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Week Ending December 15, 2017

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

Price Action: The January contract fell 16.0 cents (5.8%) to \$2.612 on a 26.7 cent range (\$2.848/\$2.581).

Price Outlook: Prices continued to slide despite bullish overall weather updates. However, withdrawals this time last year were very large and the storage deficit is expected to contract noticeably in the near term. While simplistic, the change in the yearly storage deficit/surplus typically has profound price implications. Thus, while the near-term storage comparison will be bearish, storage comparisons in January and February, except for one week, will likely be incredibly bullish. There was actually a net injection last year in February. **The current 15-day forecast is cooler than 6 of the previous 10 years.** CFTC data indicated a massive decrease in the managed money net long position as longs liquidated and shorts surged to the highest since June 21, 2016. The net long position is the smallest since August 23, 2016. Total open interest rose to 3.969 million as of December 12. Aggregated CME futures open interest fell to 1.530 million as of December 15. Open interest in the February \$4.00 call rose +6,979 to 113,199. Open interest in the February \$3.50 call rose +13,162 to 93,427. Open interest in the January \$2.75 put fell (3,809) to 52,984.

Weekly Storage: US working gas storage for the week ending December 8 indicated a working gas storage withdrawal of (69) bcf. Working gas inventories fell to 3,626 bcf. Current inventories fall (180) bcf (4.7%) below last year and (44) bcf (1.2%) below the 5-year average.

Storage Outlook: Our EIA weekly storage estimate was 8 bcf from the actual EIA implied flow and is above our tolerance. The 5-week summation of our error fell to 3 bcf and is within our tolerance. The EIA has reported a net implied flow of (164) bcf over the last 5 weeks compared to our estimated (161) bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast.

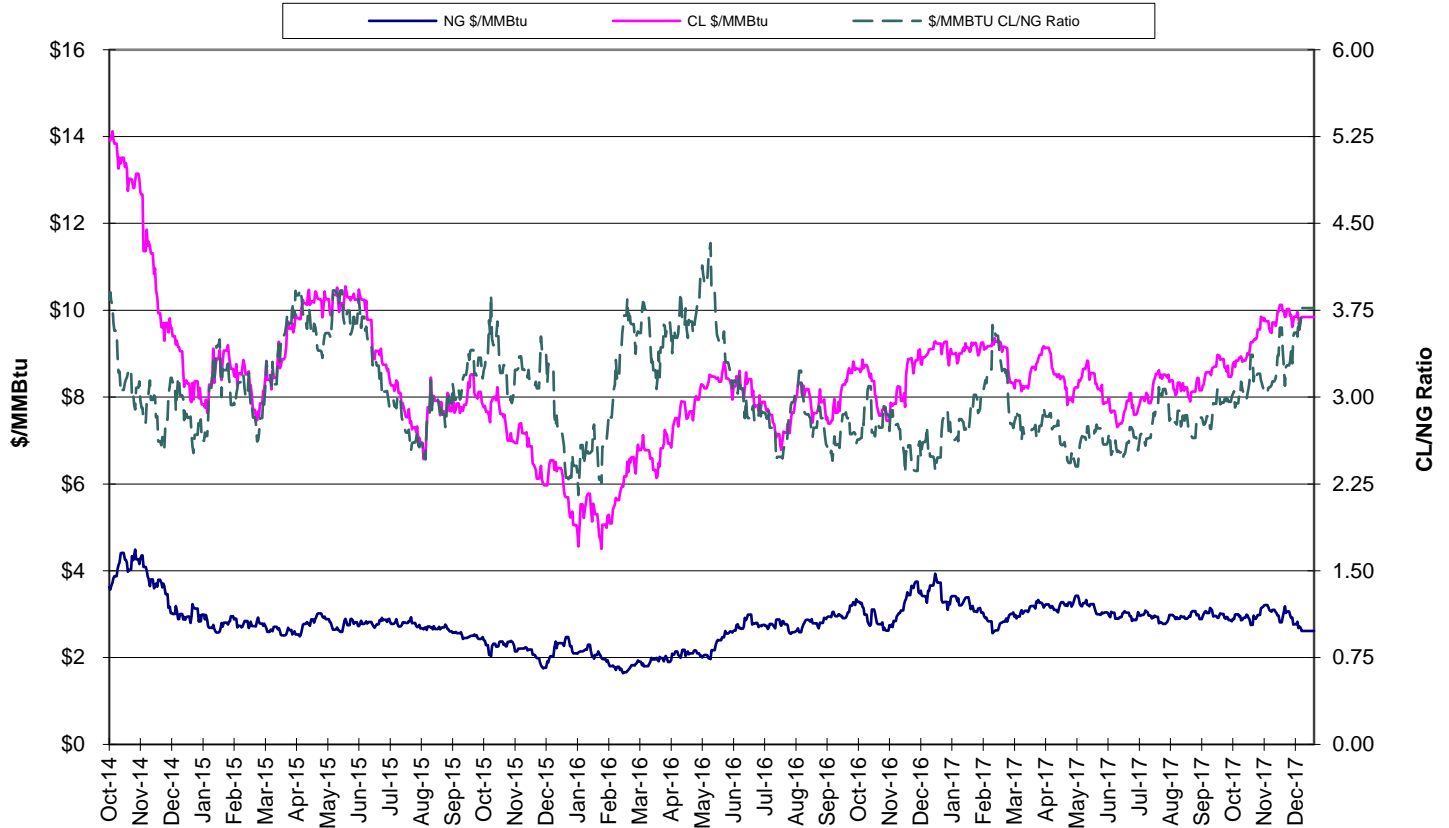
Supply Trends: Total supply rose +0.3 bcf to 74.2 bcf/d. Canadian imports rose and Mexican exports fell. US production fell. LNG exports and LNG imports were unchanged. The US Baker Hughes rig count rose +2 with oil activity higher and natural gas unchanged. The US Baker Hughes rig count fell (1) with oil activity lower and natural gas higher. The total US rig count now stands at 930. The Canadian rig count rose +19 to 238. Thus, the total North American rig count rose +18 to 1,168 and now exceeds last year by 297. **The higher efficiency US horizontal rig count rose 5 to 801 and rises 289 above last year.**

Demand Trends: Total demand rose +8.4 bcf/d to 82.3 bcf/d. All sectors were higher. Electricity demand rose 5,618 gigawatt-hrs to 77,666 which trails last year by (1,399) (1.8%) and exceeds the 5-year average by +2,391 (3.2%).

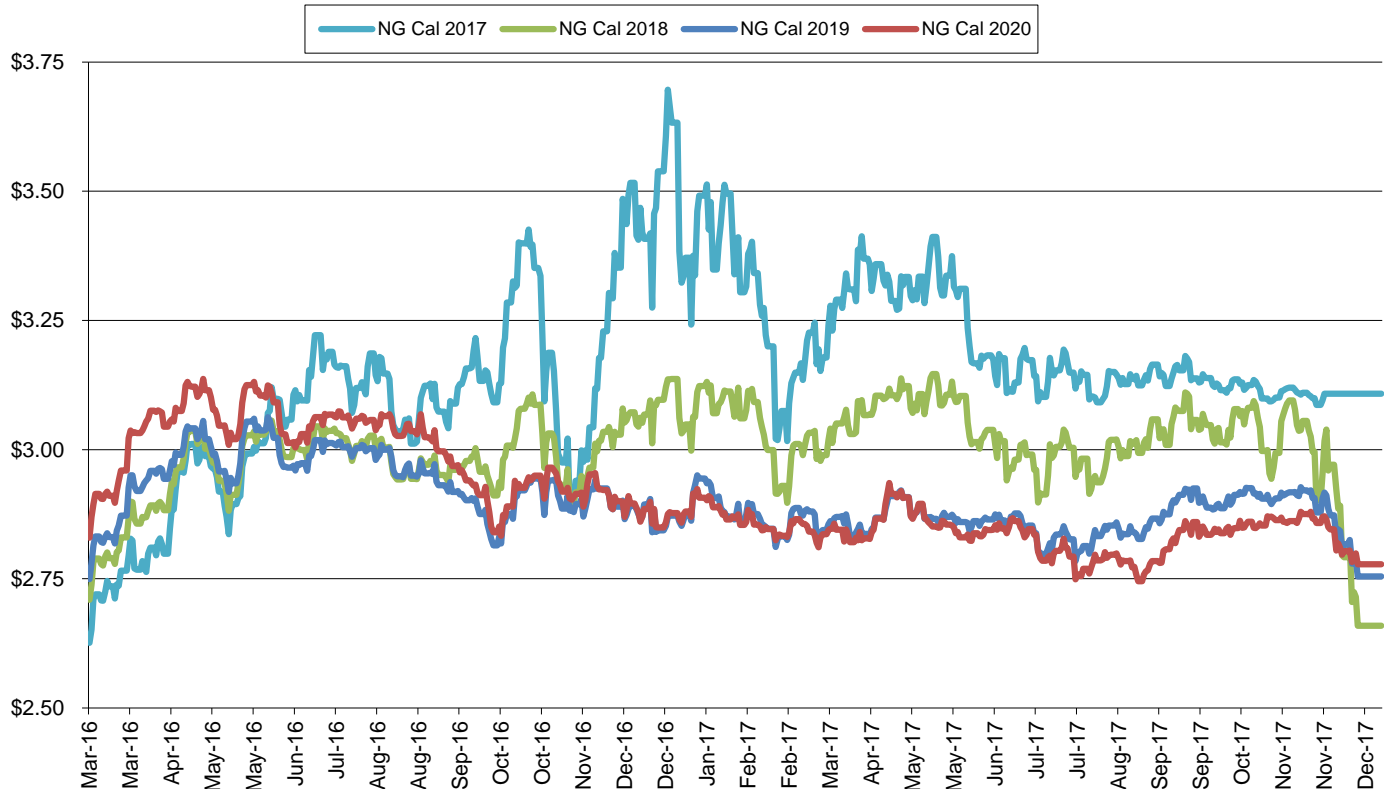
Nuclear Generation: Nuclear generation rose +2,330 MW in the reference week to 93,697 MW. This is +3,481 MW higher than last year and +3,943 MW higher than the 5-year average. **Recent output was at 93,234 MW.**

- The heating season is full swing. With a forecast through December 29 the 2018 total heating index is at 1,044 compared to 848 for 2017, 704 for 2016, 983 for 2015, 1,153 for 2014, 958 for 2013, 963 for 2012 and 1,146 for 2011.

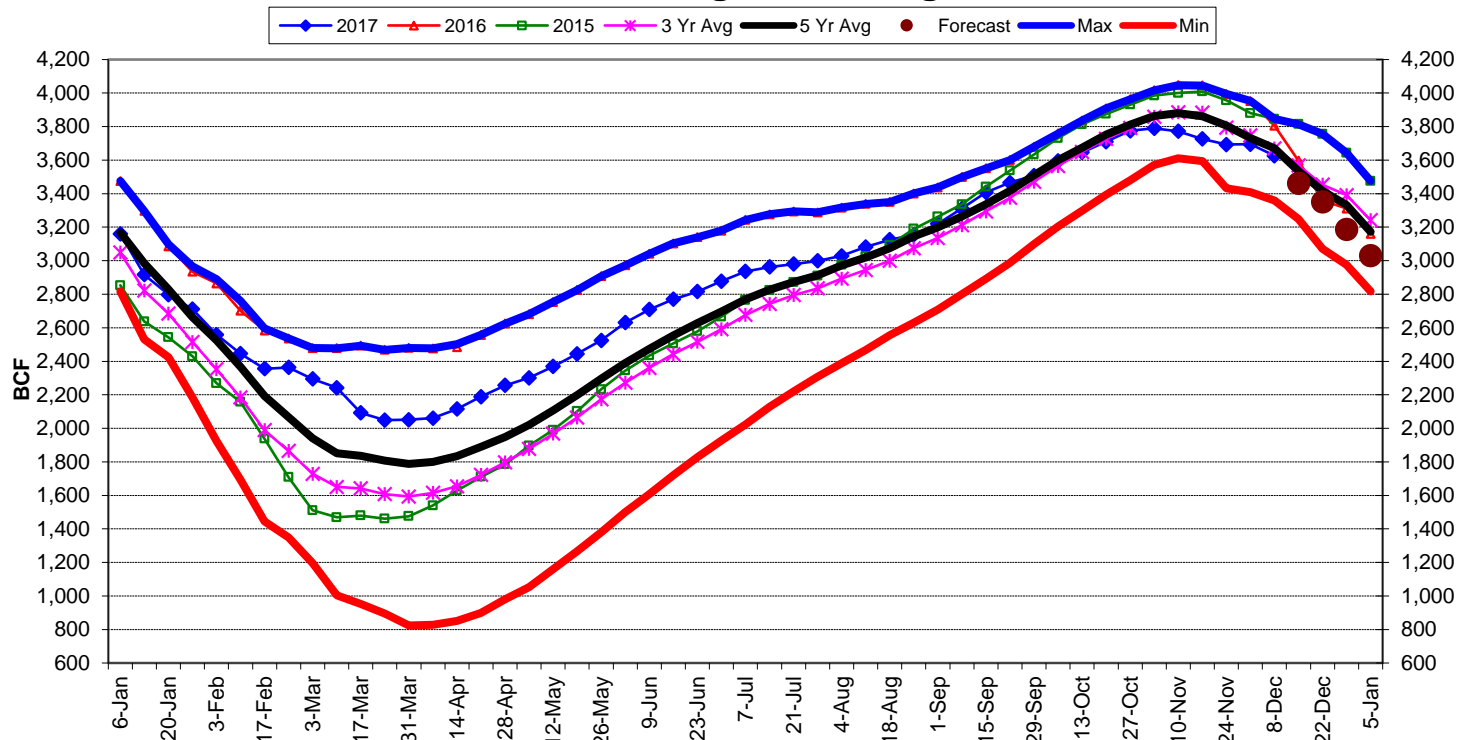
\$/MMBtu Ratio of NYMEX CL and NG



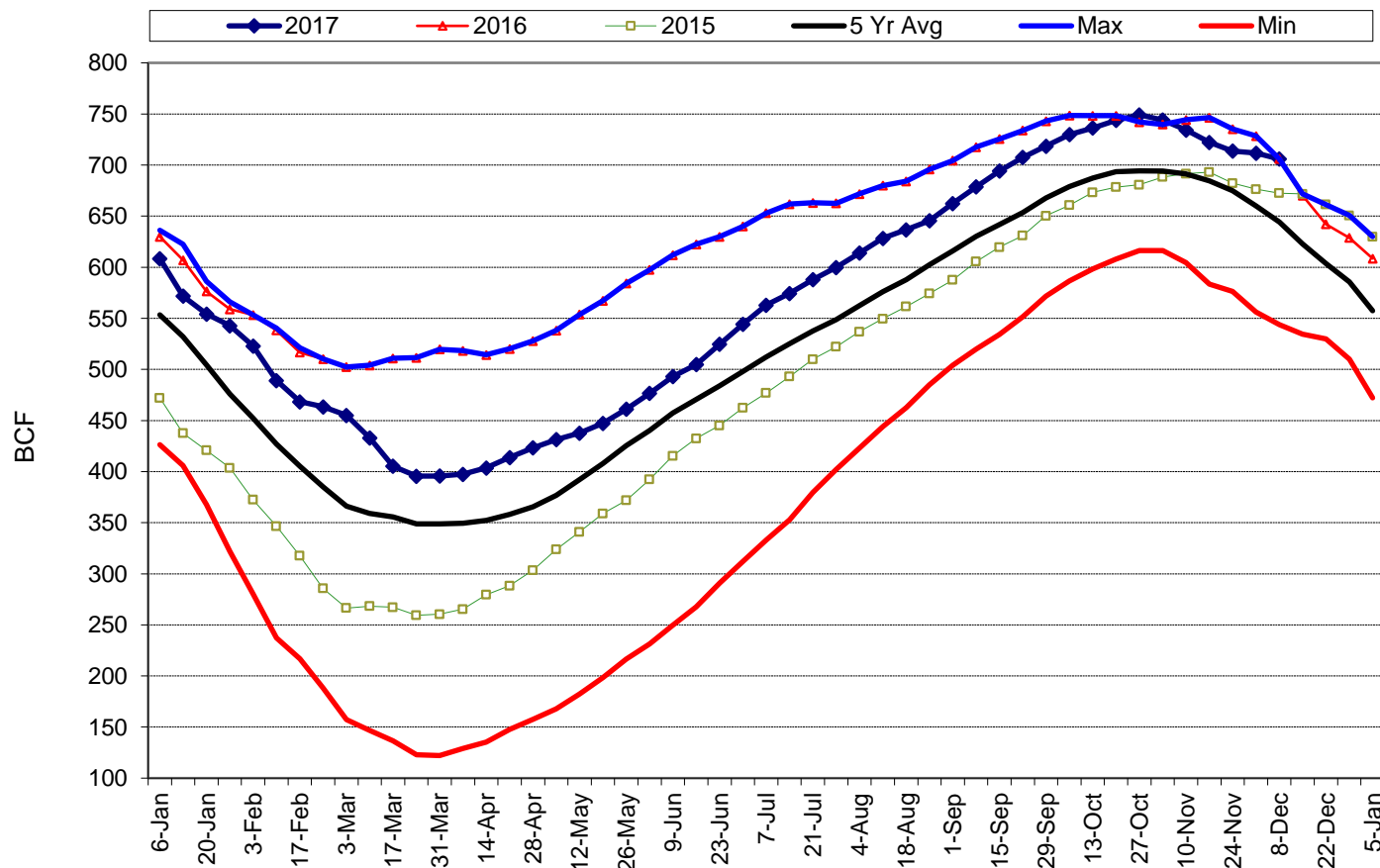
NYMEX Calendar Strips



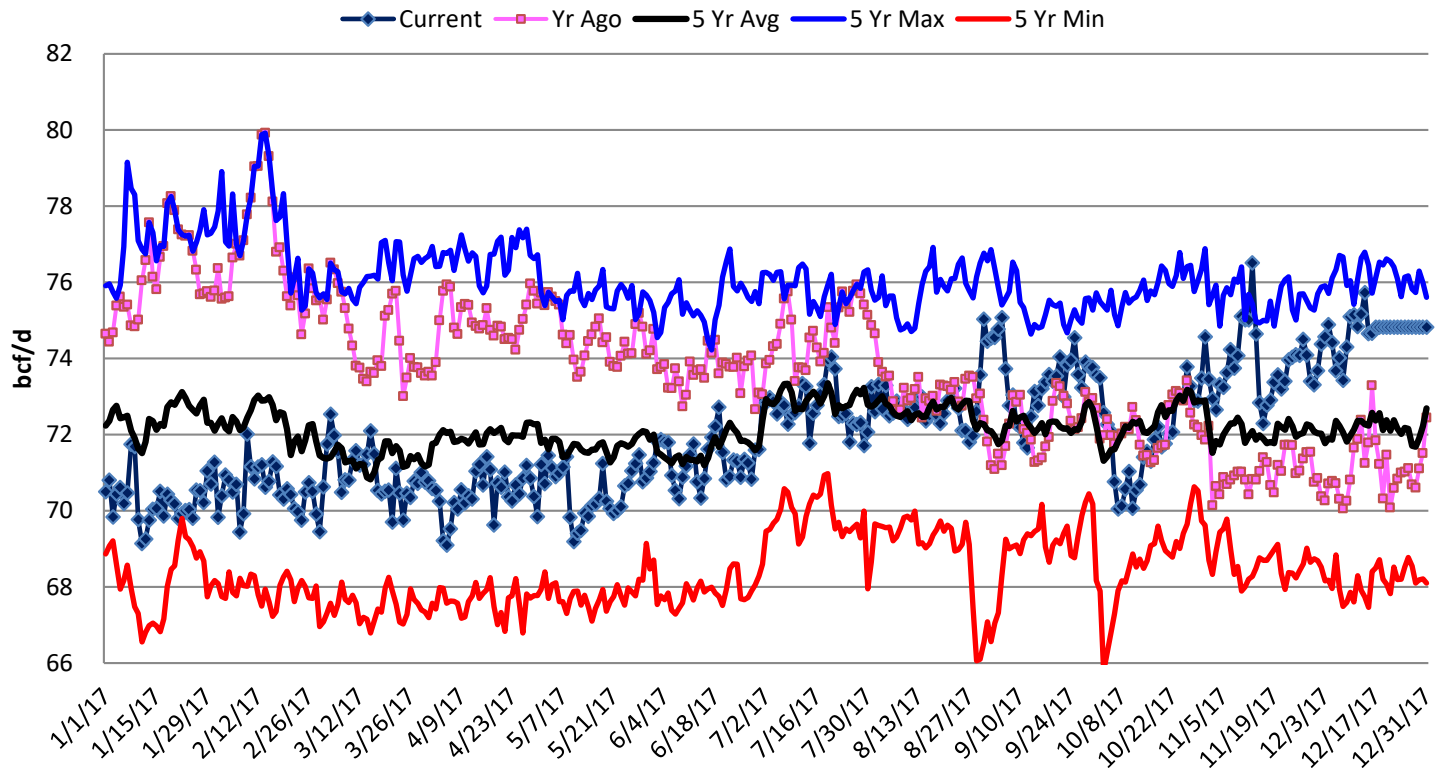
US Total Working Gas Storage - Source - EIA



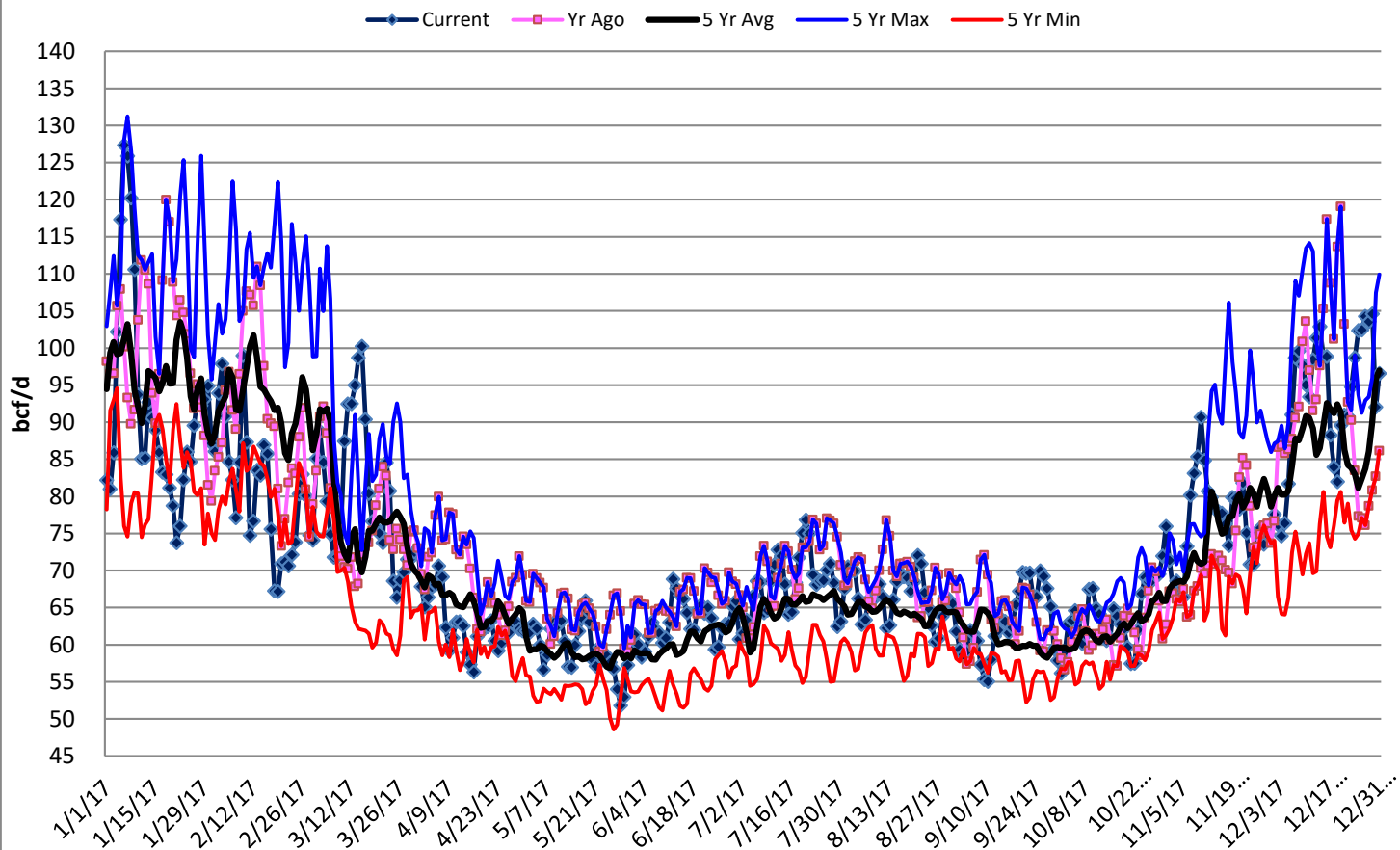
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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