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Week Ending November 3, 2017

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

Price Action: The December contract rose 2.0 cents (0.7%) to \$2.984 on a 15.9 cent range.

Price Outlook: Prices were slightly higher as weather forecasts were supportive. However, based on the spot month methodology and comparisons, the market posted a rare inside week, ending the streak of 5 consecutive weeks lower. The December contract did post a new weekly low compared to December prices. **The current 15-day forecast is warmer than 7 of the previous 10 years.** CFTC data indicated a decrease in the managed money net long position as longs liquidated and shorts added to the smallest net long position since December 6, 2016. The short position rose to the highest level since September 6, 2016. Total combined open interest fell to 3.494 million as of October 31. Aggregated CME futures open interest rose to 1.390 million as of November 3. Open interest in the March \$4.00 call rose 2,036 to 82,751. Open interest in the January \$4.00 call rose 12,808 to 78,395. Open interest in the December \$2.50 put rose 7,376 to 63,561.

Weekly Storage: US working gas storage for the week ending October 27 indicated a working gas storage injection of +65 bcf. Working gas inventories rose to 3,775 bcf. Current inventories fall (188) bcf (4.7%) below last year and (37) bcf (1.0%) below the 5-year average.

Storage Outlook: Our EIA weekly storage estimate was mathematically 2 bcf smaller than the actual EIA implied flow of +65 bcf and back within our tolerance range. The 5-week summation of our error rose to 12 bcf and is also within our tolerance. The EIA has reported a net implied flow of +309 bcf over the last 5 weeks compared to our estimated +297 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast.

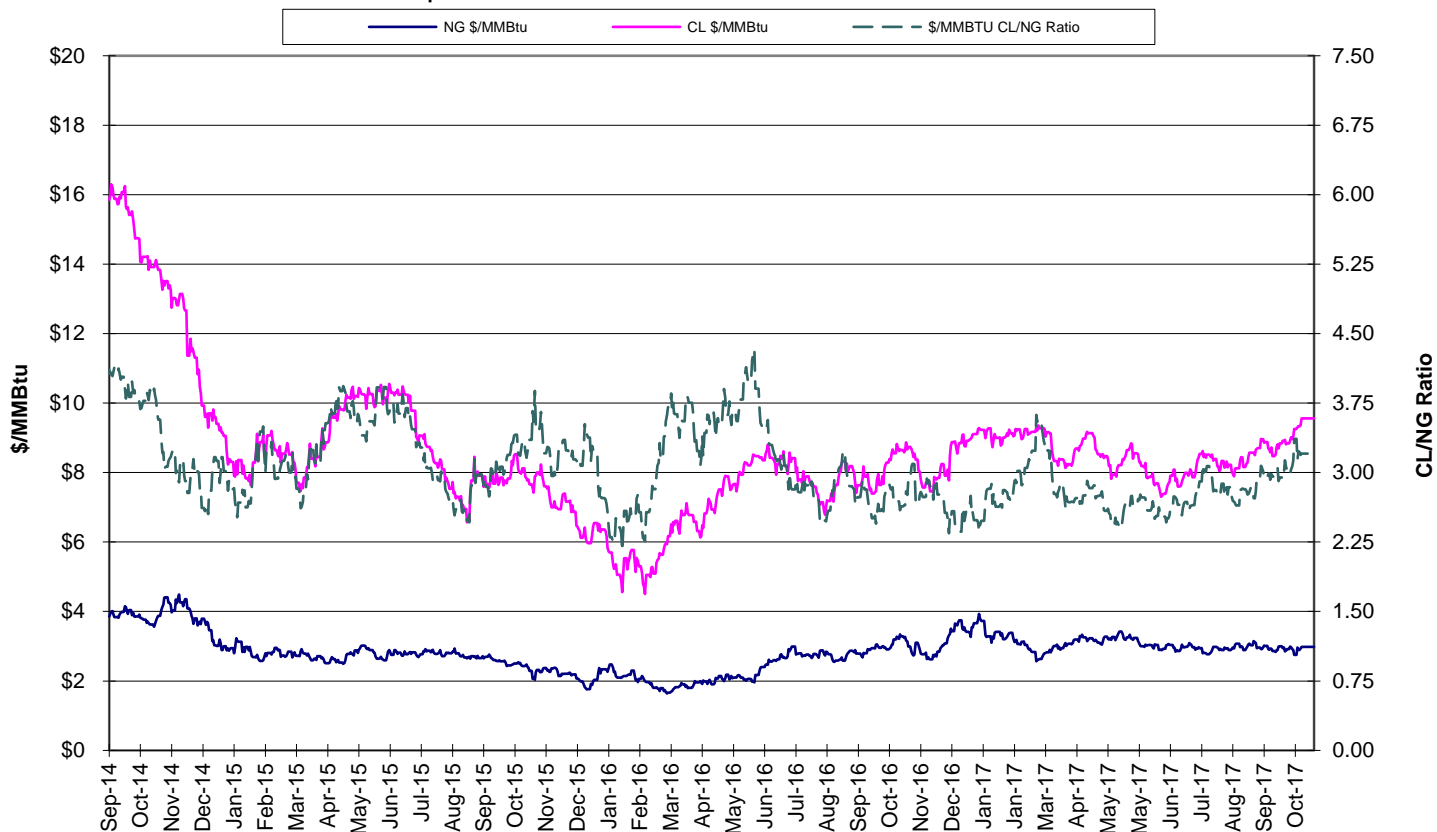
Supply Trends: Total supply rose 1.1 bcf to 72.9 bcf/d. US production and Canadian imports rose. Mexican exports, LNG exports and imports were all changed. The US Baker Hughes rig count fell 11 as oil both and natural gas activity slipped. The total US rig count now stands at 898. The Canadian rig count rose 1 to 192. Thus, the total North American rig count fell 10 to 1,090 and now exceeds last year by 367. **The higher efficiency US horizontal rig count fell 5 to 764 and rises 305 above last year.**

Demand Trends: Total demand rose 0.4 bcf/d to 63.7 bcf/d. Higher R&C demand offset lower power and industrial demand. Electricity demand fell 1,017 gigawatt-hrs to 68,634 which trails last year by 321 (0.5%) and the 5-year average by 498 (0.7%).

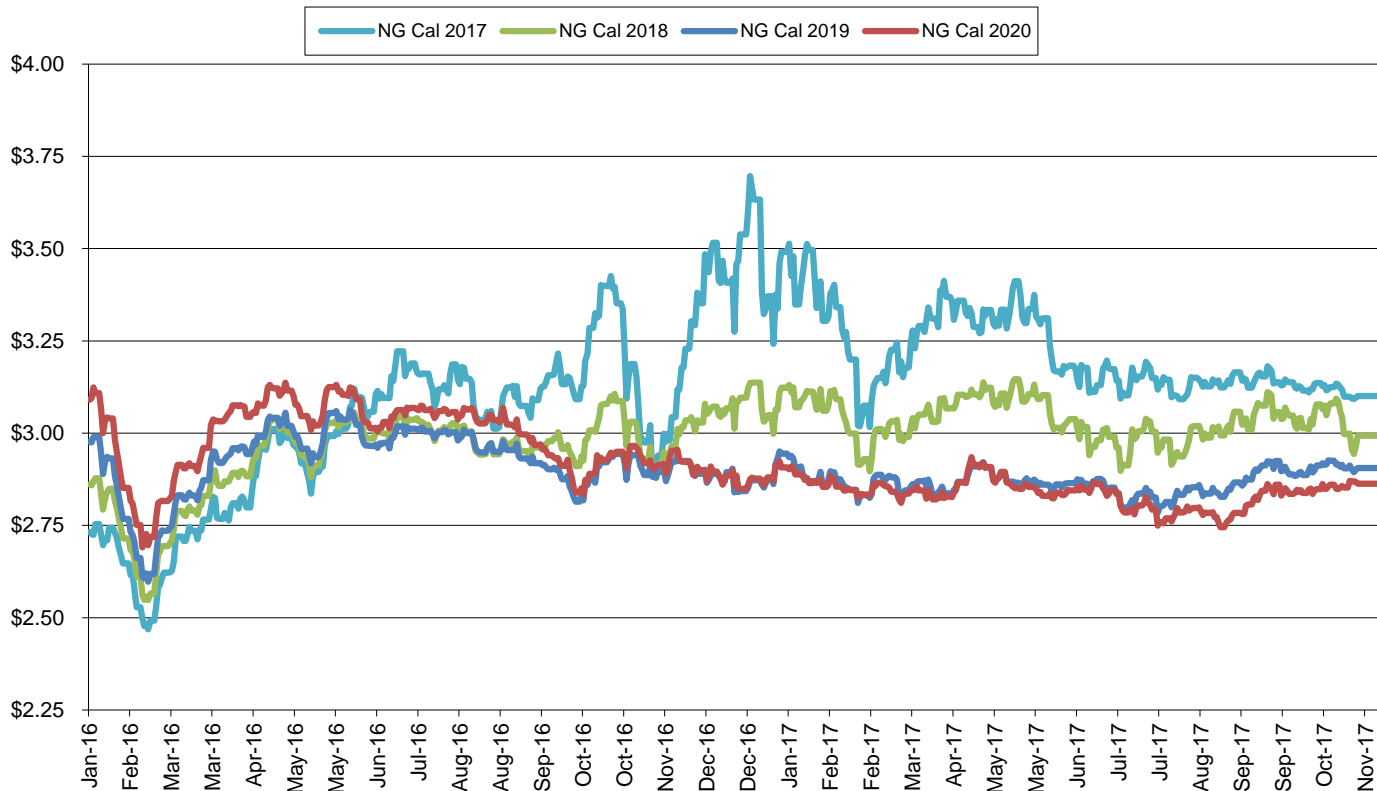
Nuclear Generation: Nuclear generation rose 770 MW in the reference week to 85,462 MW. This is 7,475 MW higher than last year and 6,820 MW higher than the 5-year average. **Recent output was at 85,091 MW.**

- The heating season is beginning. With a forecast through November 17, the 2018 total heating index is at 184 compared to 91 for 2017, 123 for 2016, 271 for 2015, 261 for 2014, 298 for 2013 and 253 for 2012.

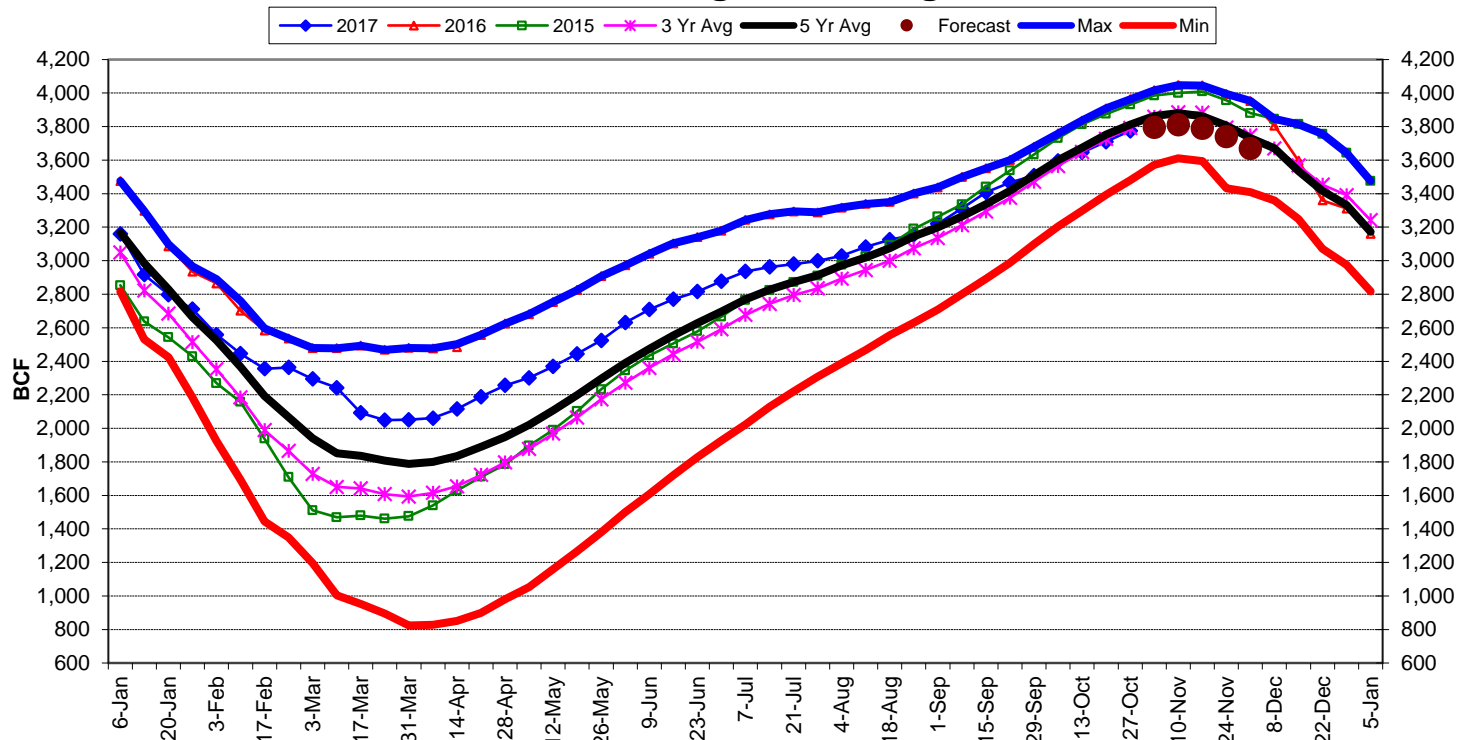
\$/MMBtu Ratio of NYMEX CL and NG



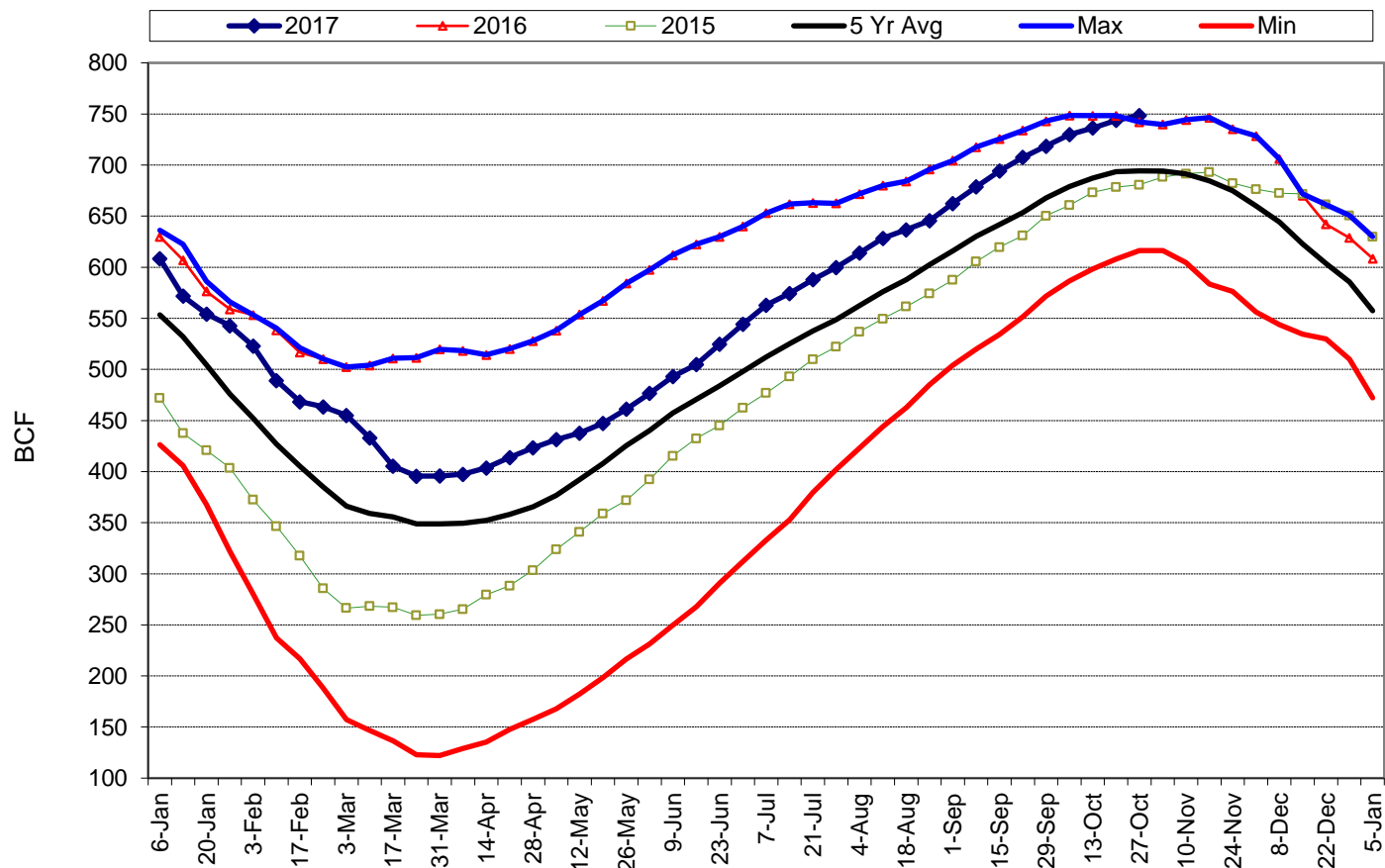
NYMEX Calendar Strips



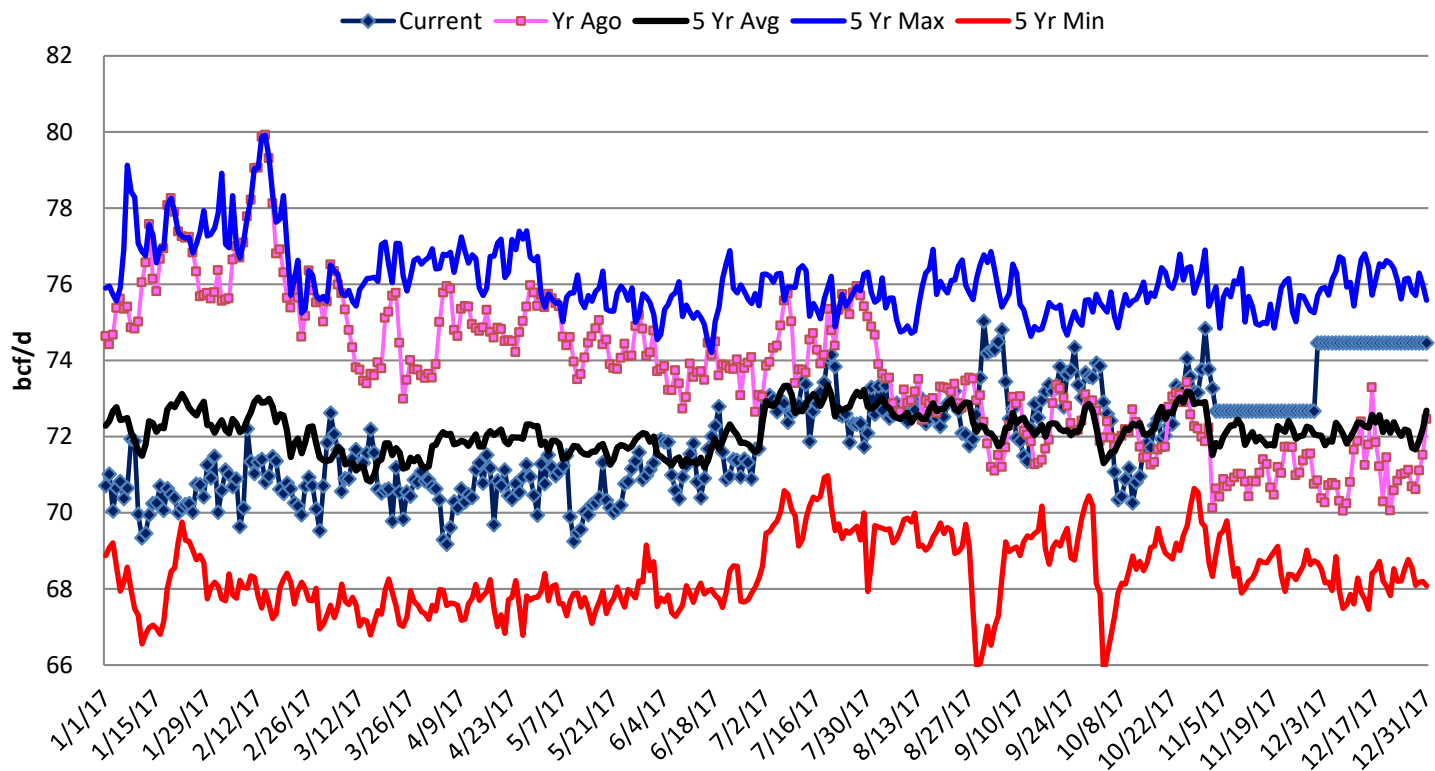
US Total Working Gas Storage - Source - EIA



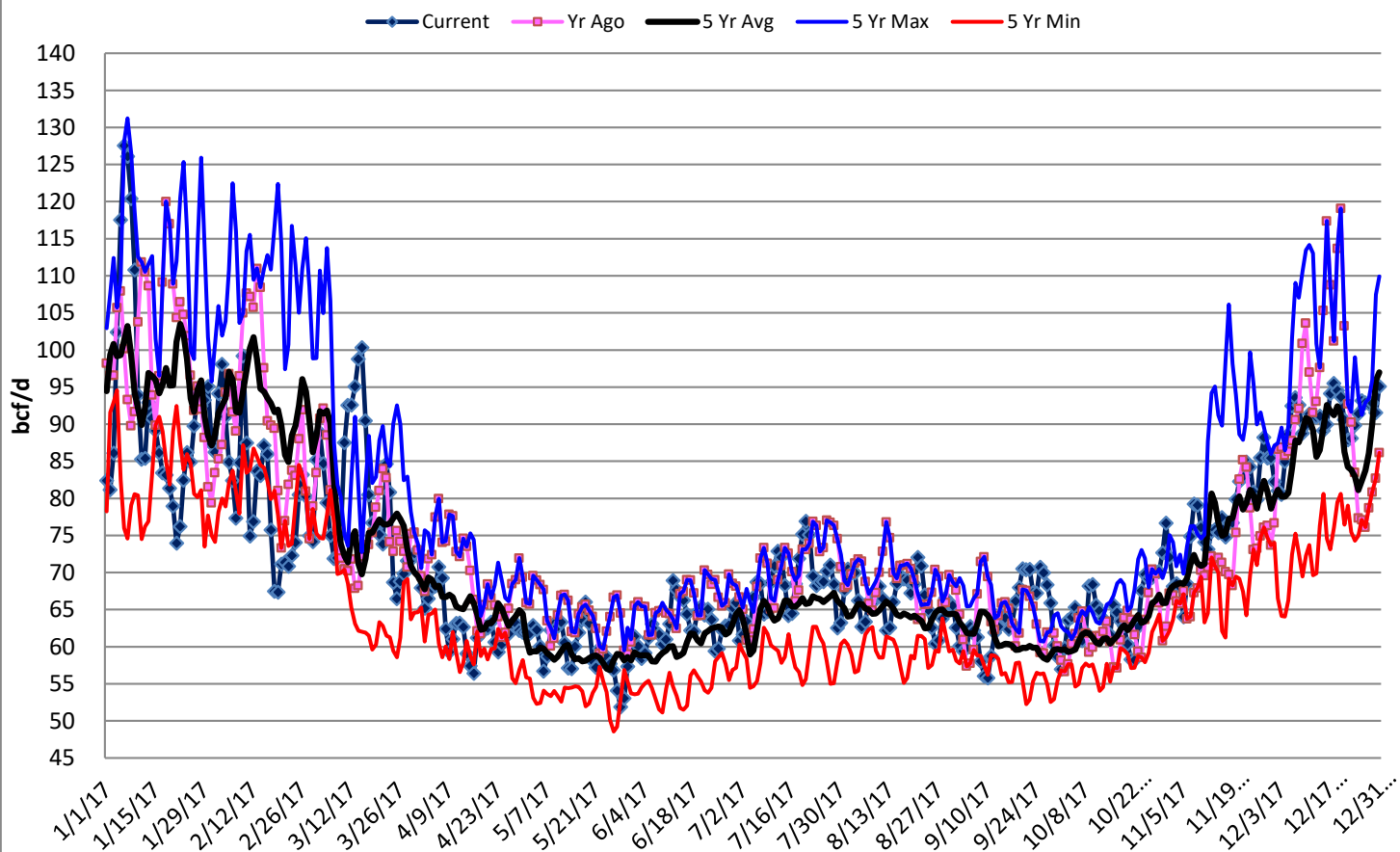
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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