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Week Ending January 12, 2018

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

Price Action: The February contract rose 40.5 cents (14.5%) to \$3.200 on a 44.0 cent range (\$3.200/\$2.784).

Price Outlook: Prices soared on the heels of a record shattering weekly storage withdrawal and bullish weather reports. The EIA weekly storage withdrawal shattered the previous (288) bcf withdrawal record by 71 bcf. While it was cold, it was the 2nd coldest week in our temperature index since the EIA began reporting weekly storage reports, but only the 13th coldest since our proprietary index began in 1970. **The current 15-day forecast is cooler than 6 of the previous 10 years.** CFTC data indicated another huge increase in the managed money net long position as longs added and shorts covered. Shorts have covered 79,411 contracts since December 26. The net long position is the largest since November 28, 2017. Total open interest fell 29,000 to 3.780 million as of January 9. Aggregated CME futures open interest rose to 1.439 million as of January 12. Open interest in the February \$4.00 call rose +4,146 to 128,331. Open interest in the March \$4.00 call rose +28,858 to 121,448. Open interest in the March \$2.50 put rose +3,264 to 50,477.

Weekly Storage: US working gas storage for the week ending January 5 indicated a working gas storage withdrawal of (359) bcf. Working gas inventories fell to 2,767 bcf. Current inventories fall (393) bcf (12.4%) below last year and (405) bcf (12.8%) below the 5-year average.

Storage Outlook: Our EIA weekly storage estimate was 21 bcf from the actual EIA implied flow and is well outside our tolerance, even for a record demand, New Year's Holiday impacted week. The 5-week summation of our error rose to 33 bcf and is also above our tolerance. The EIA has reported a net implied flow of (928) bcf over the last 5 weeks compared to our estimated (895) bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast.

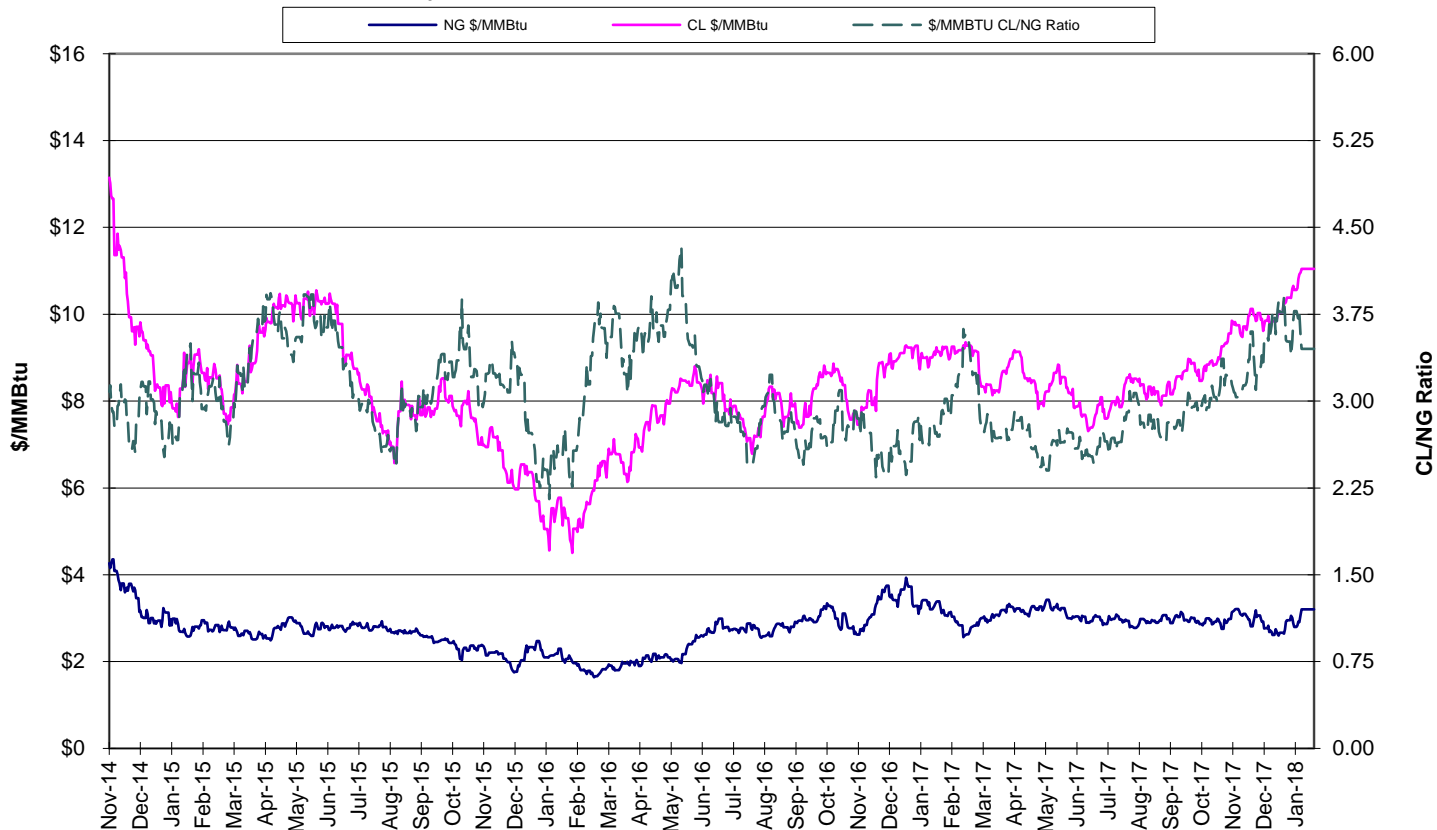
Supply Trends: Total supply fell (0.1) bcf to 75.6 bcf/d. Canadian and LNG imports rose while LNG exports and Mexican exports fell. US production fell. **US production remains below December peaks as freeze-offs impacted output.** The US Baker Hughes rig count rose +15 with both oil and natural gas activity higher. The total US rig count now stands at 939. The Canadian rig count rose +102 to 174. Thus, the total North American rig count rose +117 to 1,215 and now exceeds last year by +241. **The higher efficiency US horizontal rig count rose +7 to 805 and rises +268 above last year.**

Demand Trends: Total demand rose 20.0 bcf/d to 126.6 bcf/d. All sectors were higher as temperatures plummeted. Electricity demand rose +11,329 gigawatt-hrs to 93,331 which exceeds last year by +11,417 (13.9%) and exceeds the 5-year average by +12,215 (15.1%). **This was highest winter demand ever reported.**

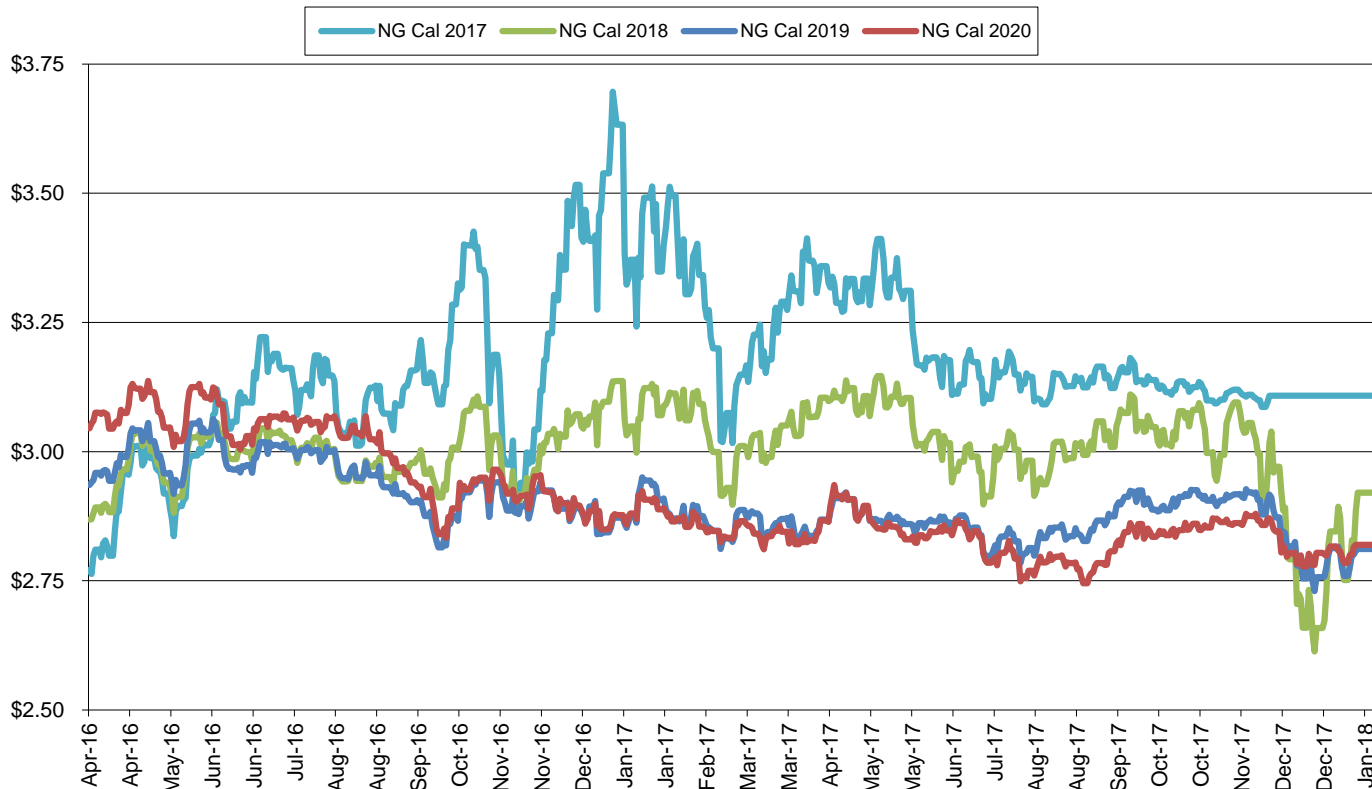
Nuclear Generation: Nuclear generation rose +439 MW in the reference week to 97,342 MW. This is +4,366 MW higher than last year and +3,044 MW higher than the 5-year average. **Recent output was at 94,447 MW.**

- The heating season is nearing its midpoint. With a forecast through January 26 the 2018 total heating index is at 1,677 compared to 1,350 for 2017, 1,342 for 2016, 1,642 for 2015, 1,860 for 2014, 1,572 for 2013, 1,573 for 2012 and 1,831 for 2011.

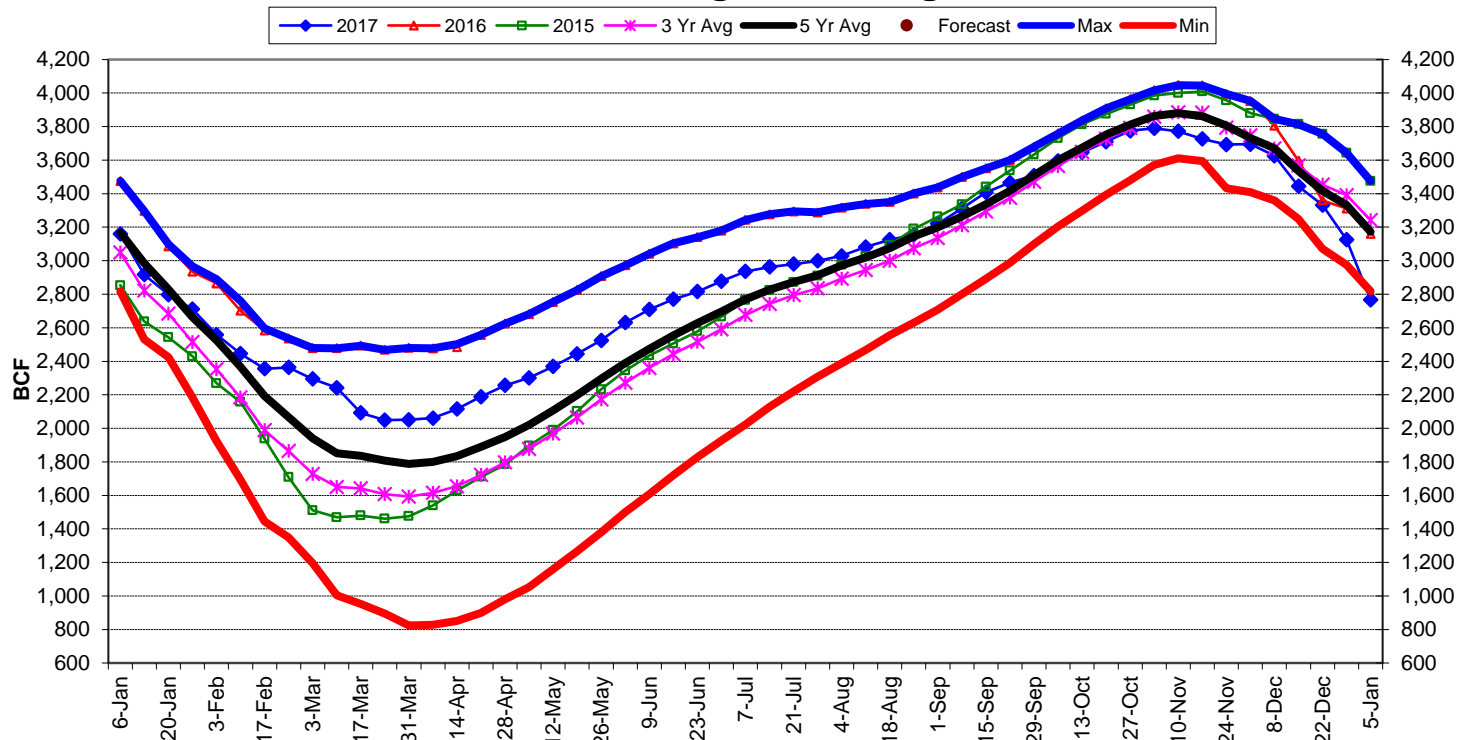
\$/MMBtu Ratio of NYMEX CL and NG



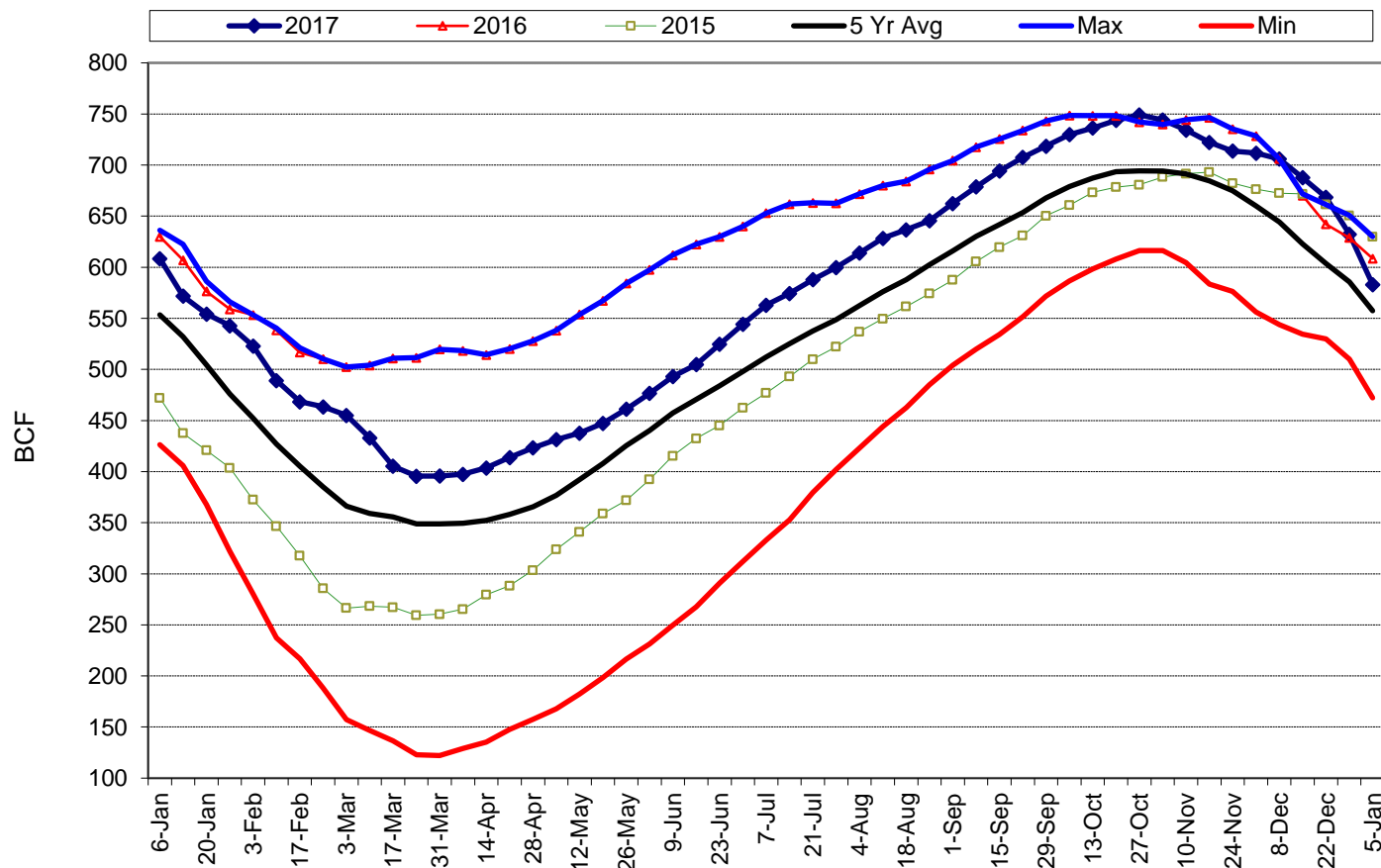
NYMEX Calendar Strips



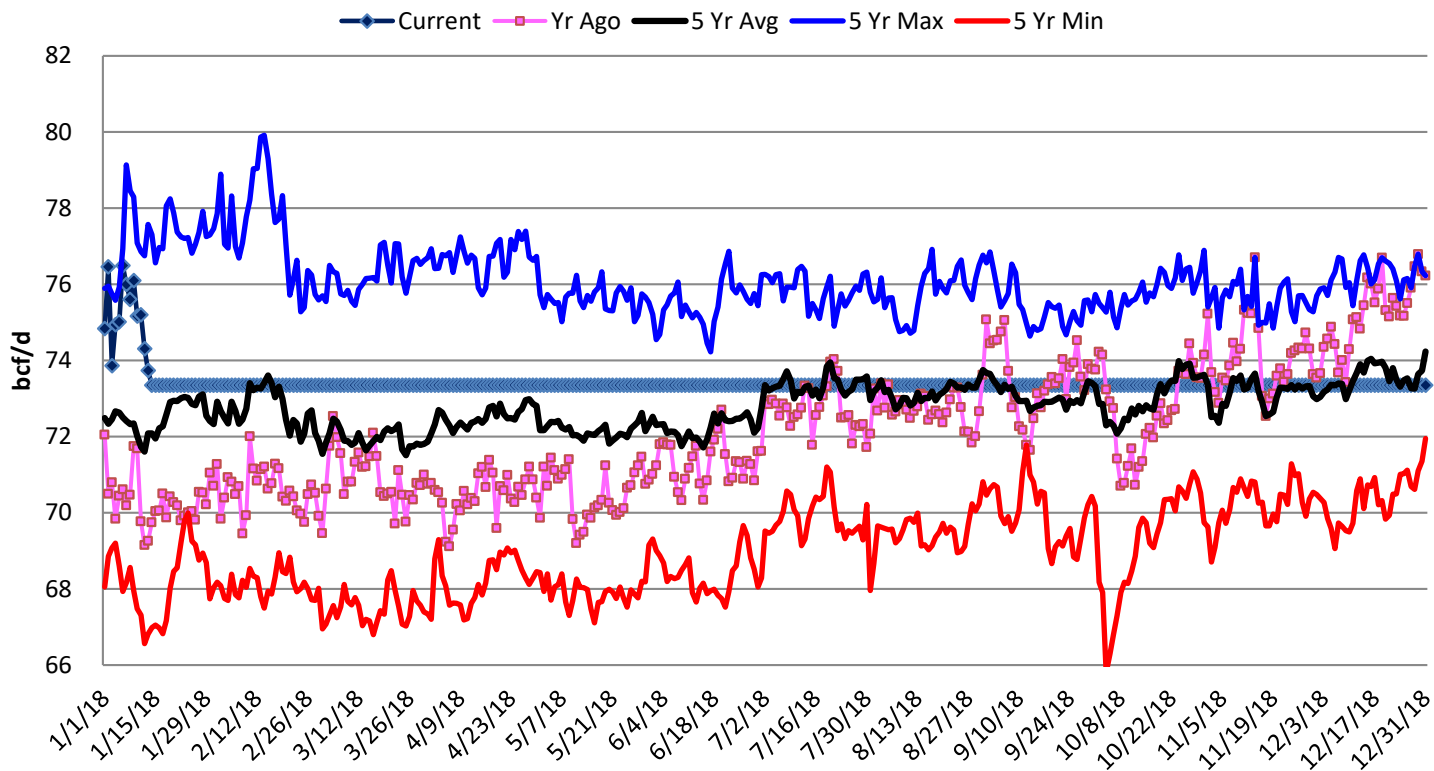
US Total Working Gas Storage - Source - EIA



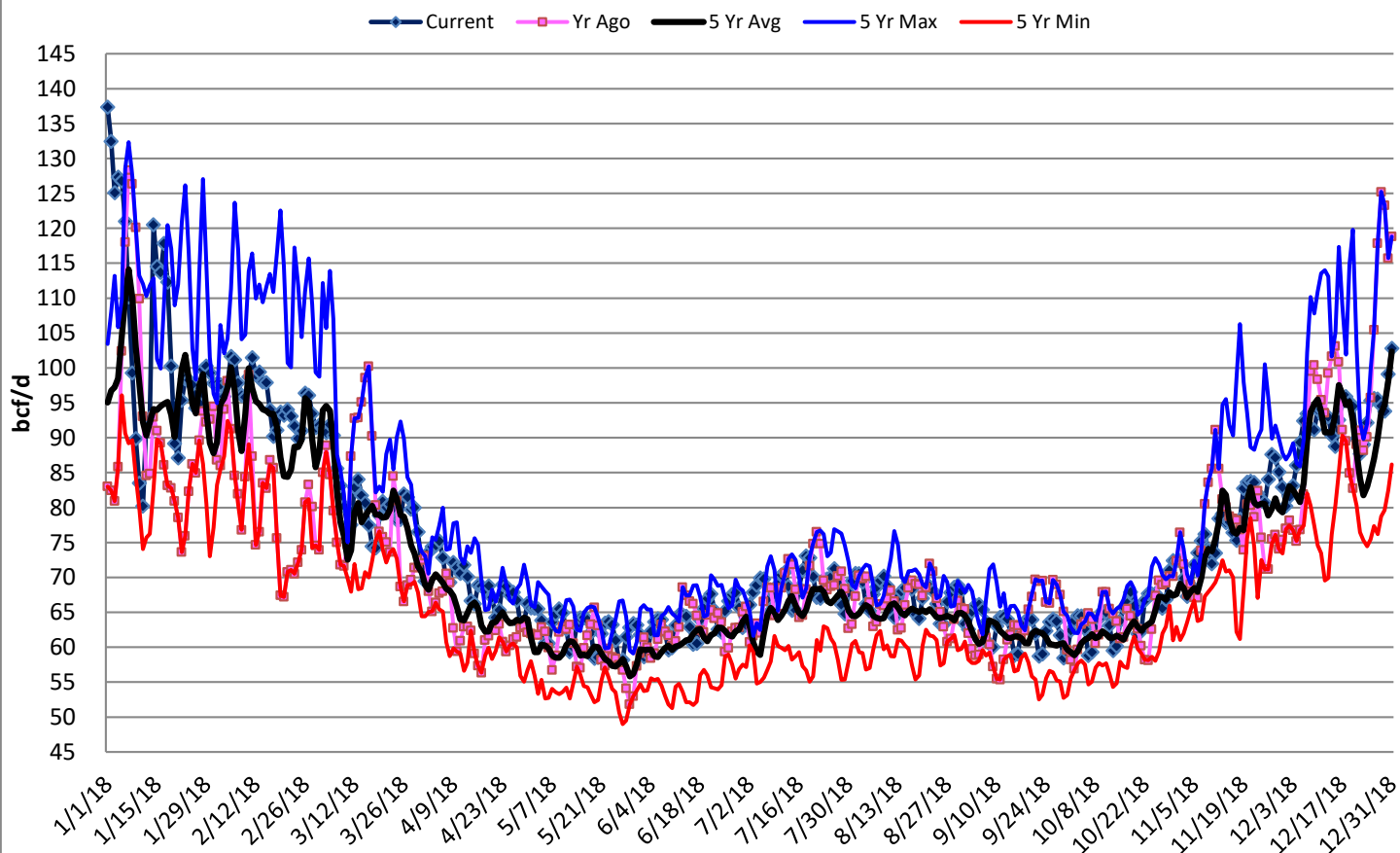
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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