

Kyle Cooper, (713) 248-3009, Kyle.Cooper@iafadvisors.com

Week Ending November 17, 2017

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

Price Action: The December contract fell 11.6 cents (3.6%) to \$3.097 on an 18.5 cent range.

Price Outlook: After the rare inside week two weeks ago, prices posted both a new high and low last week as prices barely eclipsed last week's high and also marginally fell below last week's low. As the impact of temperature forecasts increase, notable price moves are expected in coming weeks. This week's weekly storage report again suggests a very bullish temperature adjusted supply/demand balance and just normal temperatures are projected to produce rather large storage withdrawals. **The current 15-day forecast is warmer than 5 of the previous 10 years.** Updated CFTC data indicated another substantial increase in the managed money net long position with longs adding and shorts covering another large portion of their position. Total combined open interest rose to 3.725 million as of November 14. Aggregated CME futures open interest fell to 1.361 million as of November 17. Open interest in the February \$4.00 call rose 5,759 to 90,482. Open interest in the March \$4.00 call rose 3,891 to 87,990. Open interest in the December \$2.50 put rose 3 to 59,124.

Weekly Storage: US working gas storage for the week ending November 10 indicated a working gas storage withdrawal of (18) bcf. Working gas inventories fell to 3,772 bcf. Current inventories fall (275) bcf (6.8%) below last year and (108) bcf (2.8%) below the 5-year average.

Storage Outlook: Our EIA weekly storage estimate was mathematically 1 bcf larger than the actual EIA implied flow and is within our tolerance range. The 5-week summation of our error fell to 10 bcf and is also within our tolerance. The EIA has reported a net implied flow of +177 bcf over the last 5 weeks compared to our estimated +167 bcf. Last week's inventory of 3,790 bcf will represent the peak for 2017. The forecasts use a 10-year rolling temperature profile past the 15-day forecast.

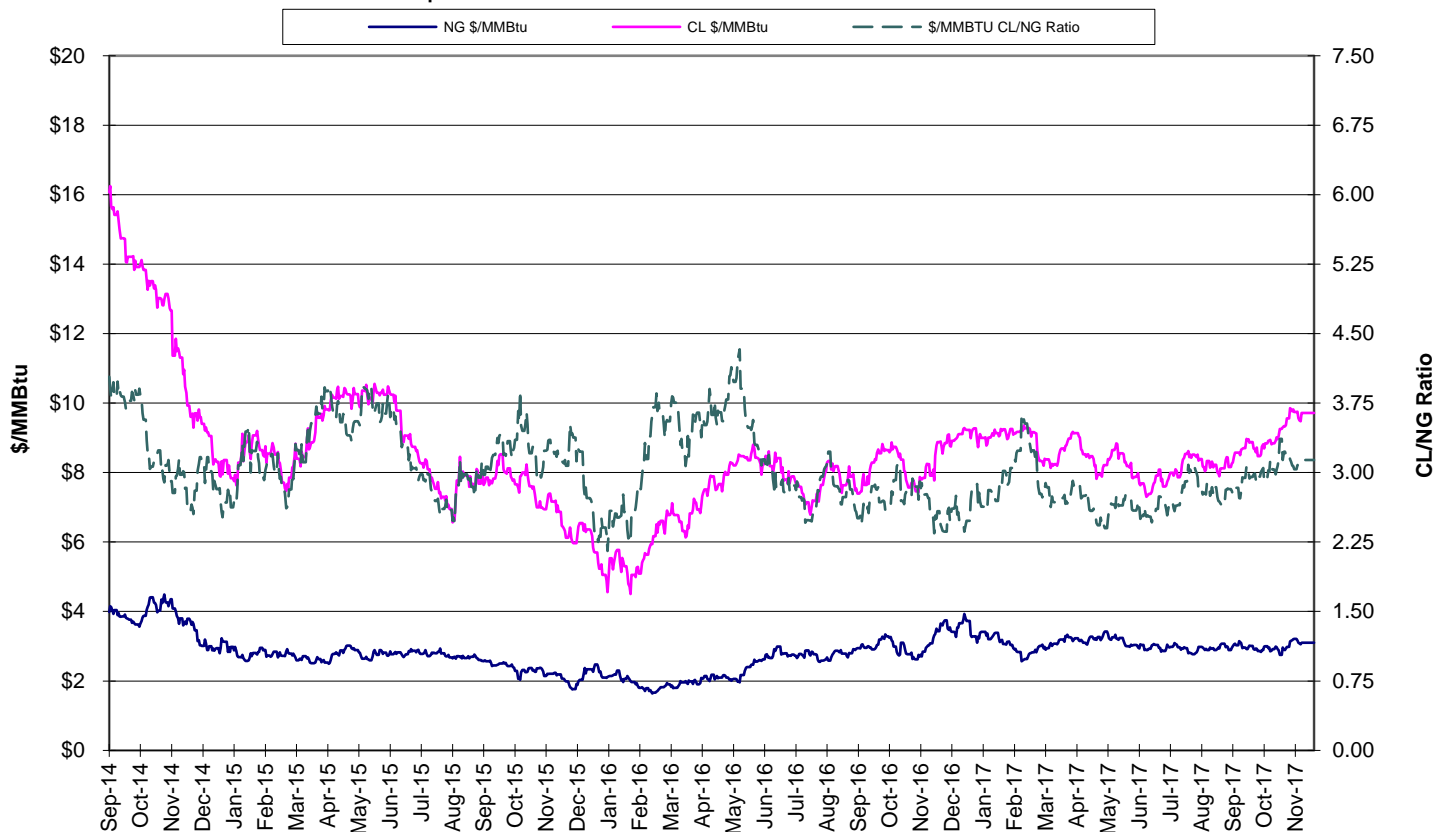
Supply Trends: Total supply rose +0.2 bcf to 73.7 bcf/d. US production rose. Canadian imports slipped while Mexican exports and LNG exports rose. LNG imports were unchanged. The US Baker Hughes rig count rose 8 as natural gas activity rose with oil unchanged. The total US rig count now stands at 915. The Canadian rig count rose 5 to 208. Thus, the total North American rig count rose 13 to 1,123 and now exceeds last year by 351. **The higher efficiency US horizontal rig count was unchanged at 776 and rises 306 above last year.**

Demand Trends: Total demand rose 4.1 bcf/d to 75.5 bcf/d. Demand in all sectors rose. Electricity demand rose 2,358 gigawatt-hrs to 72,411 which exceeds last year by 4,324 (6.4%) and the 5-year average by 1,898 (2.7%).

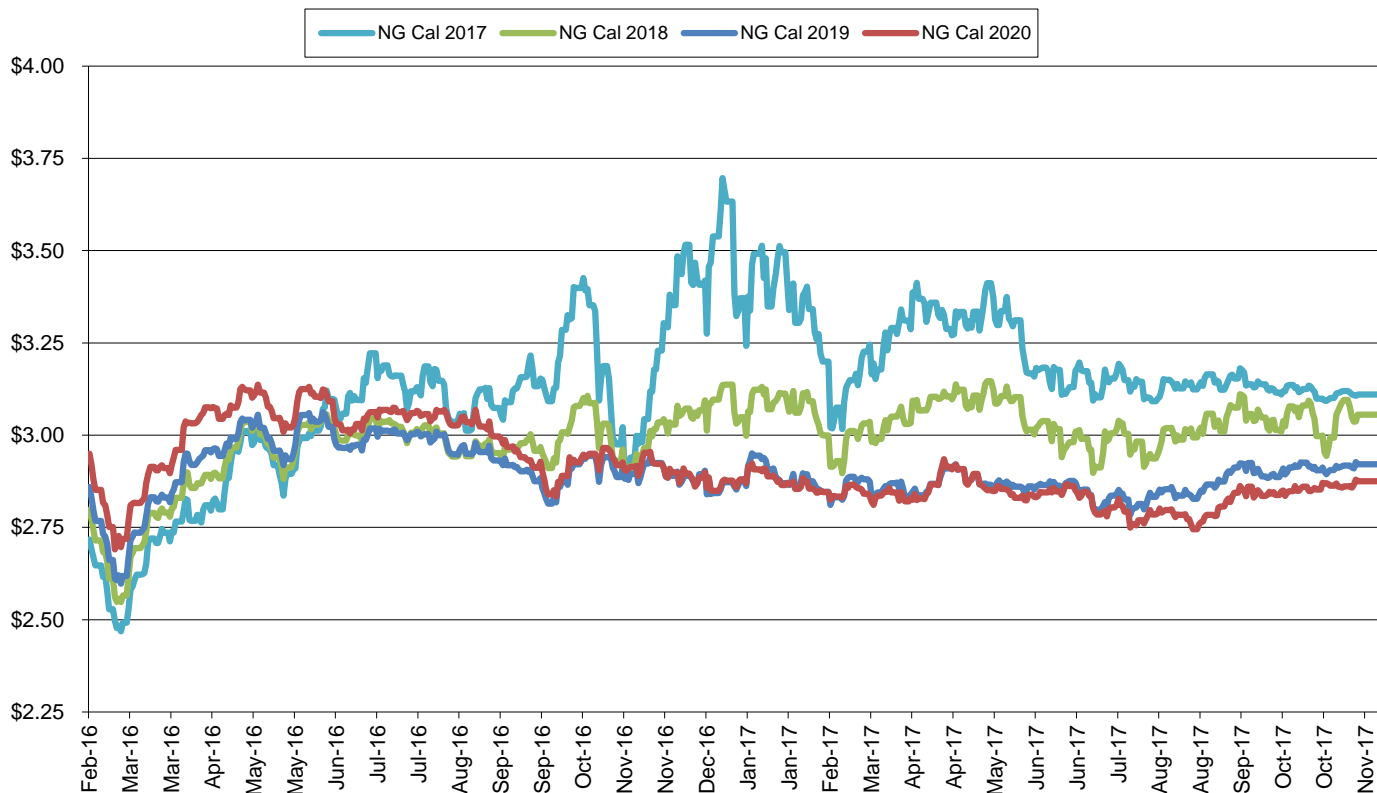
Nuclear Generation: Nuclear generation fell 120 MW in the reference week to 84,061 MW. This is 3,229 MW higher than last year and 4,592 MW higher than the 5-year average. **Recent output was at 90,249 MW.**

- The heating season has begun. With a forecast through December 1 the 2018 total heating index is at 456 compared to 254 for 2017, 340 for 2016, 532 for 2015, 534 for 2014, 500 for 2013, 410 for 2012 and 447 for 2011.

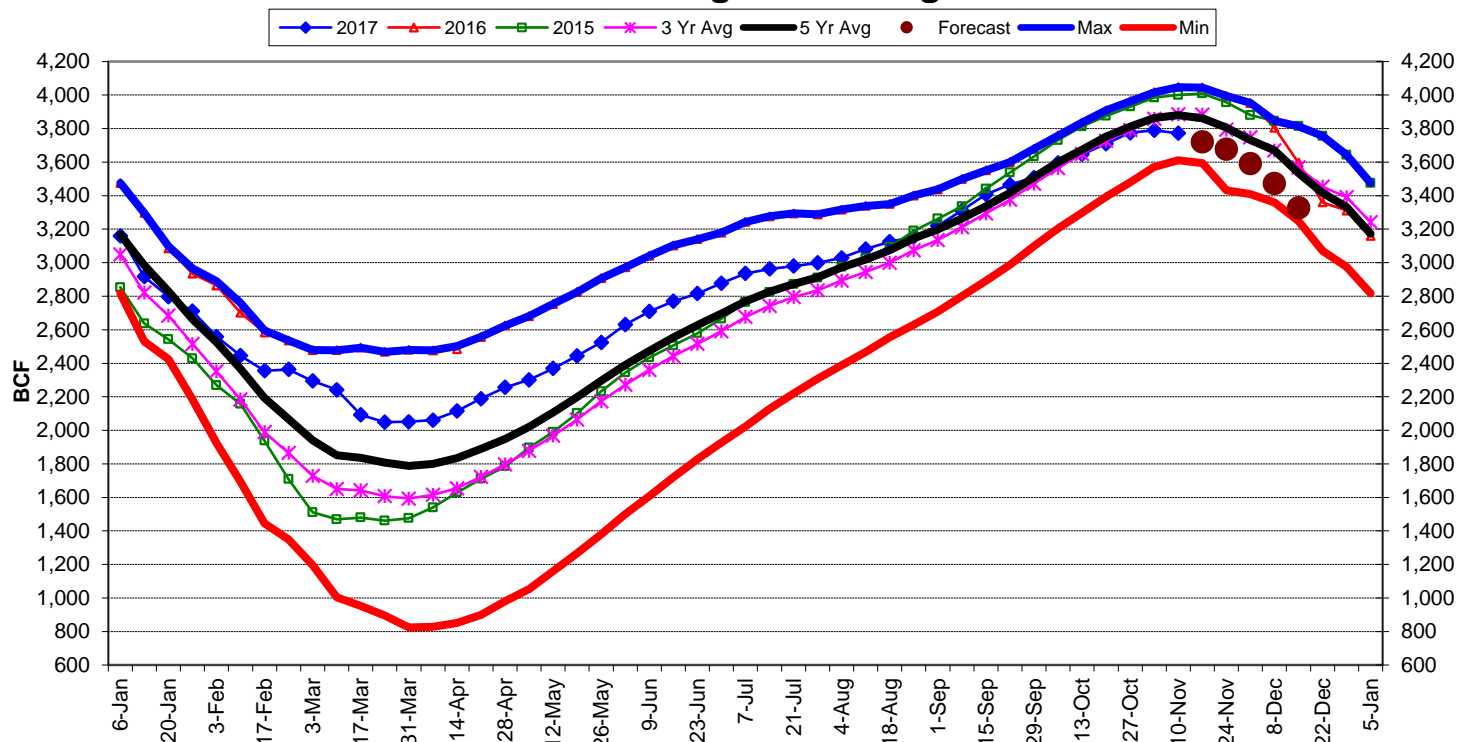
\$/MMBtu Ratio of NYMEX CL and NG



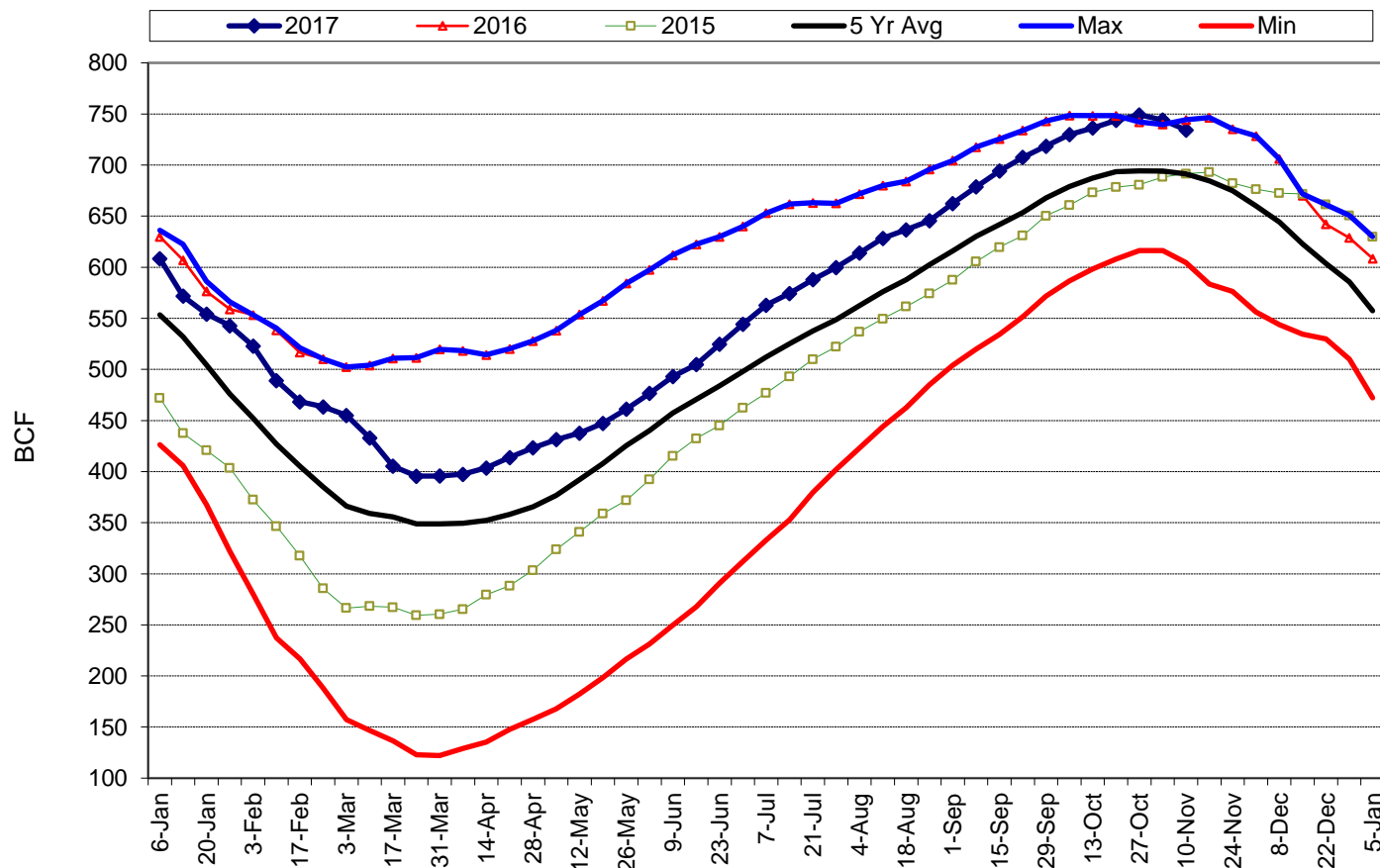
NYMEX Calendar Strips



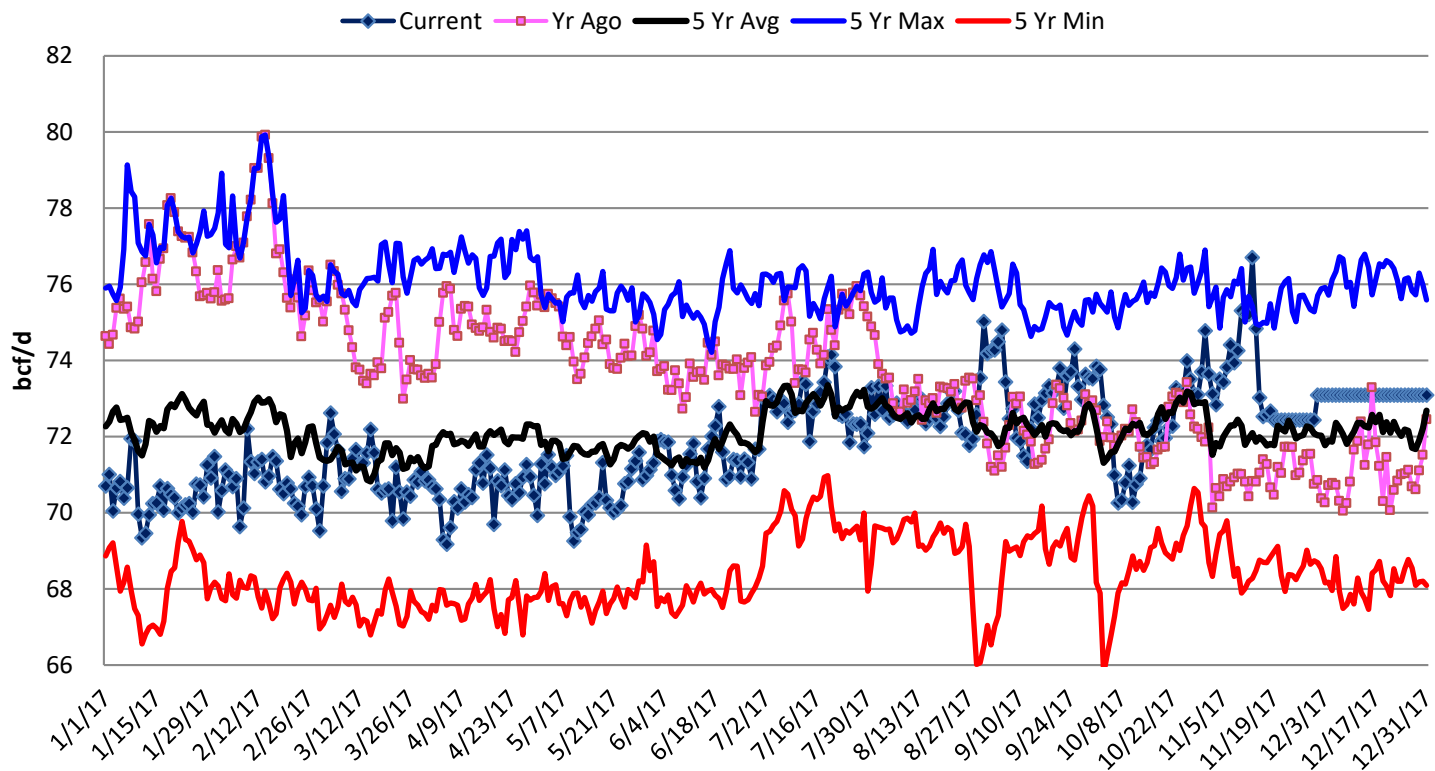
US Total Working Gas Storage - Source - EIA



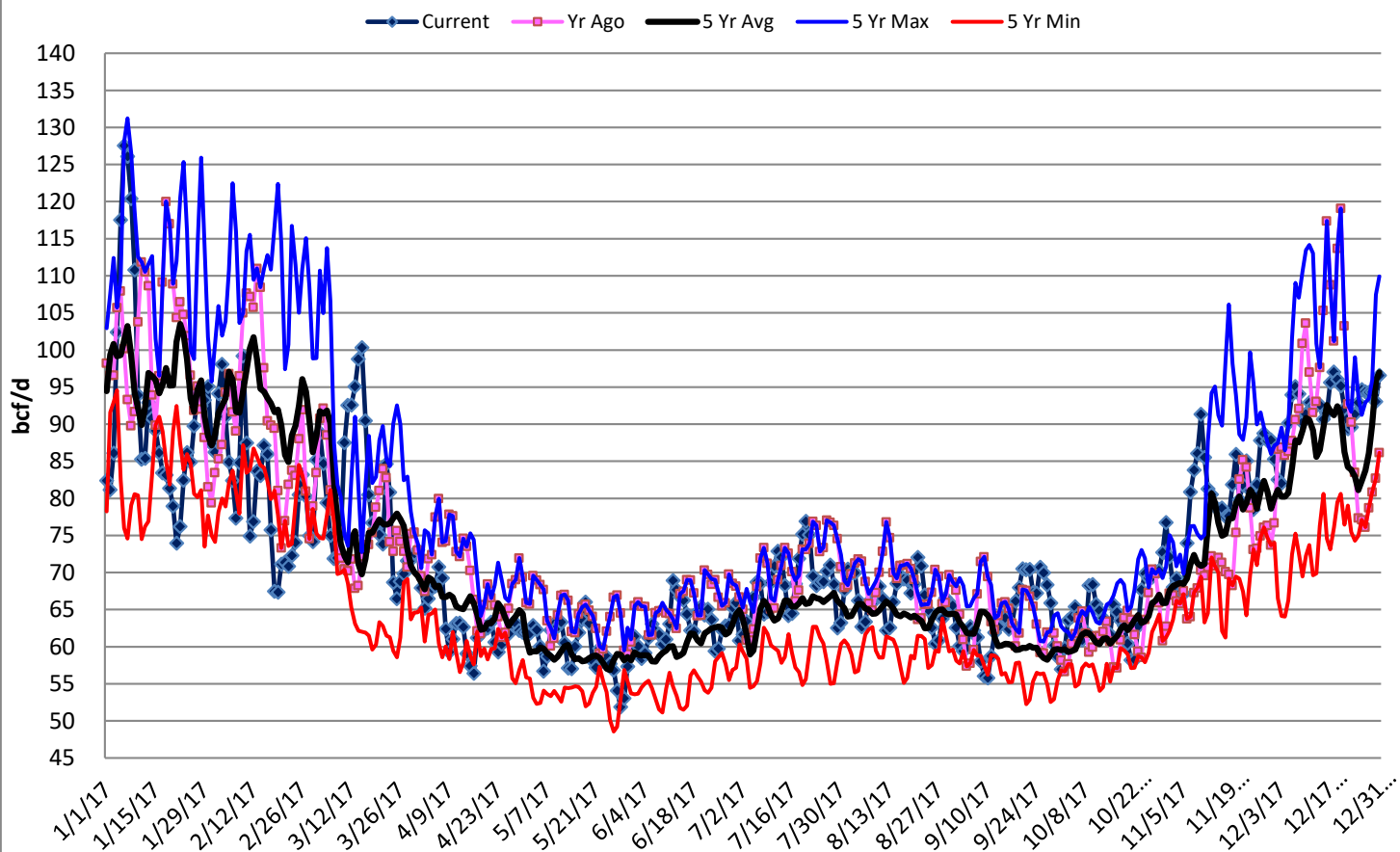
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any commodity, futures contract, equity, bond or option contract on any other financial asset. IAF Advisors does not provide investment, financial, tax, or other advice, nor does it operate as a broker-dealer. IAF Advisors does not recommend the purchase or sale of any particular security or securities. Although any statements of fact in this report have been obtained from and are based upon sources that IAF Advisors believes to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. IAF Advisors, its officers and/or employees, may at any time have a long and/or short position in any commodity, futures contract, equity, bond or option contract on any other financial asset mentioned in this report. All opinions and estimates included in this report constitute IAF Advisors judgment as of the date of this report and are subject to change without notice.

© 2017 IAF Advisors