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Week Ending December 29, 2017

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

Price Action: The February contract 29.5 cents (11.1%) to \$2.953 on a 39.6 cent range (\$3.008/\$2.612).

Price Outlook: Prices rebounded as weather forecasts turned even more bullish, looking for below normal temperatures into January. After bearish yearly storage recently, after a large withdrawal in January 2017, the storage comparisons are likely to remain very bullish through march. **The current 15-day forecast is cooler than all 10 of the previous 10 years.** CFTC data indicated another decrease in the managed money net long position as longs liquidated and shorts added to the highest since May 31, 2016. The net long position is the smallest since August 23, 2016. Total open interest fell 169,000 to 3.835 million as of December 26. Aggregated CME futures open interest fell to 1.438 million as of December 29. Open interest in the February \$4.00 call rose +4,440 to 118,249. Open interest in the February \$3.50 call rose +2,917 to 92,595. Open interest in the March \$2.75 put fell (56) to 51,064.

Weekly Storage: US working gas storage for the week ending December 22 indicated a working gas storage withdrawal of (112) bcf. Working gas inventories fell to 3,332 bcf. Current inventories fall (28) bcf (0.8%) below last year and (85) bcf (2.5%) below the 5-year average.

Storage Outlook: Our EIA weekly storage estimate was 3 bcf from the actual EIA implied flow and is within our tolerance. The 5-week summation of our error rose to 16 bcf and is at the upper end of our tolerance. The EIA has reported a net implied flow of (394) bcf over the last 5 weeks compared to our estimated (378) bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast.

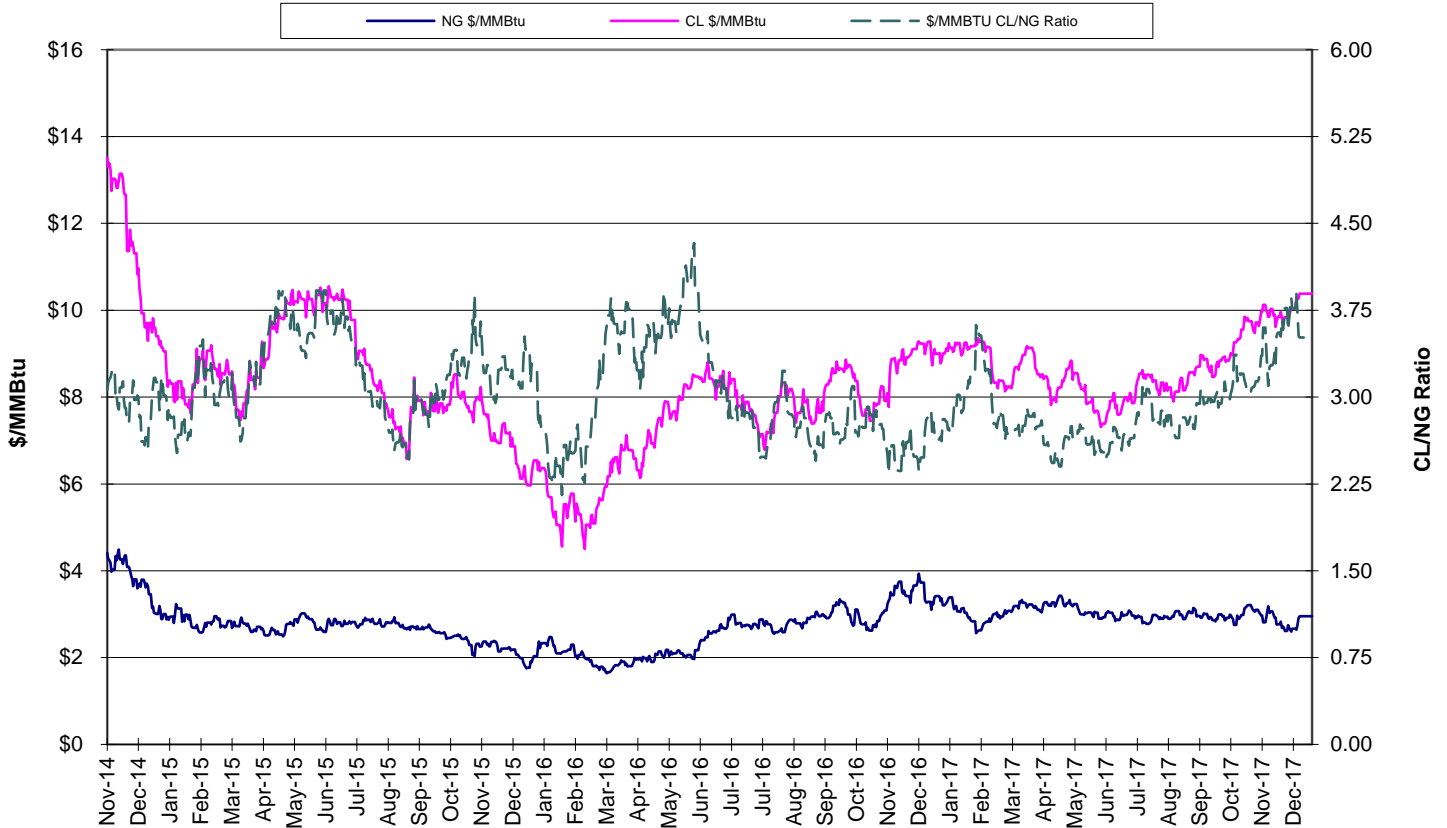
Supply Trends: Total supply rose +0.8 bcf to 75.7 bcf/d. US production and Canadian imports rose. LNG exports fell. Mexican exports rose. LNG imports were unchanged. The US Baker Hughes rig count fell (2) with oil activity unchanged and natural gas lower. The total US rig count now stands at 929. The Canadian rig count fell (74) to 136. Thus, the total North American rig count fell (76) to 1,065 and now exceeds last year by 250. **The higher efficiency US horizontal rig count fell (5) 796 and rises 264 above last year.**

Demand Trends: Total demand fell (9.0) bcf/d to 89.9 bcf/d. All sectors were lower, led by R&C heating demand. Electricity demand fell (4,814) gigawatt-hrs to 76,393 which trails last year by (5,073) (6.2%) and exceeds the 5-year average by +665 (0.9%). **EIA Monthly data reported October consumption despite record warmth.**

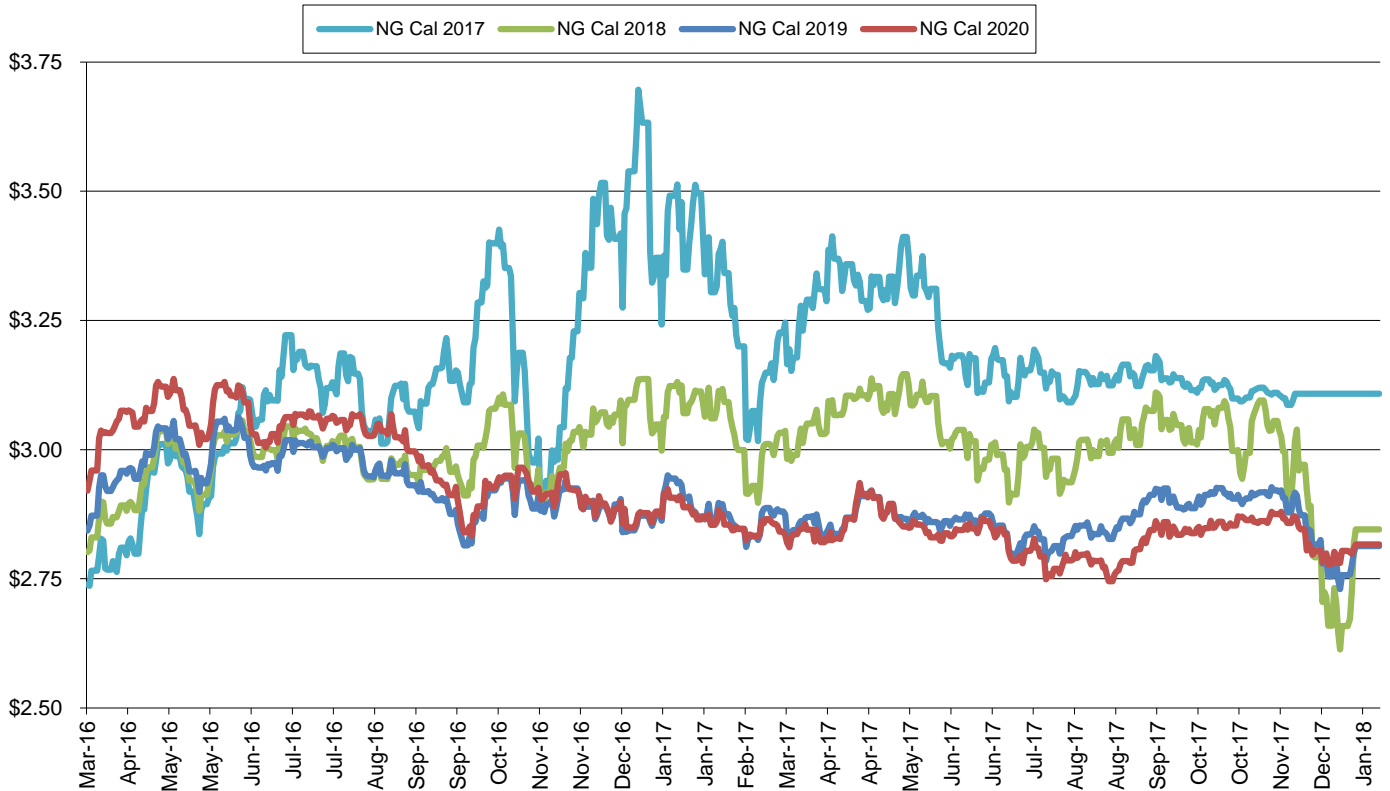
Nuclear Generation: Nuclear generation rose +1,793 MW in the reference week to 94,481 MW. This is +3,643 MW higher than last year and +2,407 MW higher than the 5-year average. **Recent output was at 97,157 MW.**

- The heating season is full swing. With a forecast through January 12 the 2018 total heating index is at 1,366 compared to 1,148 for 2017, 1,013 for 2016, 1,321 for 2015, 1,495 for 2014, 1,256 for 2013, 1,258 for 2012 and 1,487 for 2011.

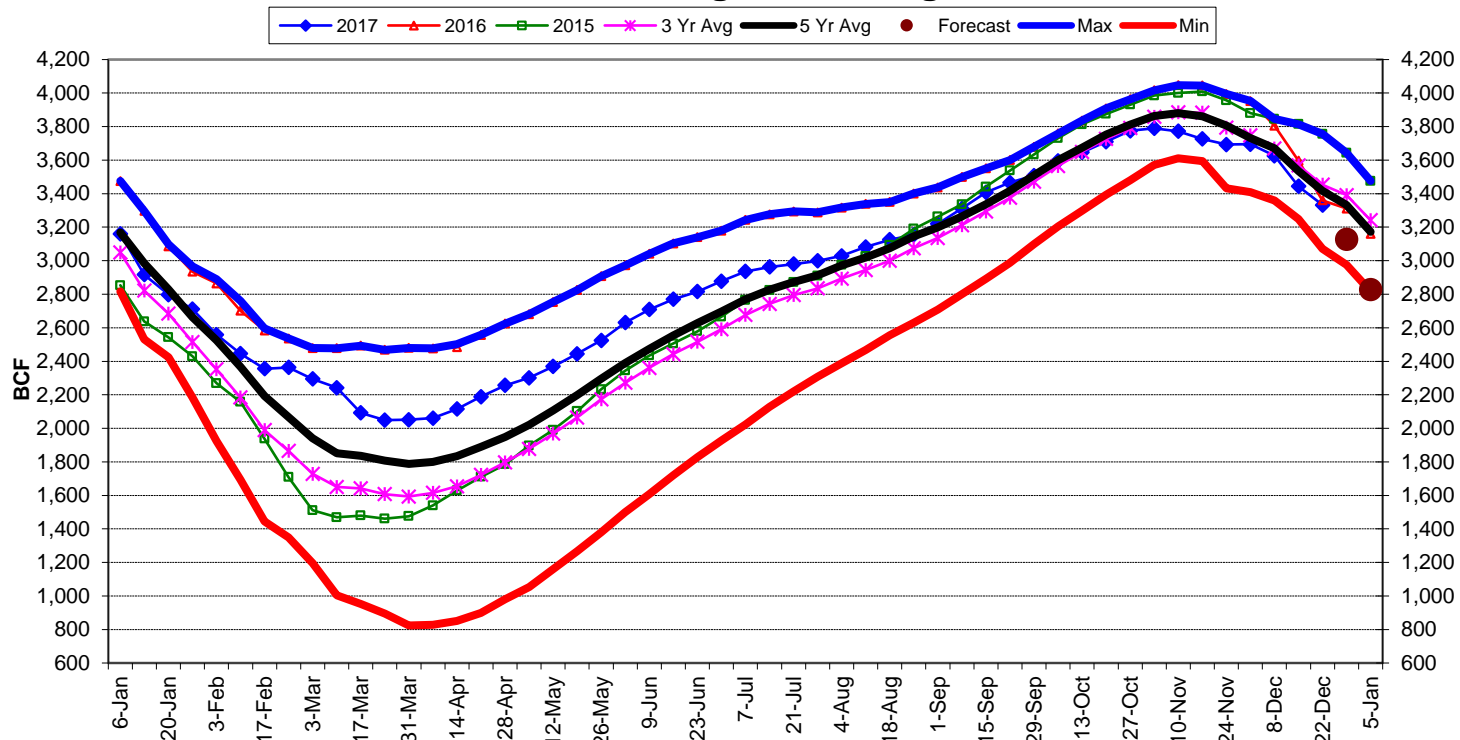
\$/MMBtu Ratio of NYMEX CL and NG



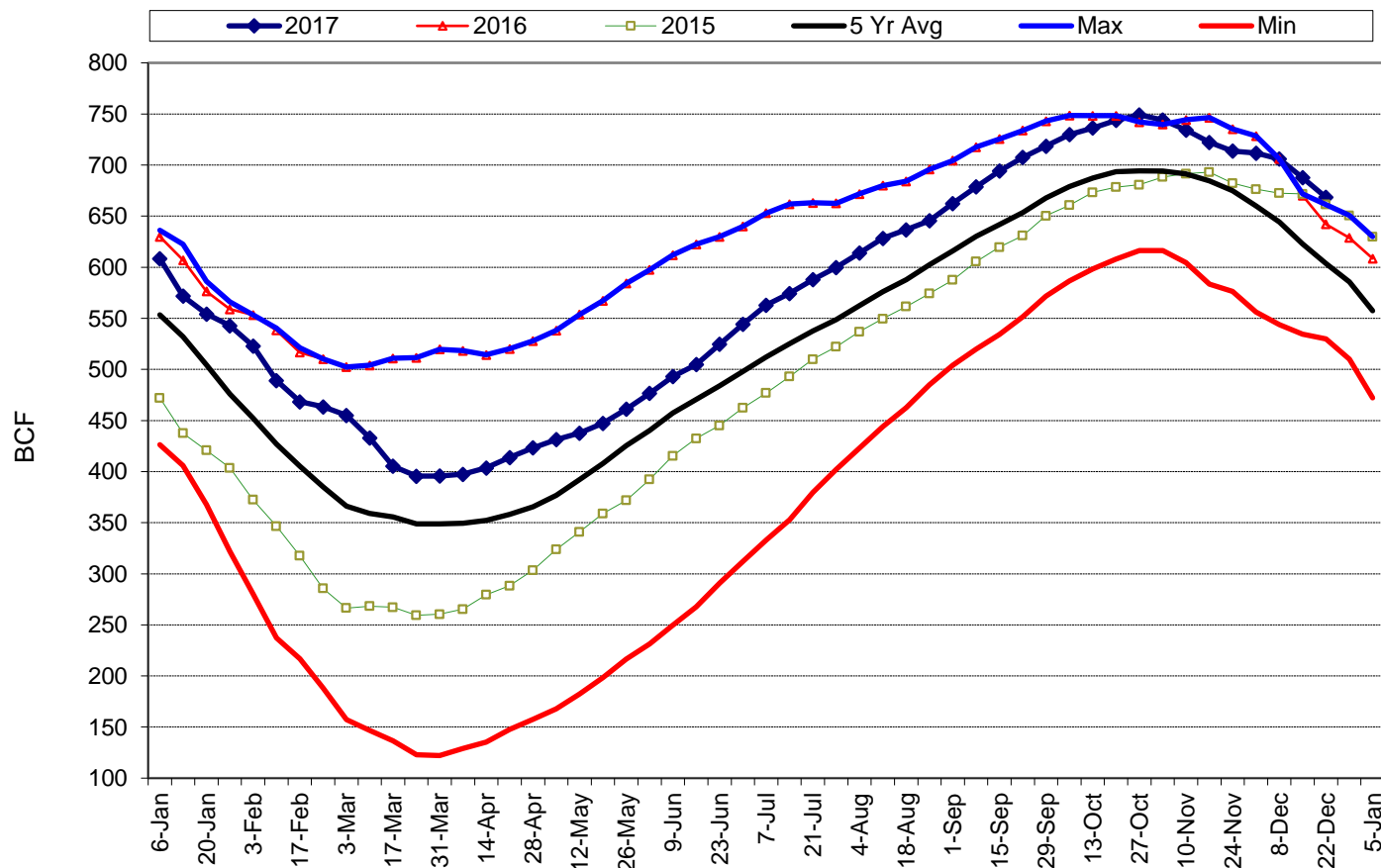
NYMEX Calendar Strips



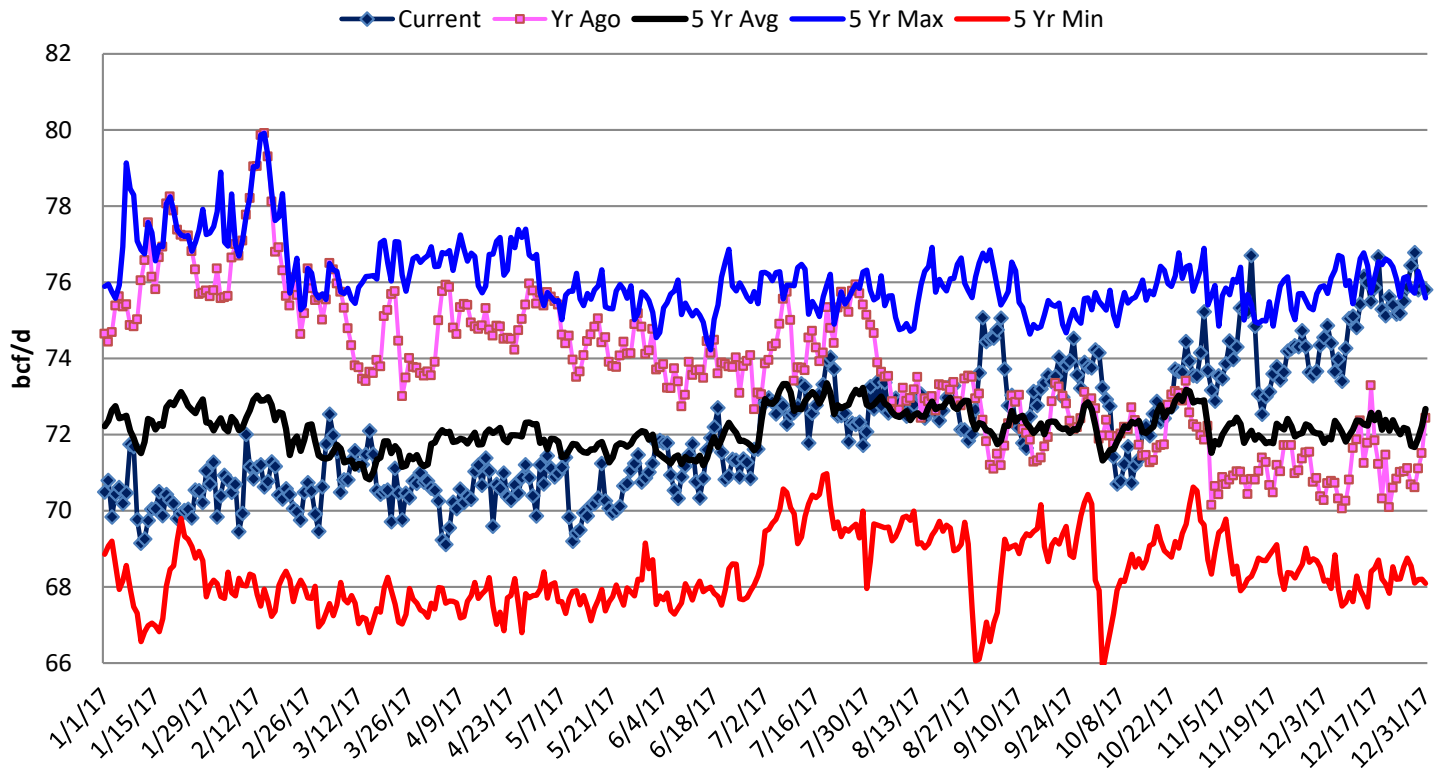
US Total Working Gas Storage - Source - EIA



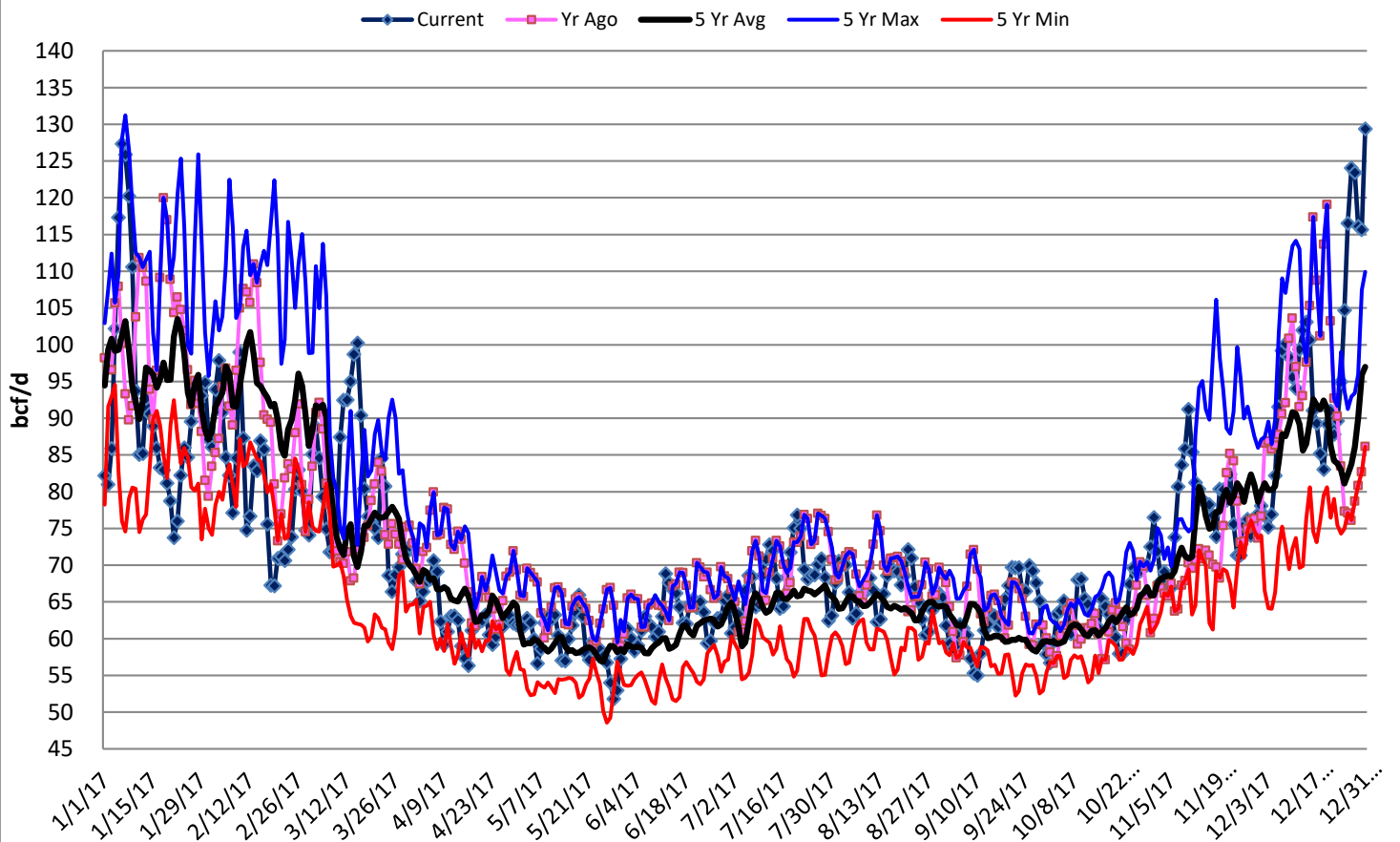
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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