

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

Week Ending December 1, 2017

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

Price Action: The January contract rose 14.5 cents (5.0%) to \$3.061 on a 24.7 cent range.

Price Outlook: Prices rebounded as weather forecasts indicated an end to the current incredibly bearish temperatures. Although record US production remains a bearish well known factor, the demand implications of normal to below normal temperatures will vastly exceed the year on year supply increases. At the same time, higher LNG and Mexican imports somewhat offset the higher US production. Overall, the temperature adjusted supply/demand is considered slightly bearish to last year while still quite bullish to the 5-year average. **The current 15-day forecast is warmer than 6 of the previous 10 years.** CFTC data indicated a large decrease in the managed money net long position as longs slightly increased, but a huge number of shorts were added. Total open interest rose to 3.771 million as of November 28. Aggregated CME futures open interest rose to 1.459 million as of December 1, the highest since June 13. Open interest in the February \$4.00 call rose +7,403 to 97,261. Open interest in the January \$3.50 call rose +39,343 to 86,486. Open interest in the January \$2.75 put rose +15,572 to 54,657.

Weekly Storage: US working gas storage for the week ending November 24 indicated a working gas storage withdrawal of (33) bcf. Working gas inventories fell to 3,693 bcf. Current inventories fall (302) bcf (7.6%) below last year and (114) bcf (3.0%) below the 5-year average.

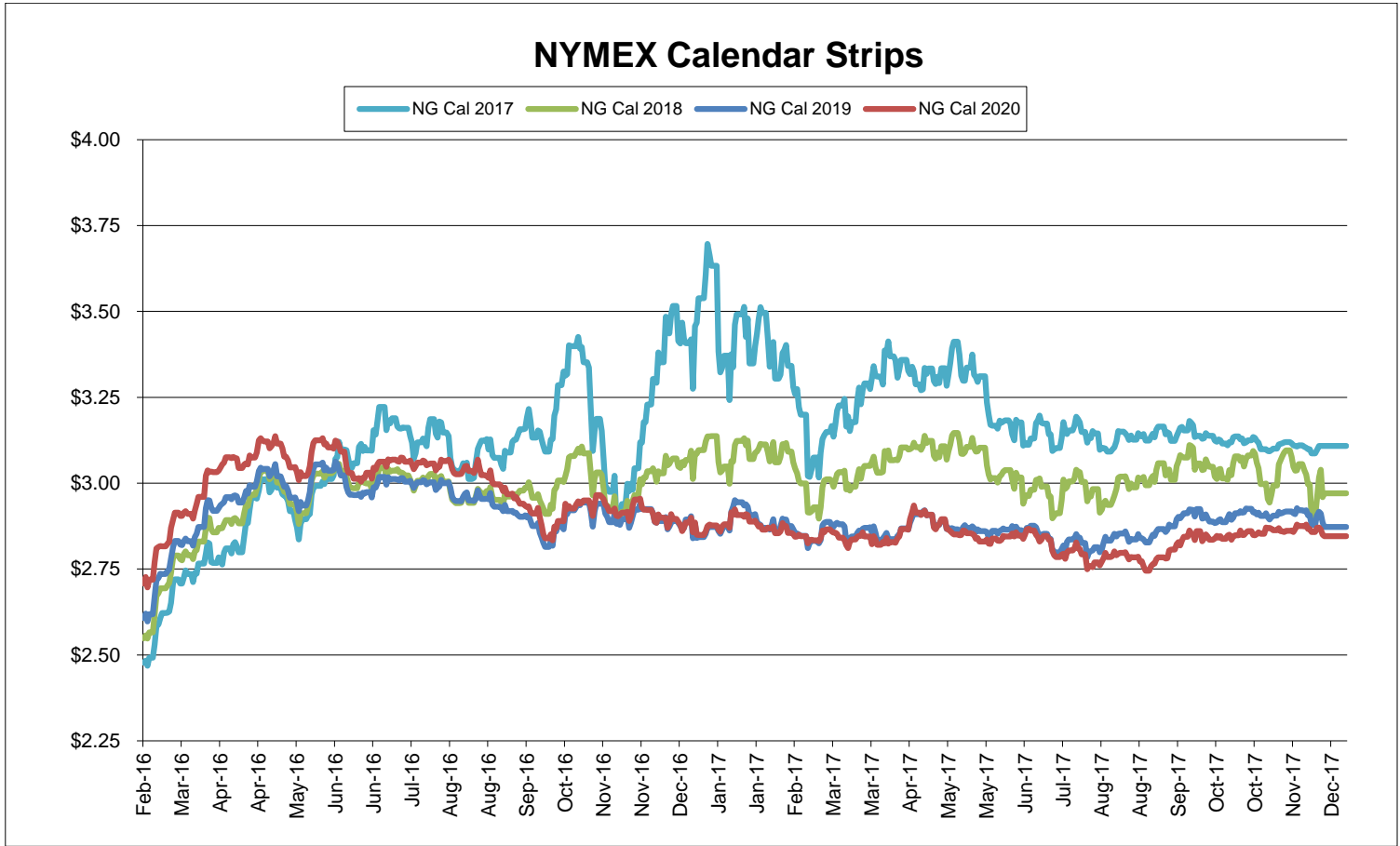
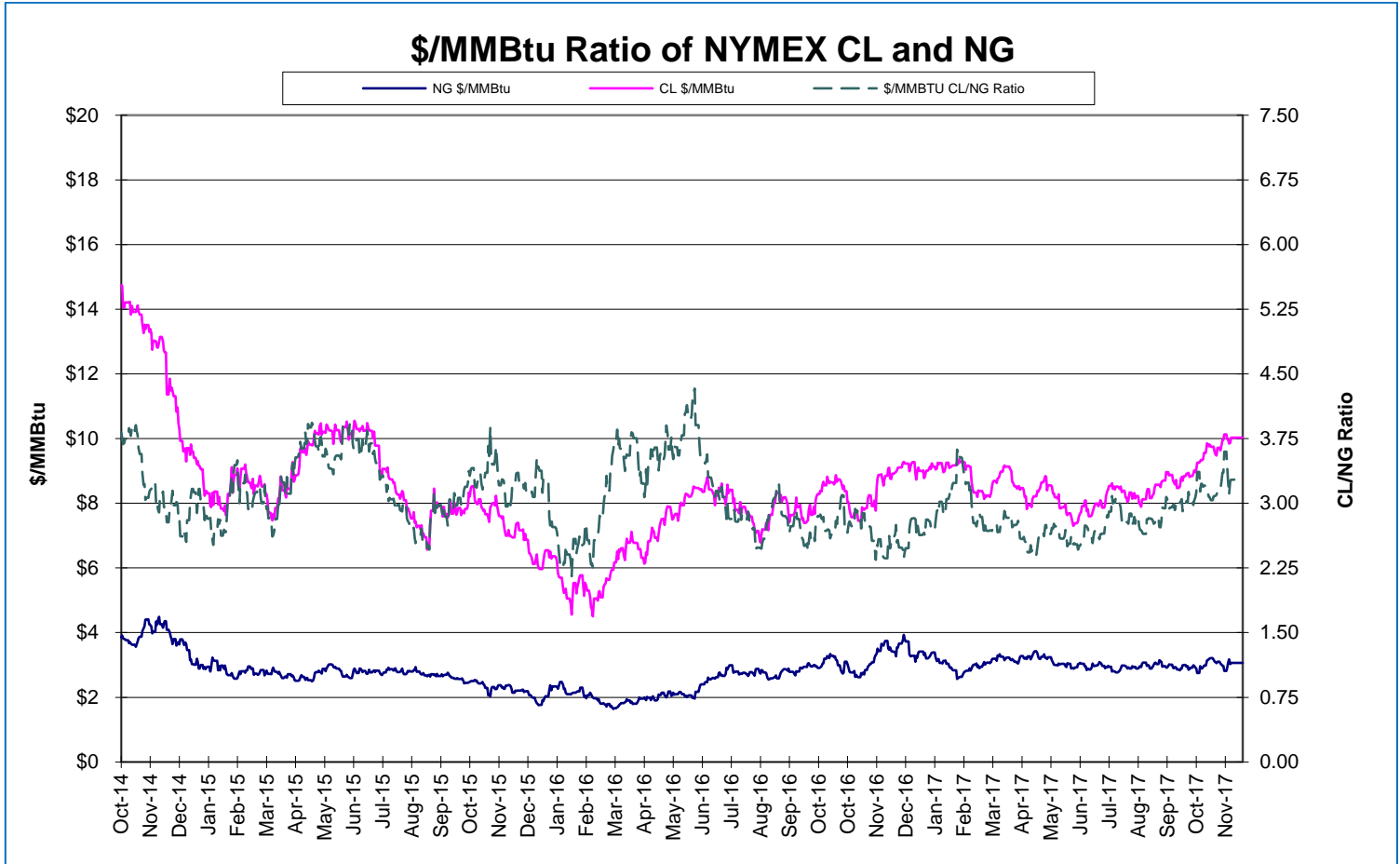
Storage Outlook: Our EIA weekly storage estimate was exactly equal to the actual EIA implied flow and is welcomed. The 5-week summation of our error fell to 7 bcf and is also within our tolerance. The EIA has reported a net implied flow of (17) bcf over the last 5 weeks compared to our estimated (24) bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast.

Supply Trends: Total supply fell (1.2) bcf to 73.5 bcf/d. US production and Canadian imports fell. Mexican exports and LNG exports rose. LNG imports were unchanged. The US Baker Hughes rig count rose +8 with oil activity higher and natural gas lower. The US Baker Hughes rig count rose +6 with both oil and natural gas activity higher. The total US rig count now stands at 929. The Canadian rig count rose +7 to 222. Thus, the total North American rig count rose +13 to 1,151 and now exceeds last year by 354. **The higher efficiency US horizontal rig count rose 6 to 792 and rises 307 above last year.**

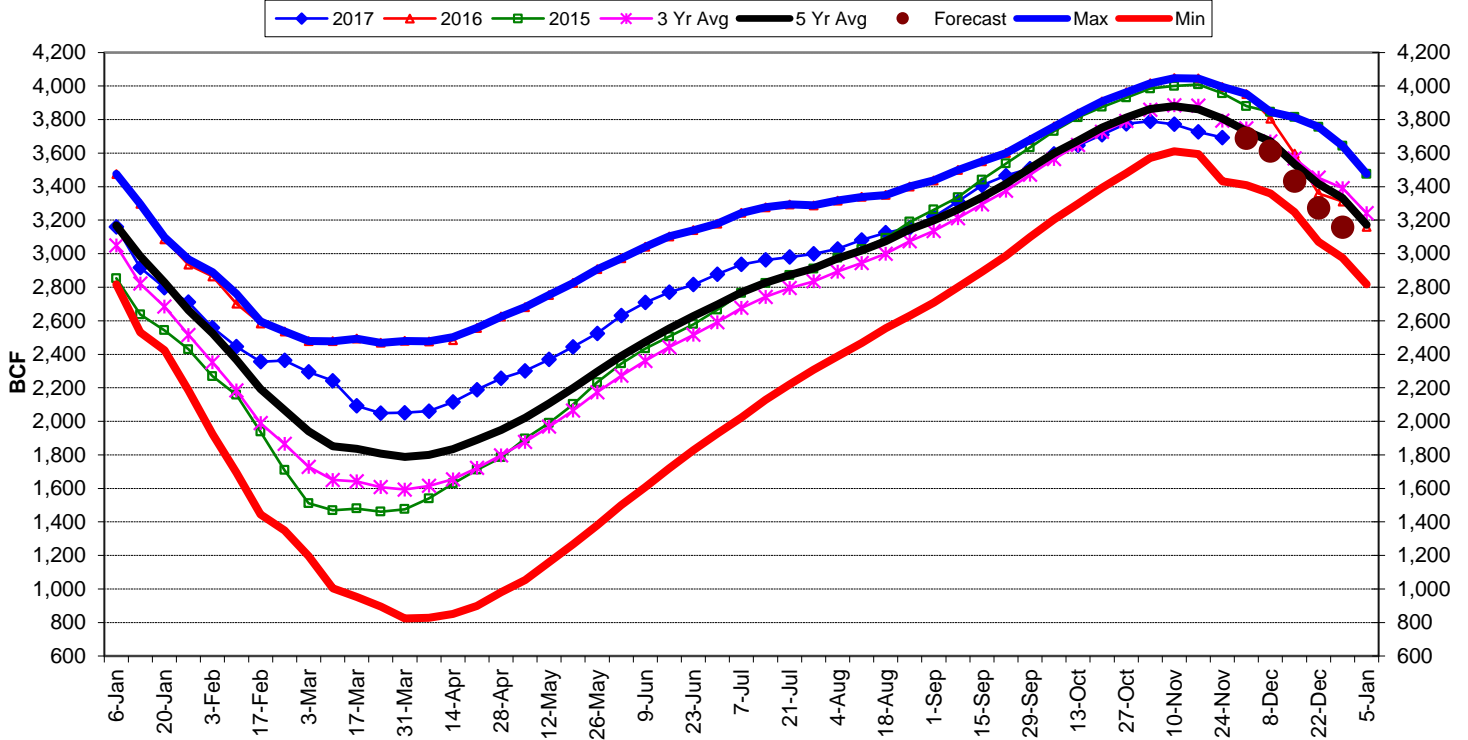
Demand Trends: Total demand fell (3.7) bcf/d to 78.3 bcf/d. All sectors were lower. Electricity demand fell (3,175) gigawatt-hrs to 69,503 which exceeds last year by +1,296 (1.9%) and trails the 5-year average by (835) (1.2%).

Nuclear Generation: Nuclear generation rose +2,294 MW in the reference week to 91,214 MW. This is +1,394 MW higher than last year and +5,243 MW higher than the 5-year average. **Recent output was at 92,845 MW.**

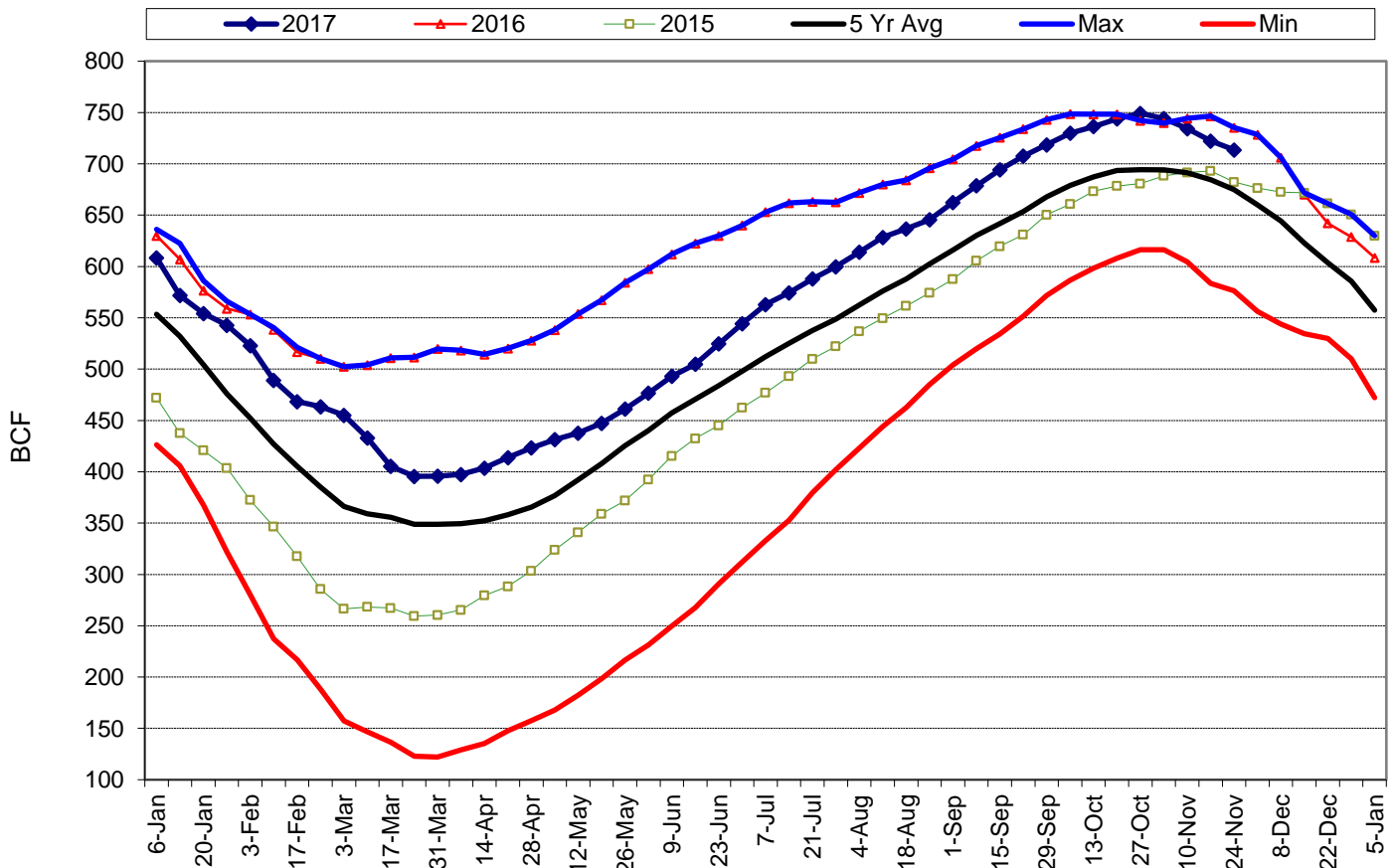
- The heating season has begun. With a forecast through December 15 the 2018 total heating index is at 714 compared to 554 for 2017, 502 for 2016, 755 for 2015, 846 for 2014, 673 for 2013, 679 for 2012 and 812 for 2011.



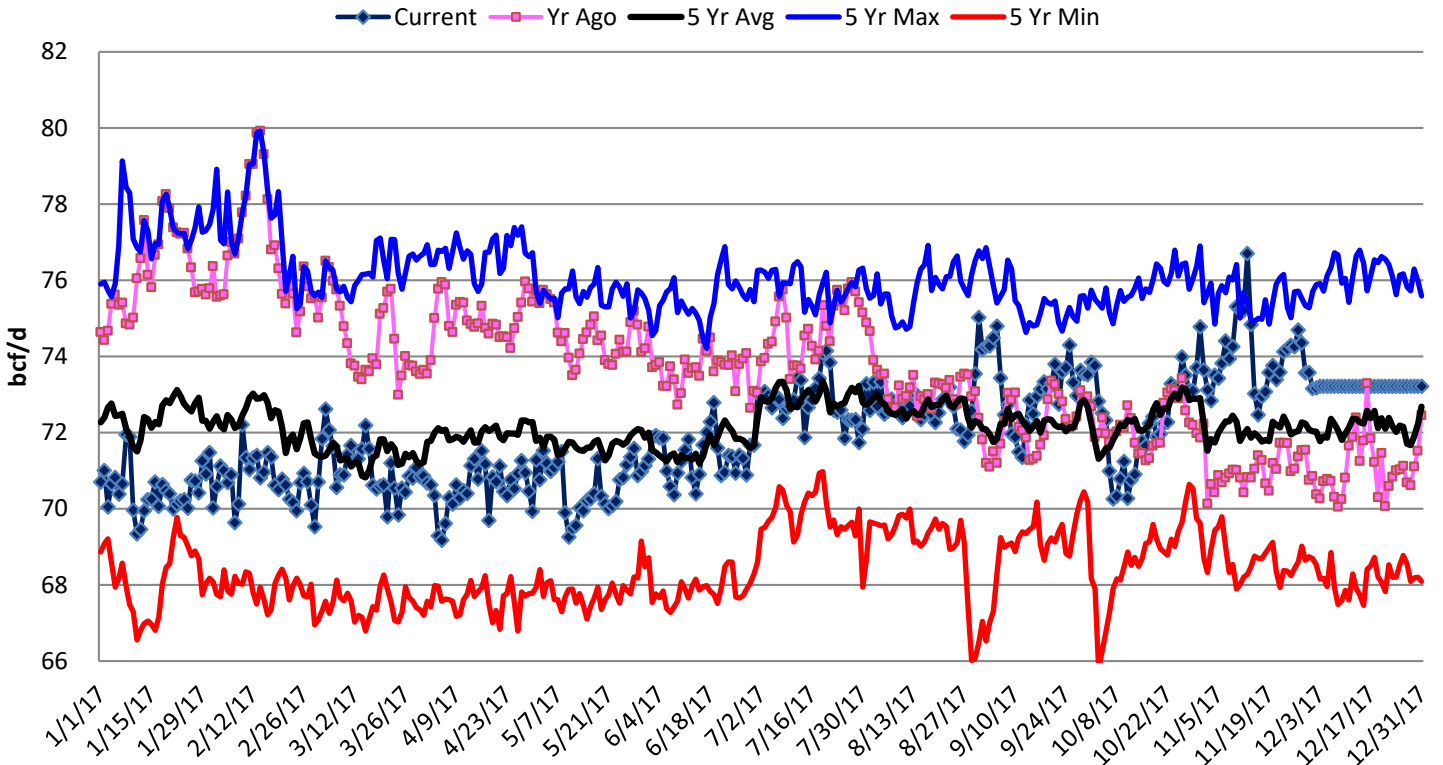
US Total Working Gas Storage - Source - EIA



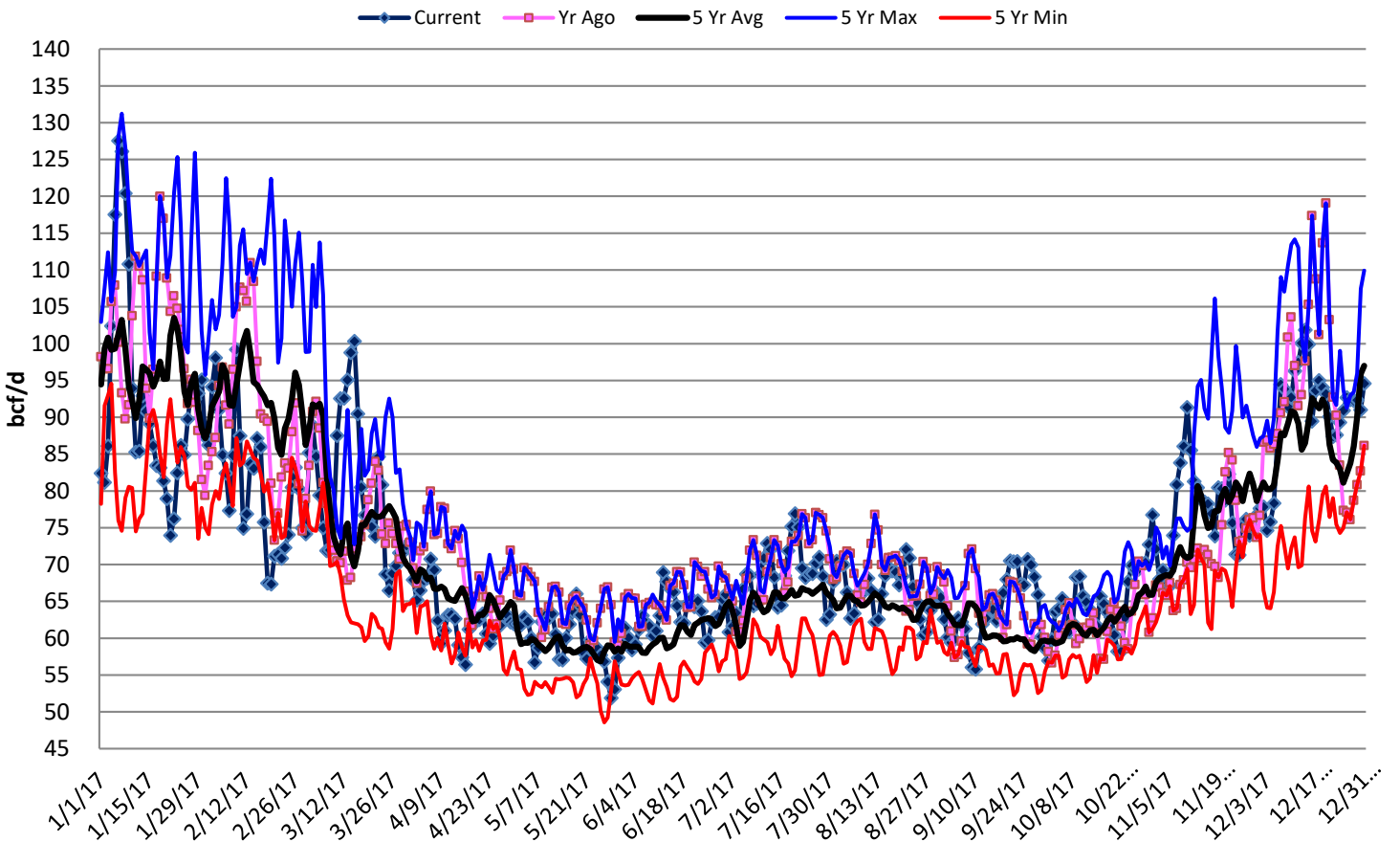
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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