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Week Ending January 19, 2018

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

Price Action: The February contract fell 1.5 cents (0.5%) to \$3.185 on a 24.9 cent range (\$3.288/\$3.039).

Price Outlook: Despite bearish weather forecasts, prices were only little changed as strong current demand and continued US production curtailments supported the market. Prices have now established a new weekly high for 4 weeks in a row. This is far from the record 14 consecutive weeks higher established in 2008, but with moderating temperatures, the streak higher may come to an end. The current 15-day forecast is warmer than 8 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 117,049 contracts since December 26. The net long position is the largest since November 14, 2017. Total open interest rose 137,000 to 3.918 million as of January 16. Aggregated CME futures open interest rose to 1.439 million as of January 12. Open interest in the March \$4.00 call rose +15,080 to 136,528. Open interest in the February \$4.00 call rose +2,998 to 131,329. Open interest in the March \$2.75 put rose +9,988 to 58,087.

Weekly Storage: US working gas storage for the week ending January 12 indicated a working gas storage withdrawal of (183) bcf. Working gas inventories fell to 2,584 bcf. Current inventories fall (333) bcf (11.4%) below last year and (369) bcf (12.5%) below the 5-year average.

Storage Outlook: Our EIA weekly storage estimate was 10 bcf from the actual EIA implied flow and is still outside our tolerance, but to some extent "balances" last week. The 5-week summation of our error fell to 15 bcf and is back within our tolerance. The EIA has reported a net implied flow of (1,042) bcf over the last 5 weeks compared to our estimated (1,027) bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast.

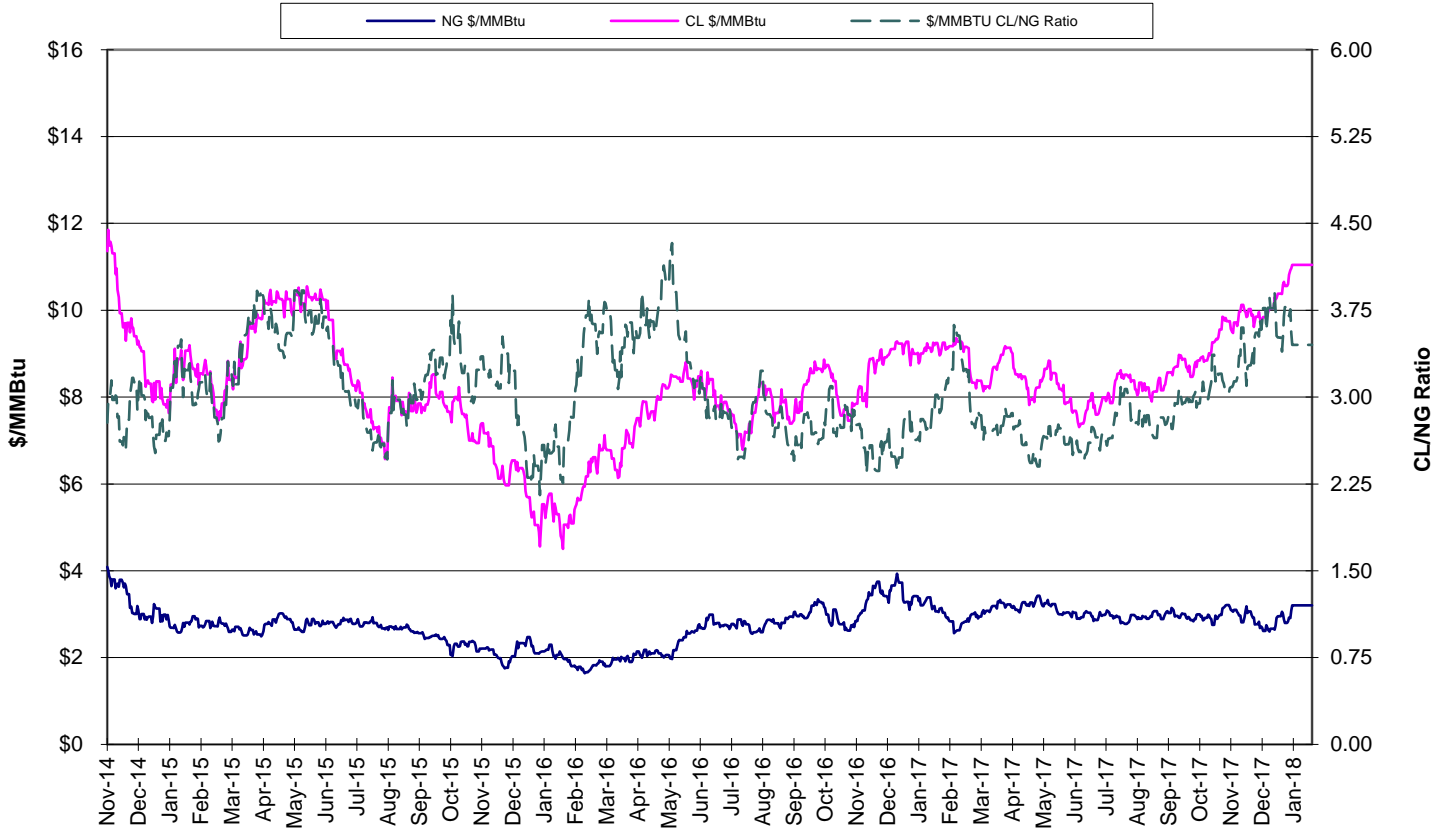
Supply Trends: Total supply fell (0.2) bcf to 75.5 bcf/d. US production rose while LNG exports fell. Canadian and LNG imports fell while Mexican exports rose. Despite the increased US production fell, US production remains below December peaks as freeze-offs impacted output. The US Baker Hughes rig count fell (3) as oil activity fell but natural gas rose. The total US rig count now stands at 936. The Canadian rig count rose +49 to 325. Thus, the total North American rig count rose +46 to 1,261 and now exceeds last year by +225. The higher efficiency US horizontal rig count fell (3) to 802 and rises +243 above last year.

Demand Trends: Total demand fell 25.2 bcf/d to 101.1 bcf/d. All sectors were lower as temperatures rose. Electricity demand fell (11,948) gigawatt-hrs to 81,383 which exceeds last year by +862 (1.1%) and exceeds the 5-year average by +591 (0.7%).

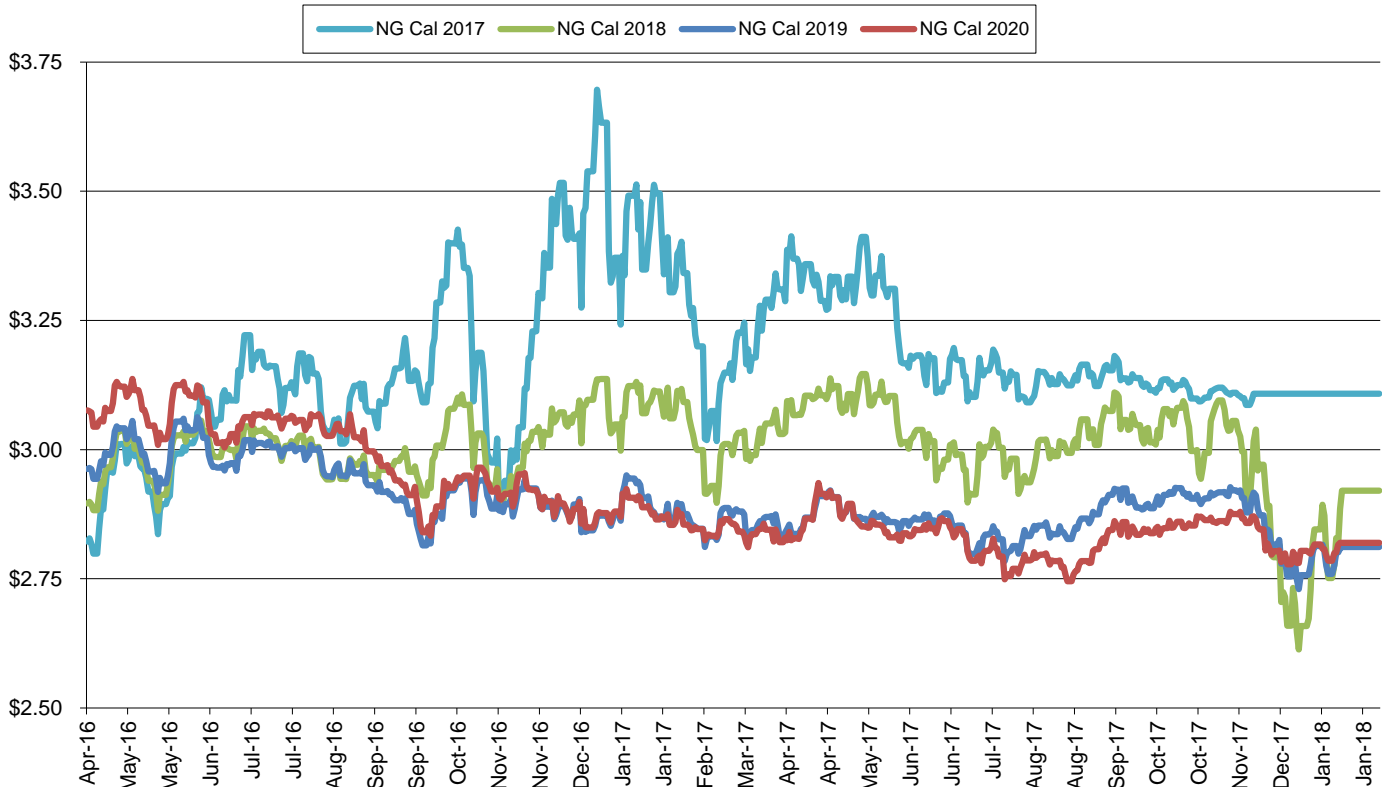
Nuclear Generation: Nuclear generation fell (1,895) MW in the reference week to 95,446 MW. This is +2,117 MW higher than last year and +1,072 MW higher than the 5-year average. Recent output was at 95,749 MW.

- The heating season is past its midpoint. With a forecast through February 2 the 2018 total heating index is at 1,810 compared to 1,519 for 2017, 1,473 for 2016, 1,790 for 2015, 2,025 for 2014, 1,750 for 2013, 1,698 for 2012 and 1,999 for 2011.

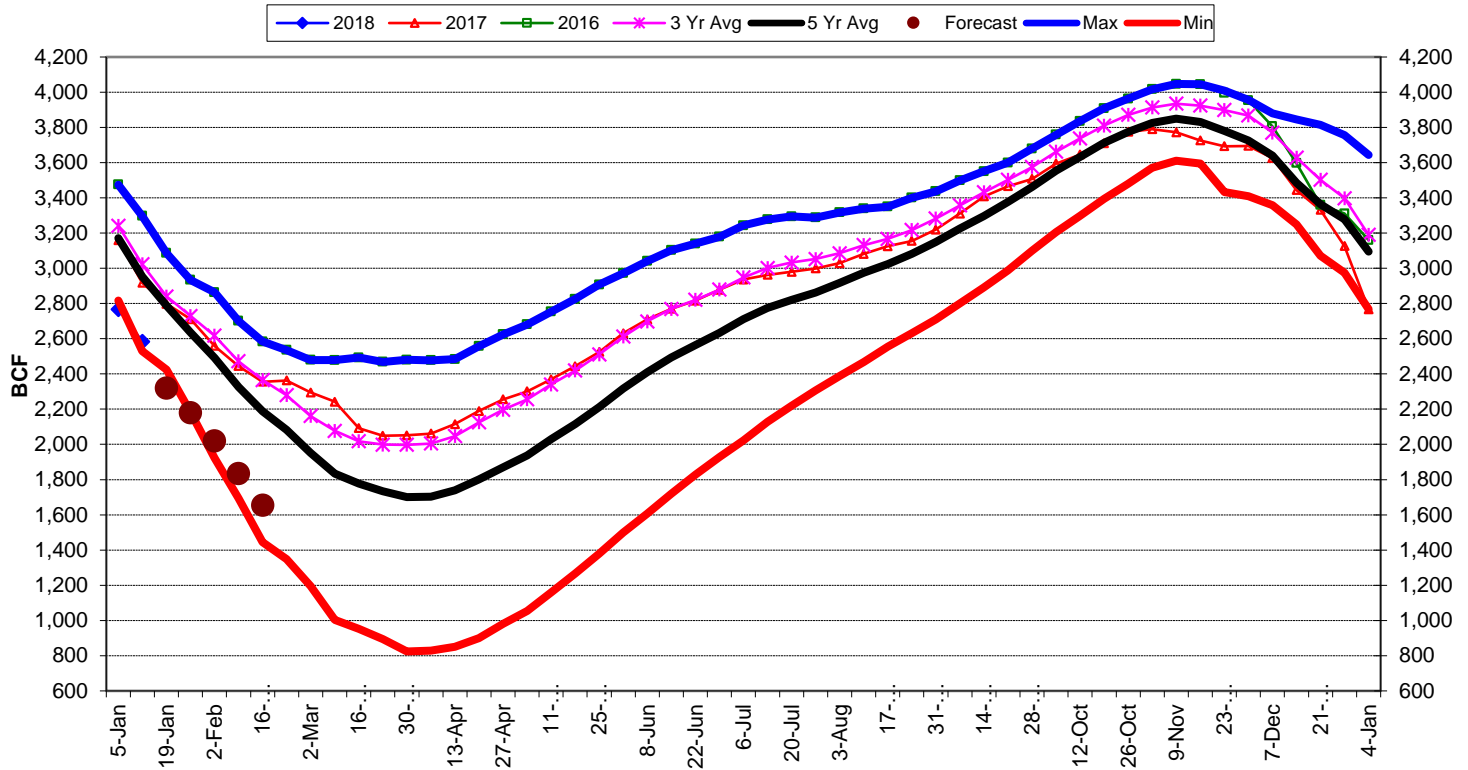
\$/MMBtu Ratio of NYMEX CL and NG



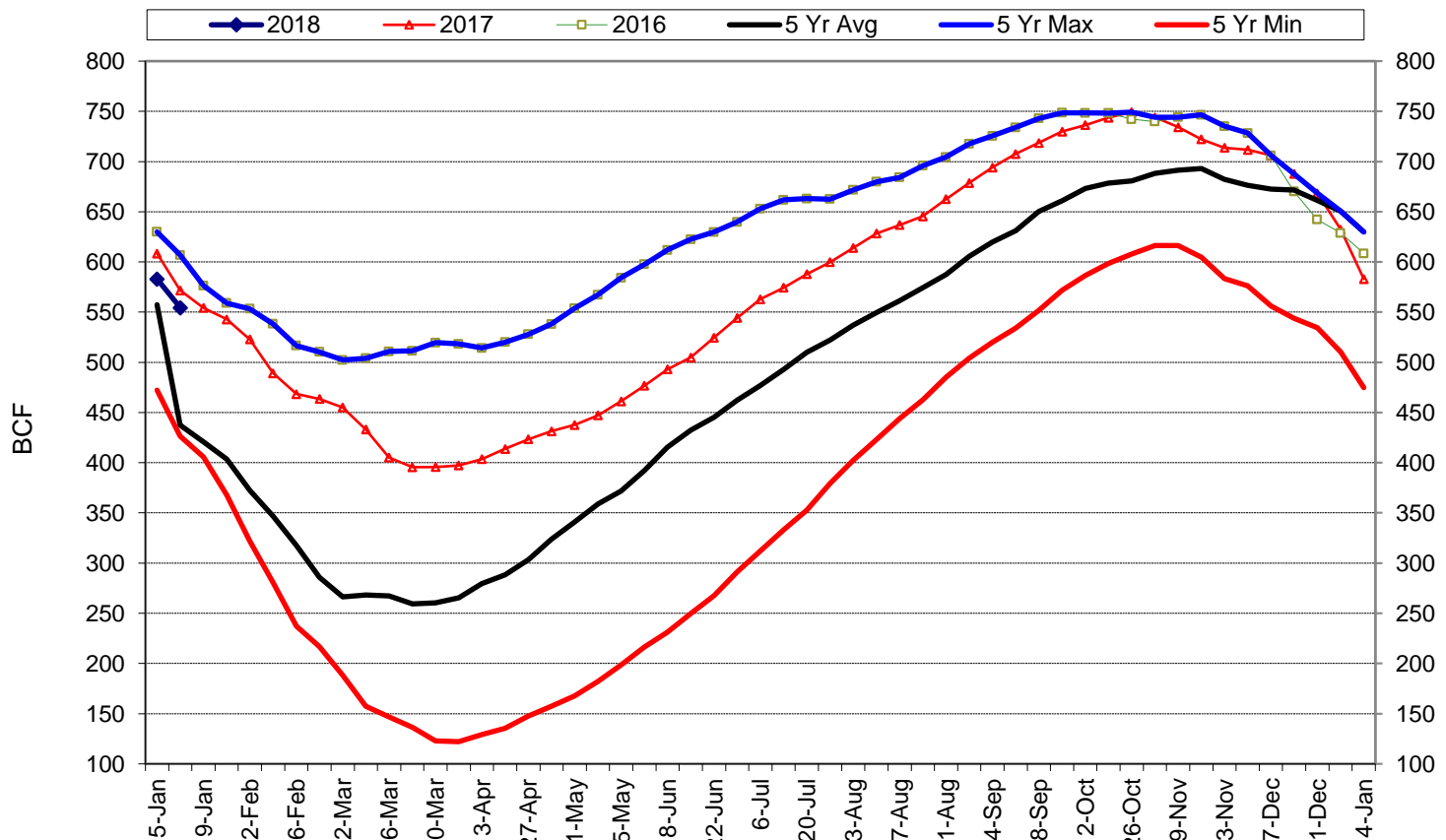
NYMEX Calendar Strips



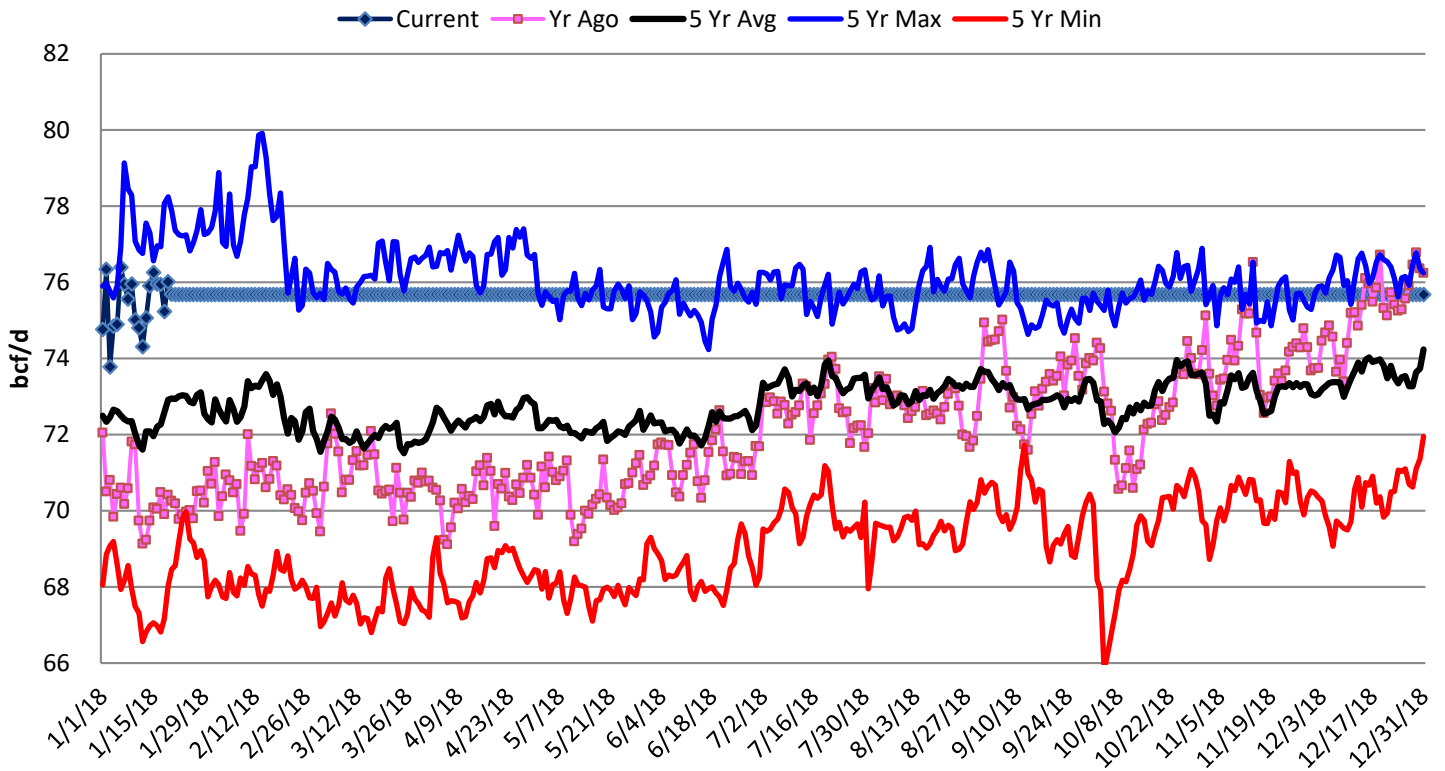
US Total Working Gas Storage - Source - EIA



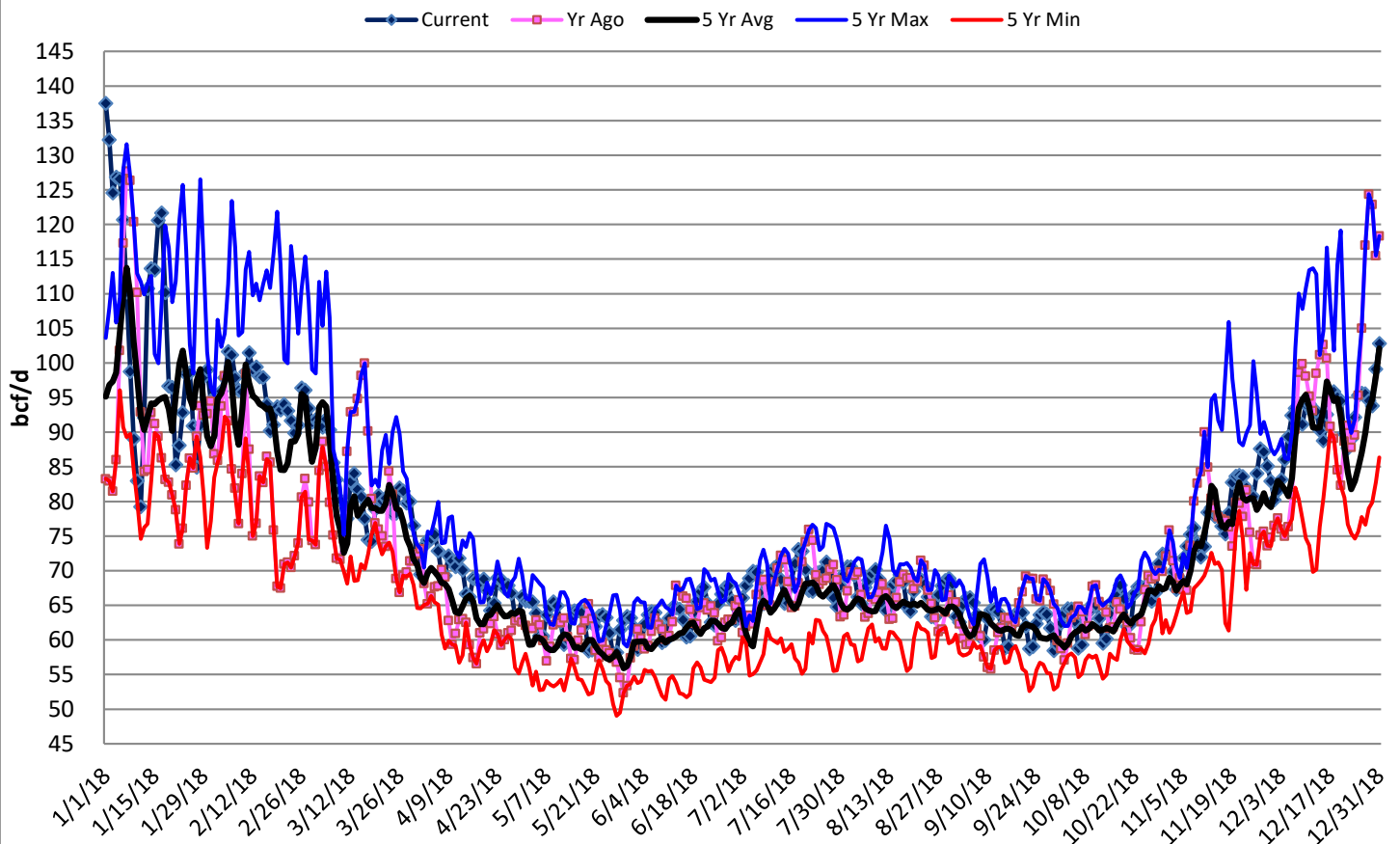
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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