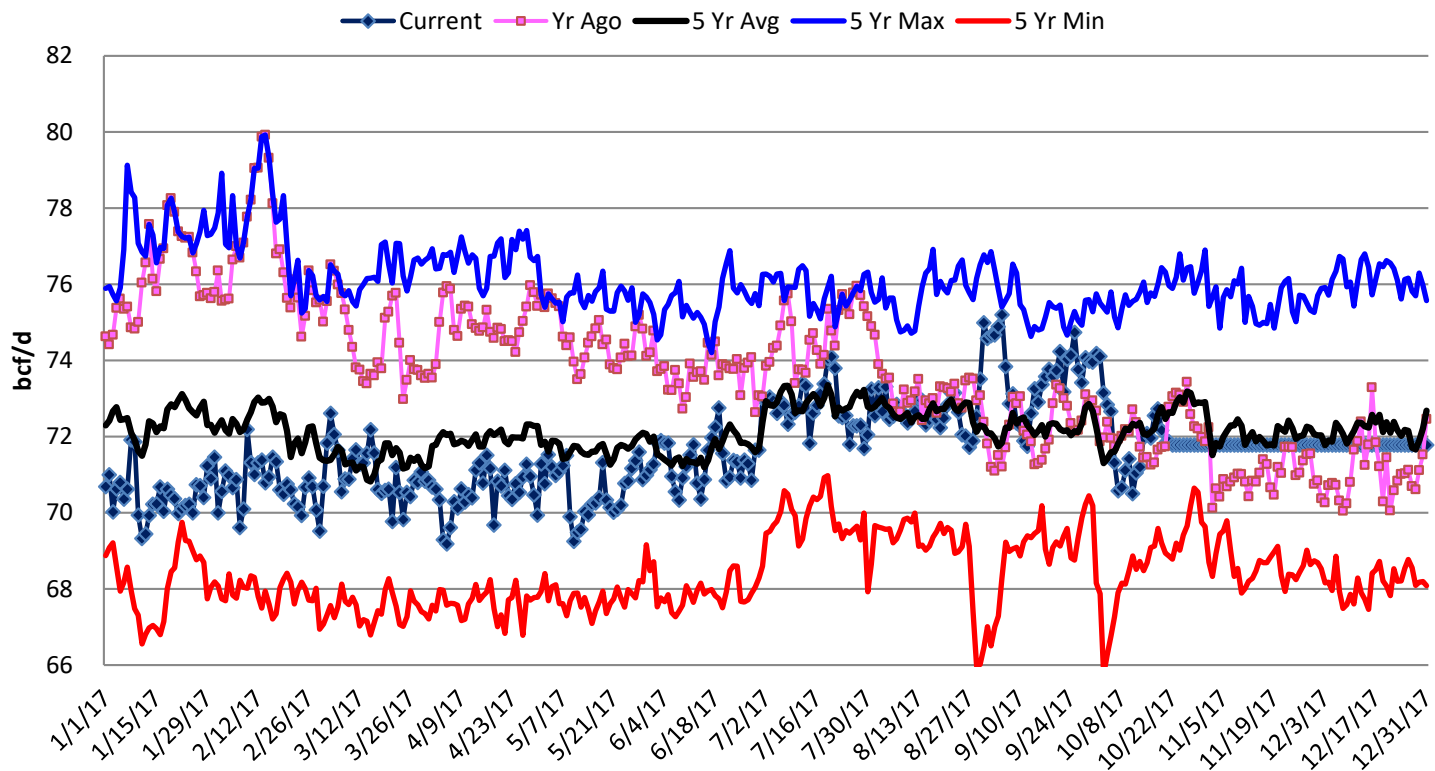
US Total Working Gas Storage - Source - EIA



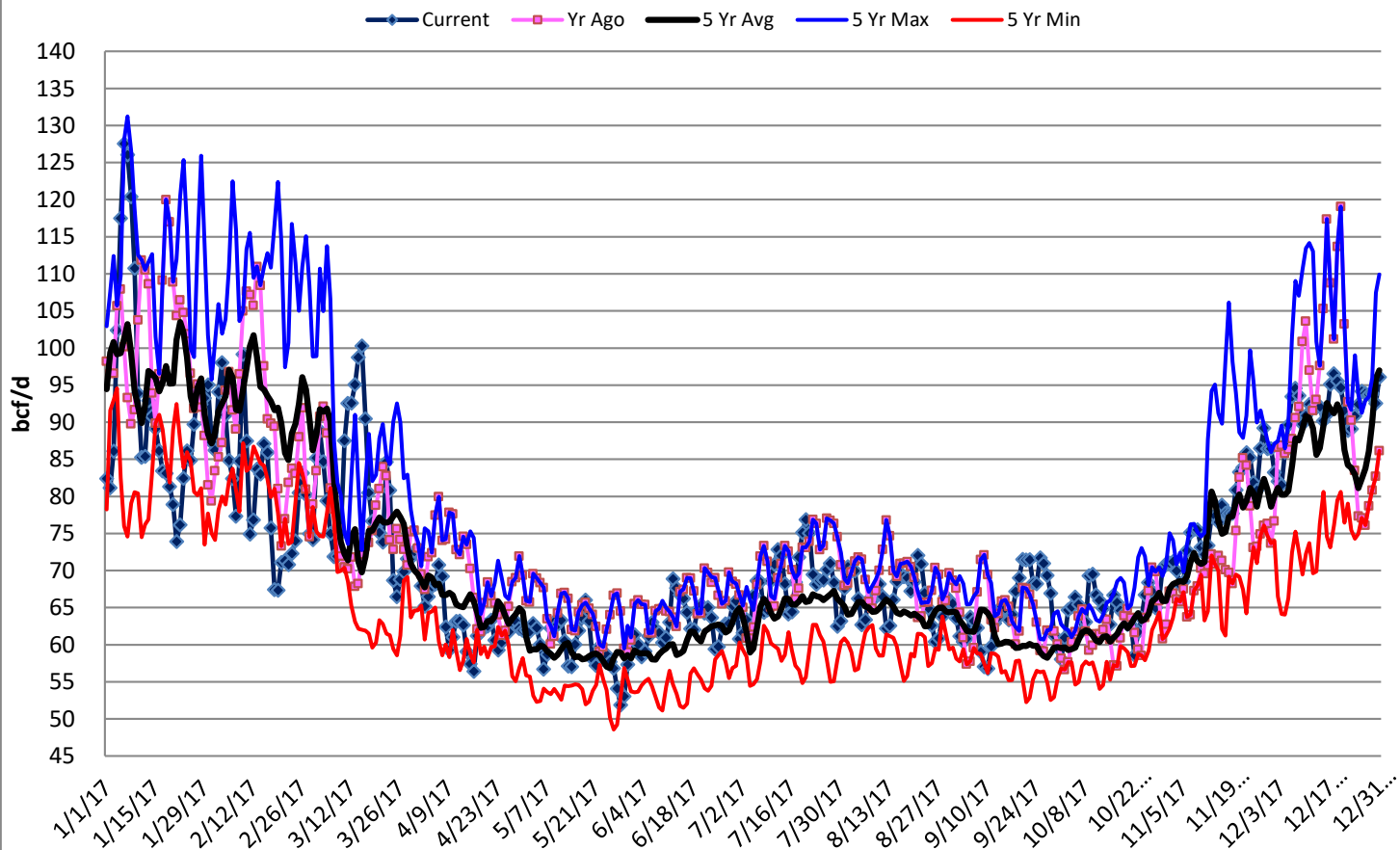
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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