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Week Ending October 27, 2017

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

Price Action: The November contract fell 16.3 cents (5.6%) to \$2.752 on a 29.4 cent range.

Price Outlook: Prices slid despite another below average storage injection. However, after bullish weather forecasts to begin the week, weather forecasts turned quite bearish and production rose to record levels as recently completed projects continue to receive new output. Prices established a new weekly low for the 5th week in a row and that is extended but by no means extreme compared to the record 9 consecutive weeks lower. **The current 15-day forecast is warmer than 8 of the previous 10 years.** CFTC data indicated a notable decrease in the managed money net long position as longs liquidated and shorts added. The short position remains elevated. Total combined open interest rose to 3.586 million as of October 24. Aggregated CME futures open interest fell to 1.374 million as of October 27. Open interest in the March \$4.00 call rose 4,558 to 80,715. Open interest in the January \$4.00 call fell 3,912 to 65,587. Open interest in the December \$2.50 put fell 2,401 to 56,185.

Weekly Storage: US working gas storage for the week ending October 20 indicated a working gas storage injection of +64 bcf. Working gas inventories rose to 3,710 bcf. Current inventories fall (199) bcf (5.1%) below last year and (42) bcf (1.1%) below the 5-year average.

Storage Outlook: Our EIA weekly storage estimate was mathematically 1 bcf smaller than the actual EIA implied flow and back within our tolerance range. The 5-week summation of our error fell to 8 bcf and is also within our tolerance. The EIA has reported a net implied flow of 302 bcf over the last 5 weeks compared to our estimated 294 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast.

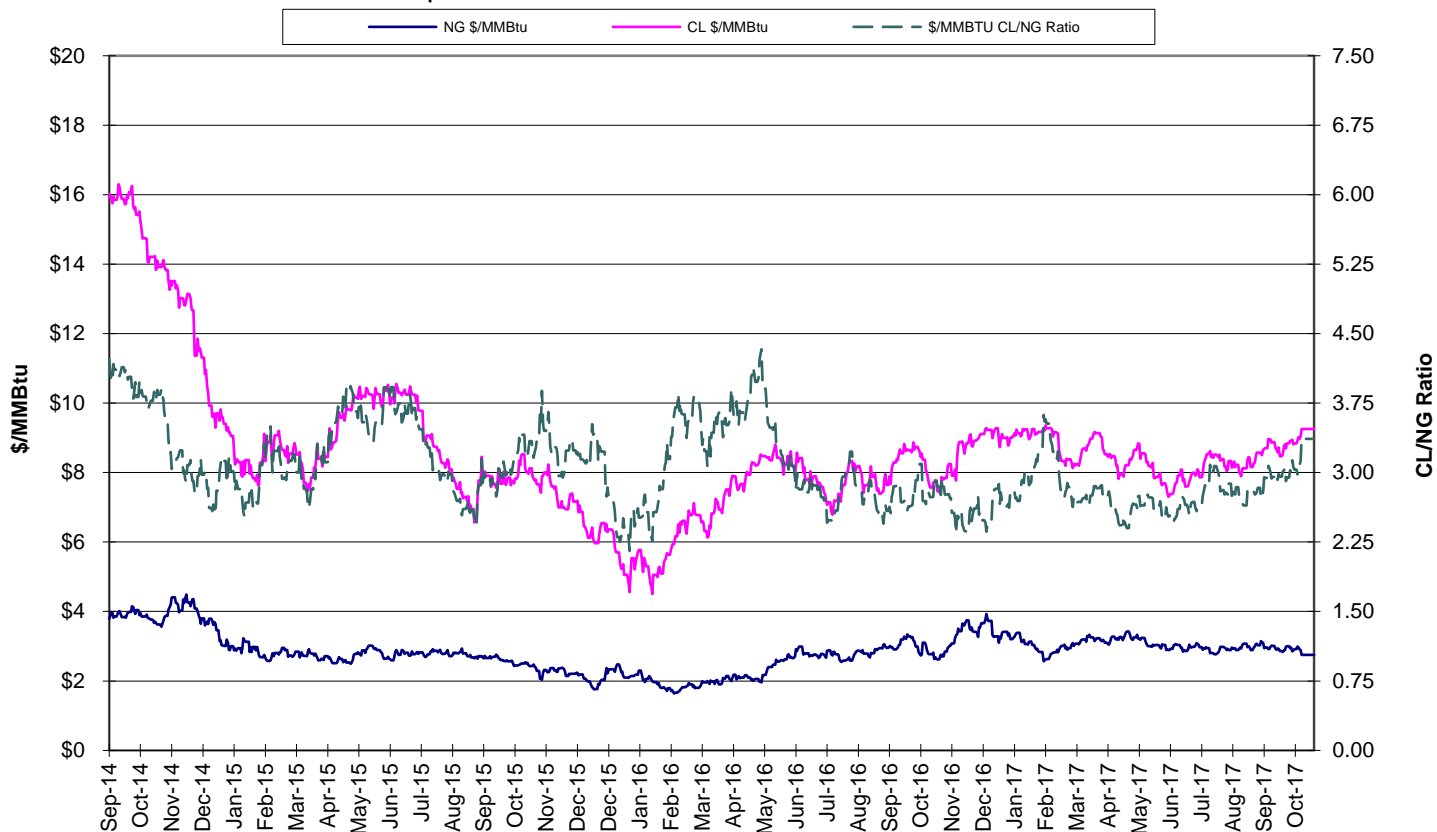
Supply Trends: Total supply rose 1.1 bcf to 72.1 bcf/d. US production rose. Canadian imports fell and LNG exports and Mexican exports rose. LNG imports were unchanged. The US Baker Hughes rig count fell 4 as oil activity rose but natural gas slipped. The total US rig count now stands at 909. The Canadian rig count fell 11 to 191. Thus, the total North American rig count fell 15 to 1,100 and now exceeds last year by 390. **The higher efficiency US horizontal rig count fell 2 to 769 and rises 319 above last year.**

Demand Trends: Total demand fell 1.6 bcf/d to 64.4 bcf/d. Higher R&C demand was offset by lower power and industrial demand. Electricity demand fell 5,249 gigawatt-hrs to 69,651 which trails last year by 2,951 (4.1%) and the 5-year average by 378 (0.5%).

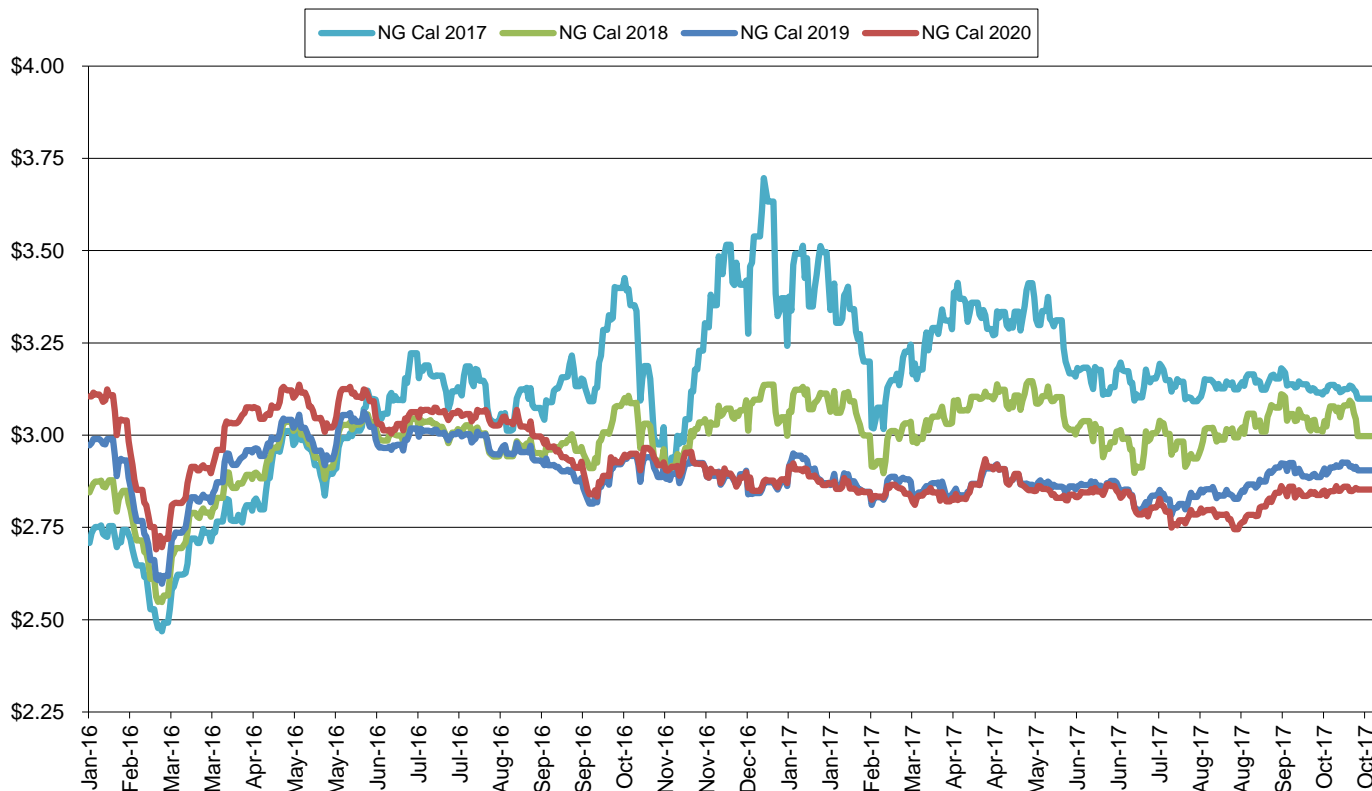
Nuclear Generation: Nuclear generation fell 2,000 MW in the reference week to 84,692 MW. This is 6,075 MW higher than last year and 5,763 MW higher than the 5-year average. **Recent output was at 84,724 MW.**

- The heating season is beginning. With a forecast through November 10, the 2018 total heating index is at 121 compared to 42 for 2017, 82 for 2016, 129 for 2015, 176 for 2014, 190 for 2013 and 178 for 2012.

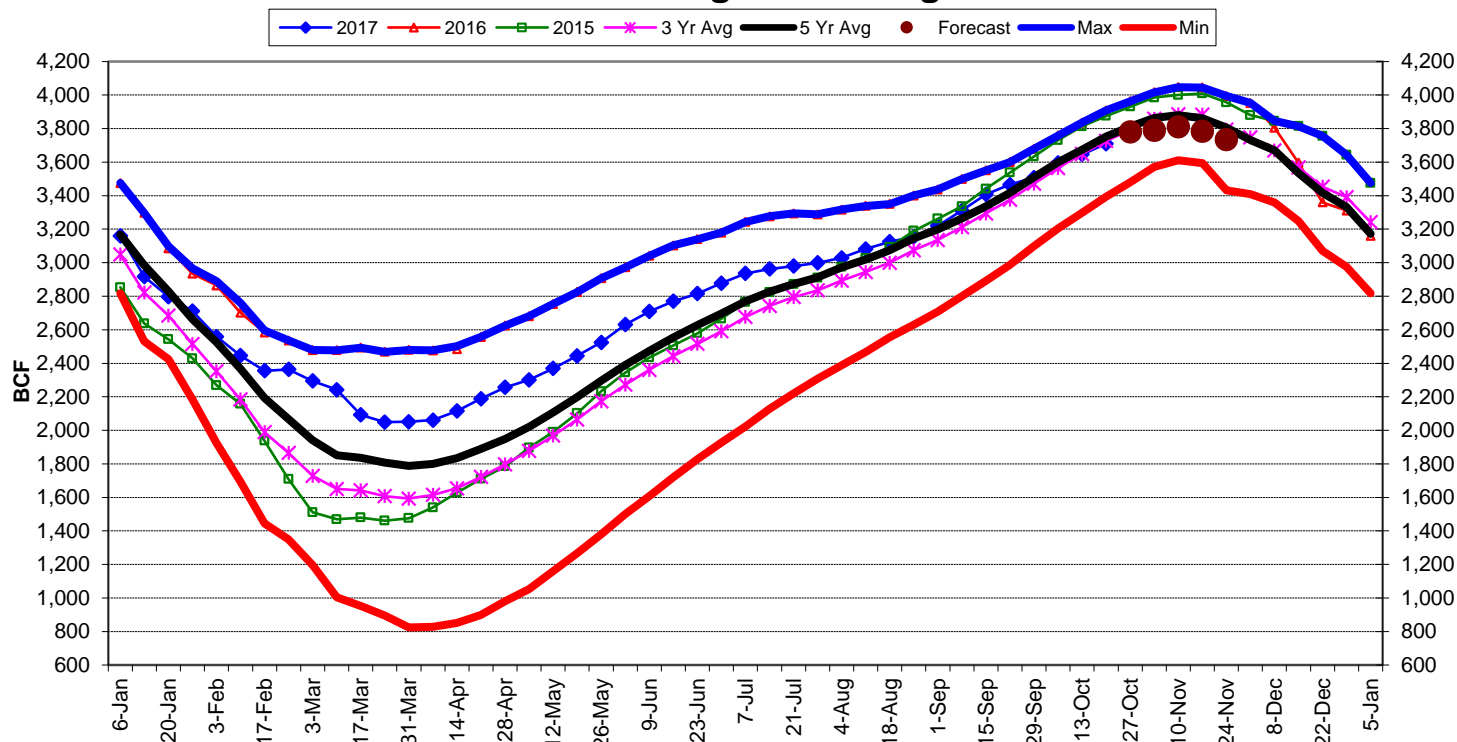
\$/MMBtu Ratio of NYMEX CL and NG



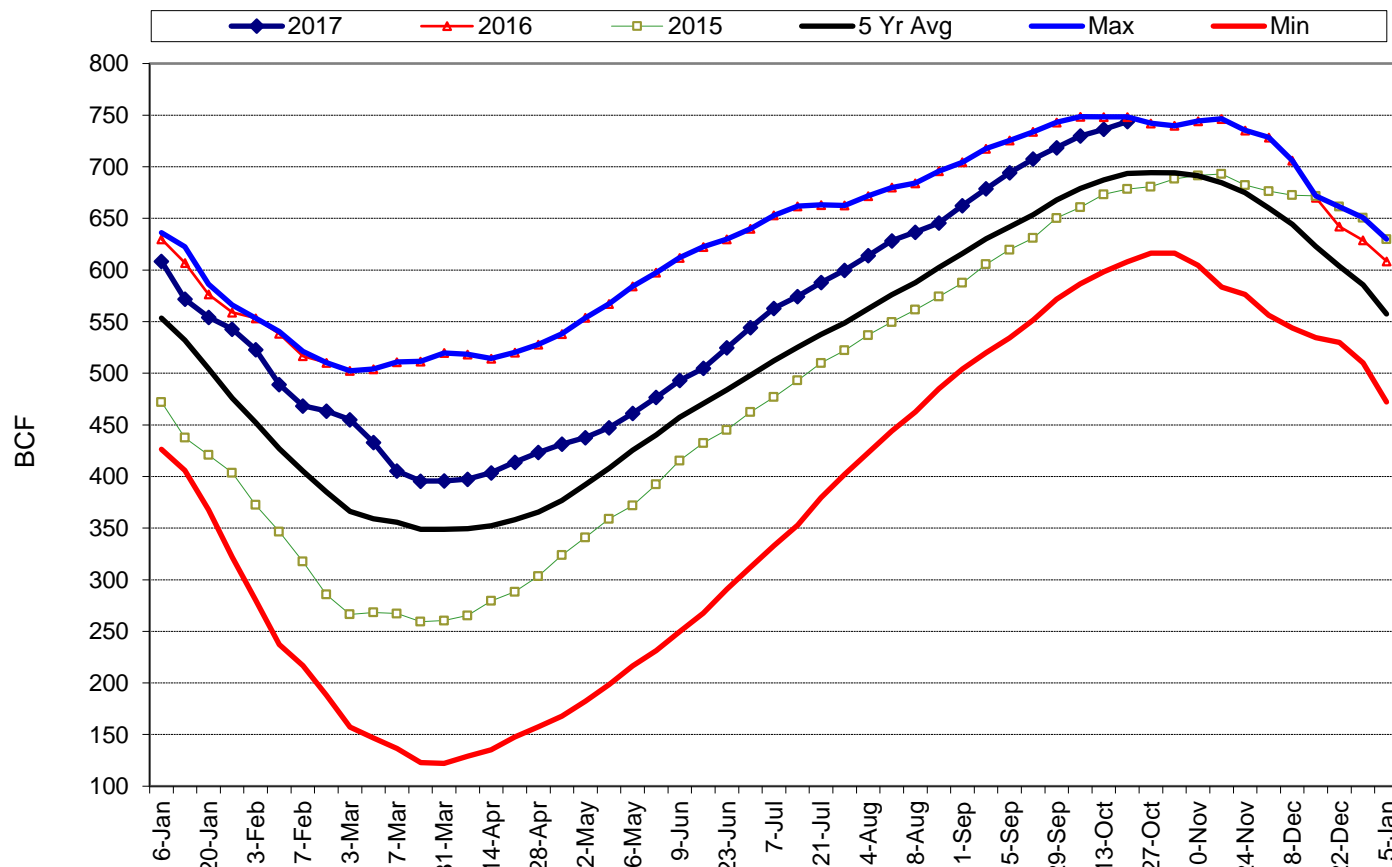
NYMEX Calendar Strips



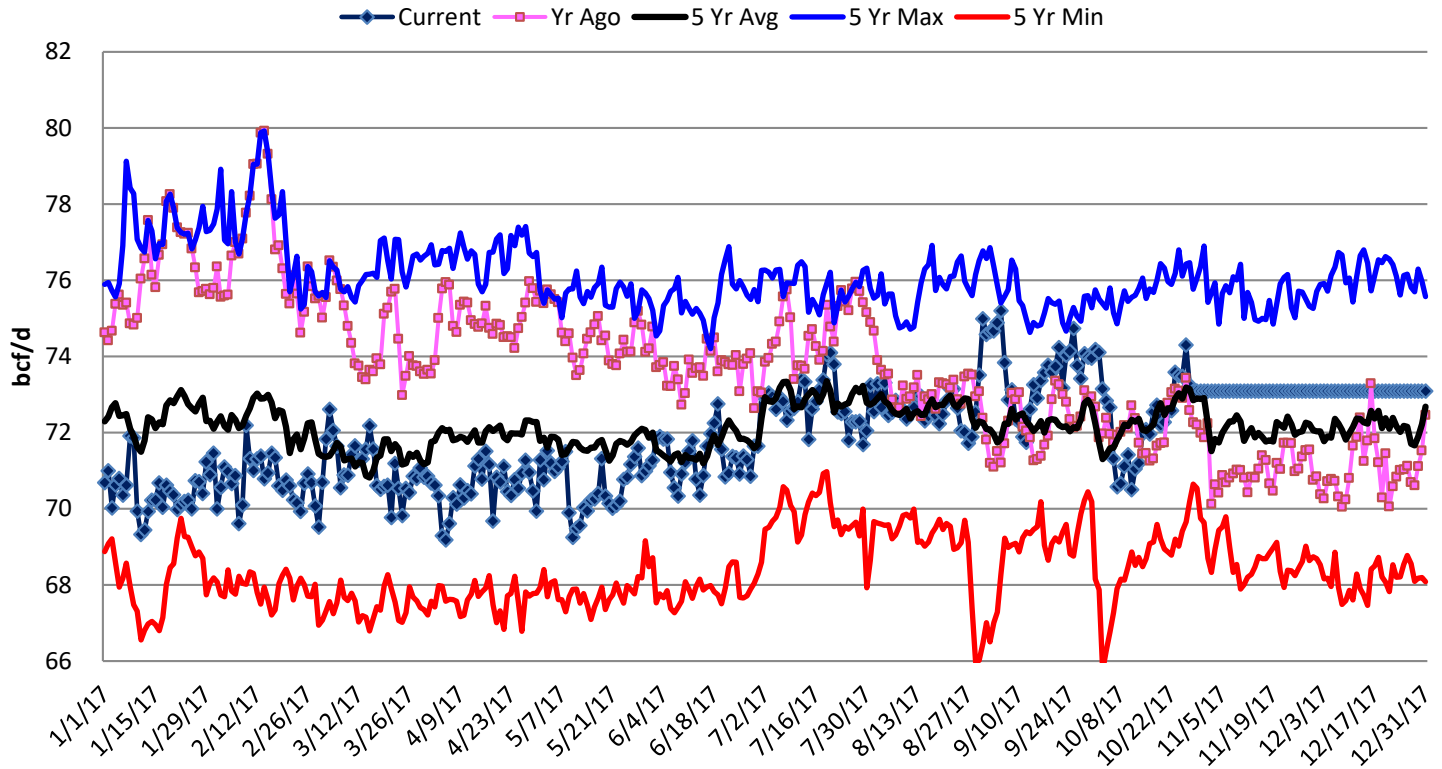
US Total Working Gas Storage - Source - EIA



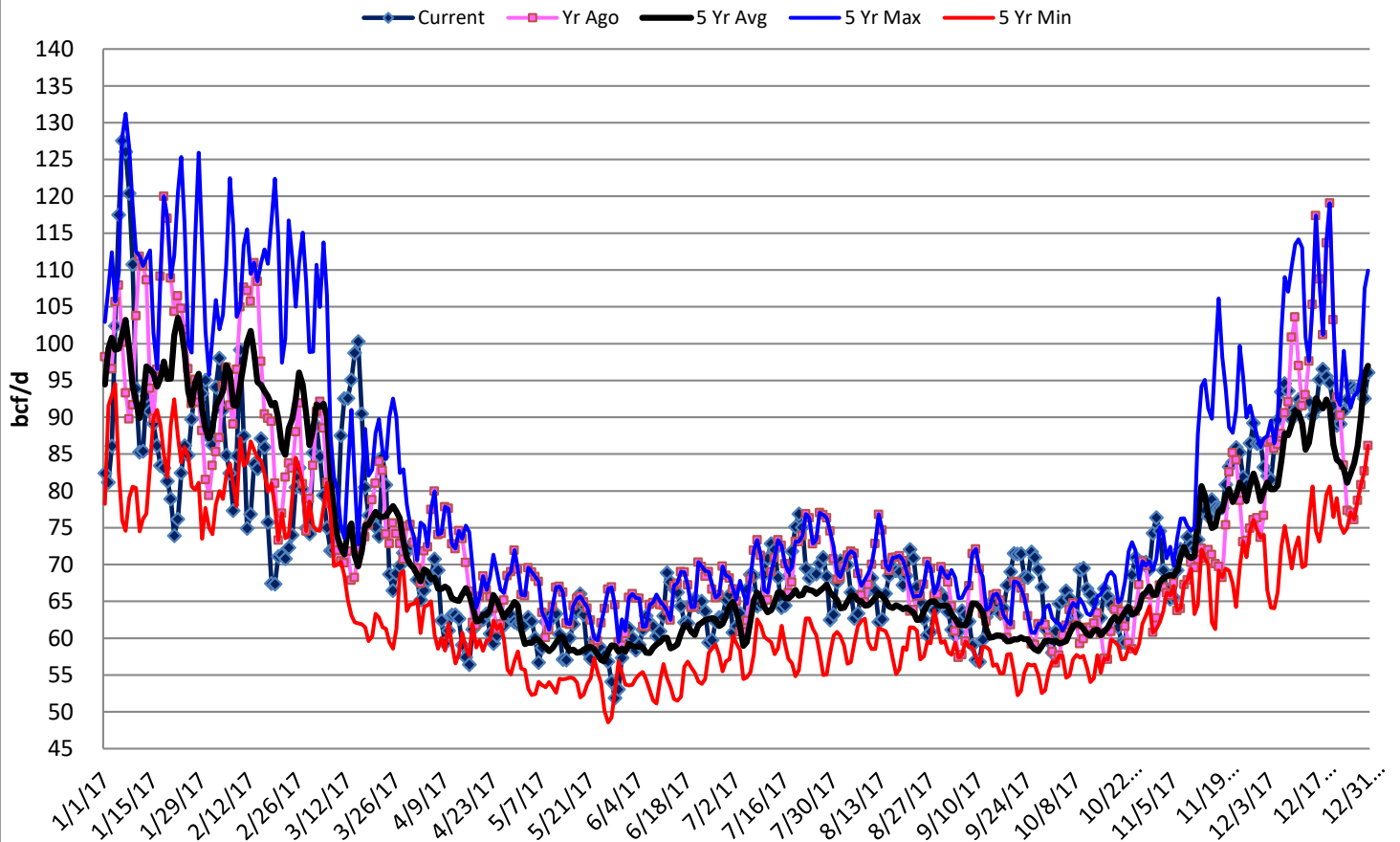
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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