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Week Ending January 26, 2018

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

Price Action: The February contract rose 32.0 cents (10.0%) to \$3.505 on a 48.5 cent range (\$3.628/\$3.143).

Price Outlook: Despite slightly bearish weather forecasts, prices rallied as the EIA reported a much larger than expected withdrawal of (288) bcf that tied the pre-2018 record from January 10, 2014. However, this week's weighted average weekly temperature was just 38.43 degrees compared to the 2014 weekly temperature of 35.34 degrees, highlighting the very bullish temperature adjusted supply/demand balance. 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 139,972 contracts since December 26. The net long position is the largest since September 19, 2017. Total open interest rose 131,000 to 4.049 million as of January 23. Aggregated CME futures open interest fell to 1.423 million as of January 26. Open interest in the March \$4.00 call rose +10,199 to 146,727. Open interest in the March \$3.50 call fell (3,115) to 105,636. Open interest in the March \$2.75 put rose +8,113 to 66,200.

Weekly Storage: US working gas storage for the week ending January 19 indicated a working gas storage withdrawal of (288) bcf. Working gas inventories fell to 2,296 bcf. Current inventories fall (502) bcf (17.9%) below last year and (492) bcf (17.7%) below the 5-year average.

Storage Outlook: Our EIA weekly storage estimate was 17 bcf from the actual EIA implied flow and was again outside our tolerance. The 5-week summation of our error fell to 26 bcf and is above our tolerance. The EIA has reported a net implied flow of (1,148) bcf over the last 5 weeks compared to our estimated (1,122) bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Our projection for early April inventories is 1,287 bcf.

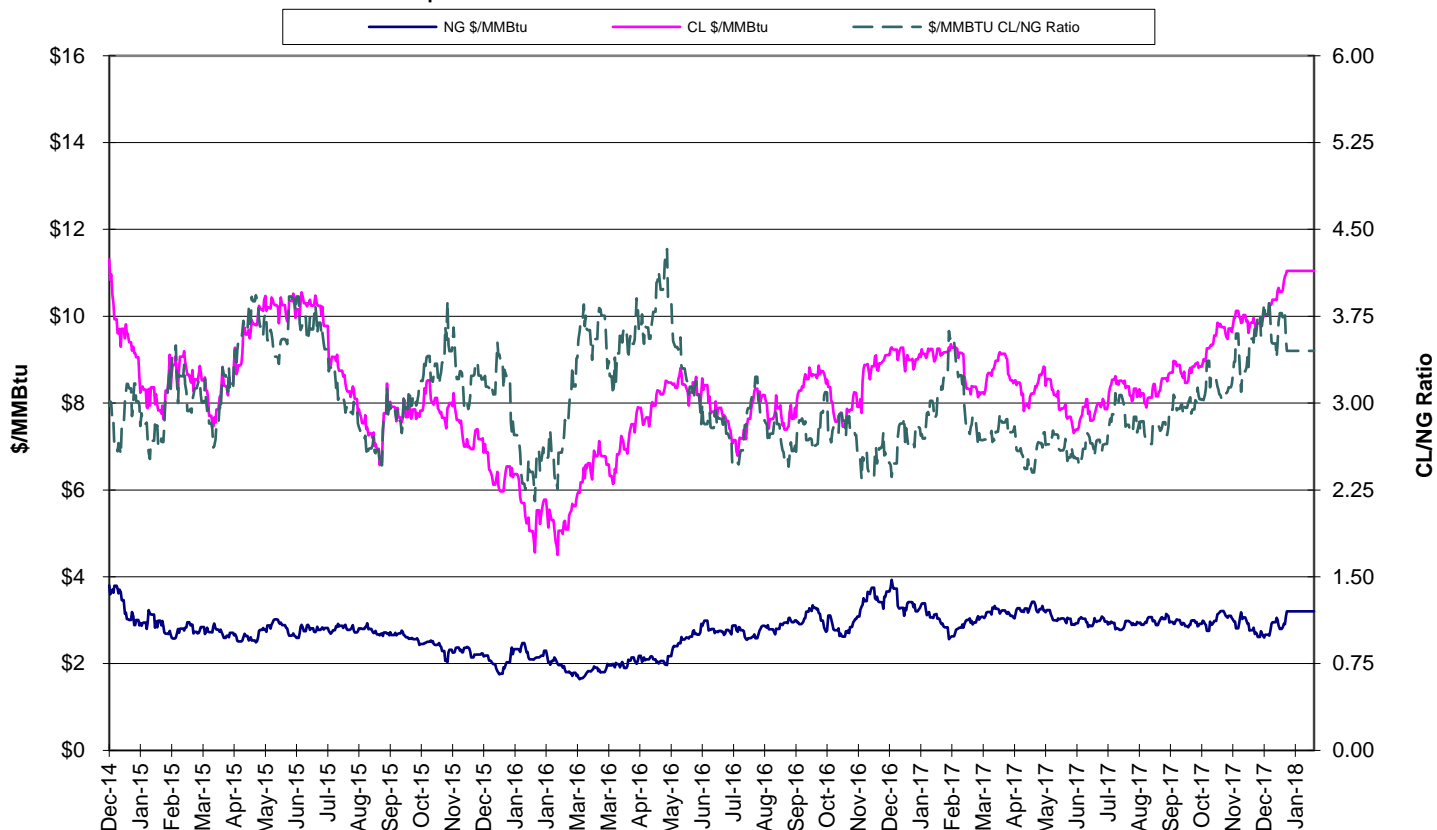
Supply Trends: Total supply was unchanged at 75.5 bcf/d. US production and Canadian imports rose while Mexican exports fell. LNG imports fell while LNG exports rose. Despite the increased US production fell, US production remains below December peaks as freeze-offs impacted output. The US Baker Hughes rig count rose +11 as oil activity increased but natural gas slipped. The total US rig count now stands at 947. The Canadian rig count rose +13 to 338. Thus, the total North American rig count rose +24 to 1,285 and now exceeds last year by +228. The higher efficiency US horizontal rig count rose +6 to 808 and rises +229 above last year.

Demand Trends: Total demand rose 10.6 bcf/d to 111.7 bcf/d. All sectors were higher as temperatures fell. Electricity demand rose +6,430 gigawatt-hrs to 87,813 which exceeds last year by 14,148 (19.2%) and exceeds the 5-year average by +9,533 (12.2%).

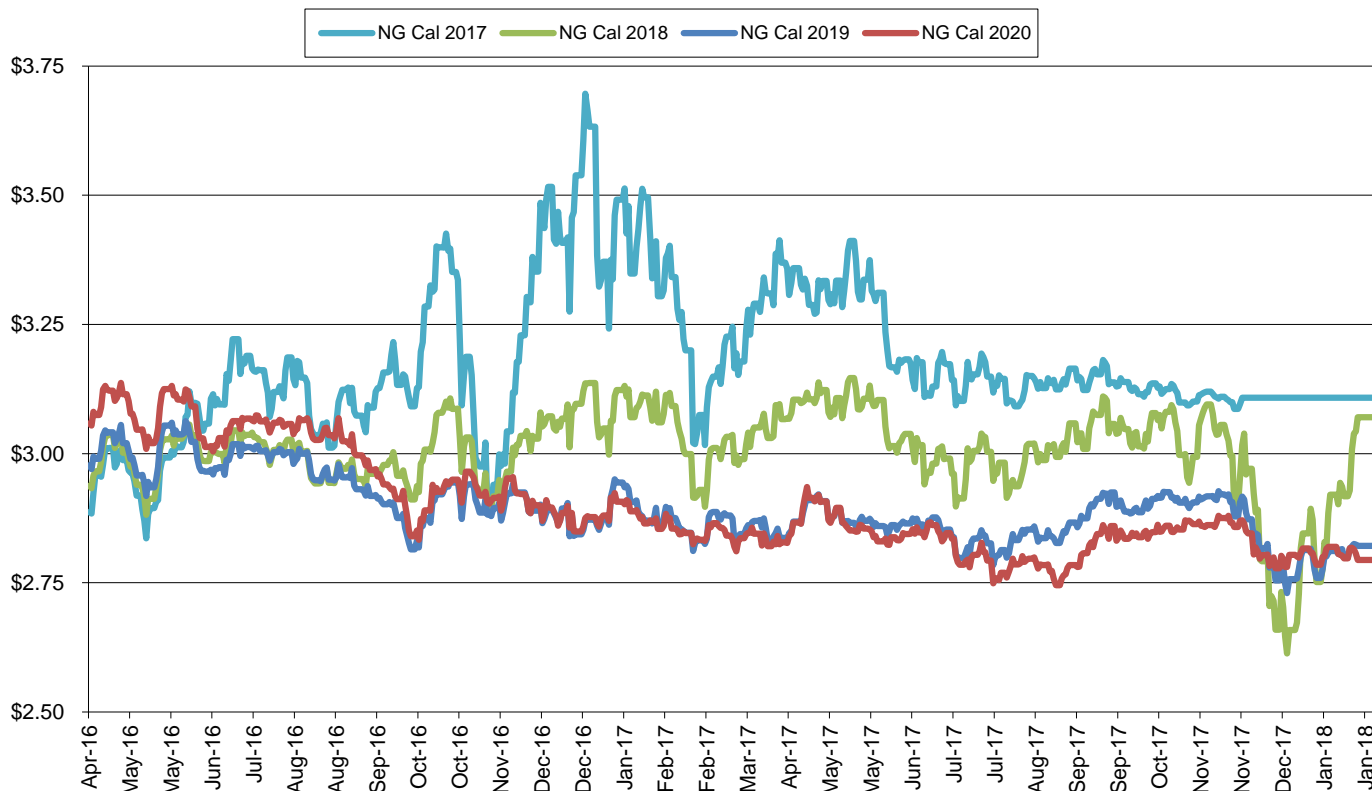
Nuclear Generation: Nuclear generation fell (1,049) MW in the reference week to 94,398 MW. This is +1,275 MW higher than last year and +522 MW higher than the 5-year average. Recent output was at 96,359 MW.

- The heating season is past its midpoint. With a forecast through February 9 the 2018 total heating index is at 1,949 compared to 1,634 for 2017, 1,633 for 2016, 1,925 for 2015, 2,196 for 2014, 1,888 for 2013, 1,835 for 2012 and 2,176 for 2011.

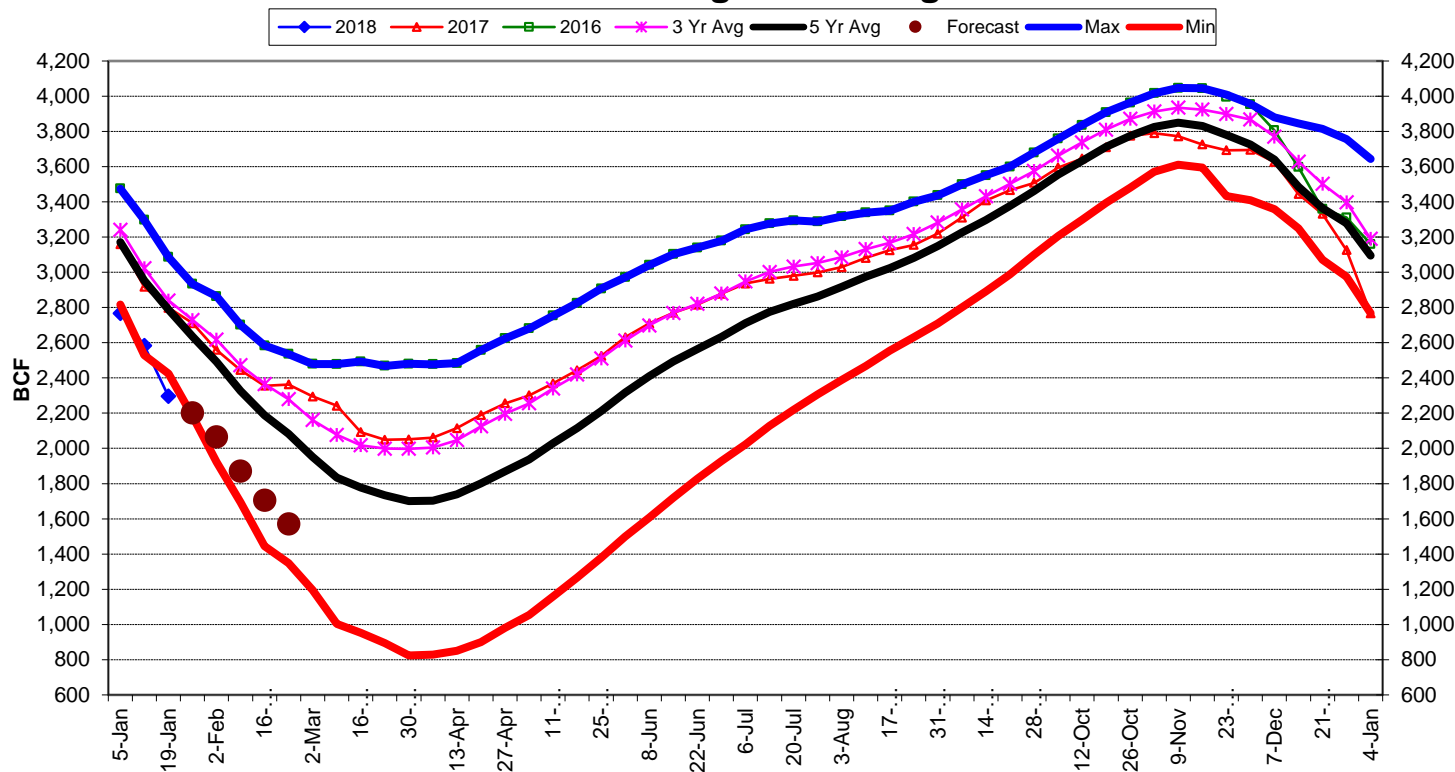
\$/MMBtu Ratio of NYMEX CL and NG



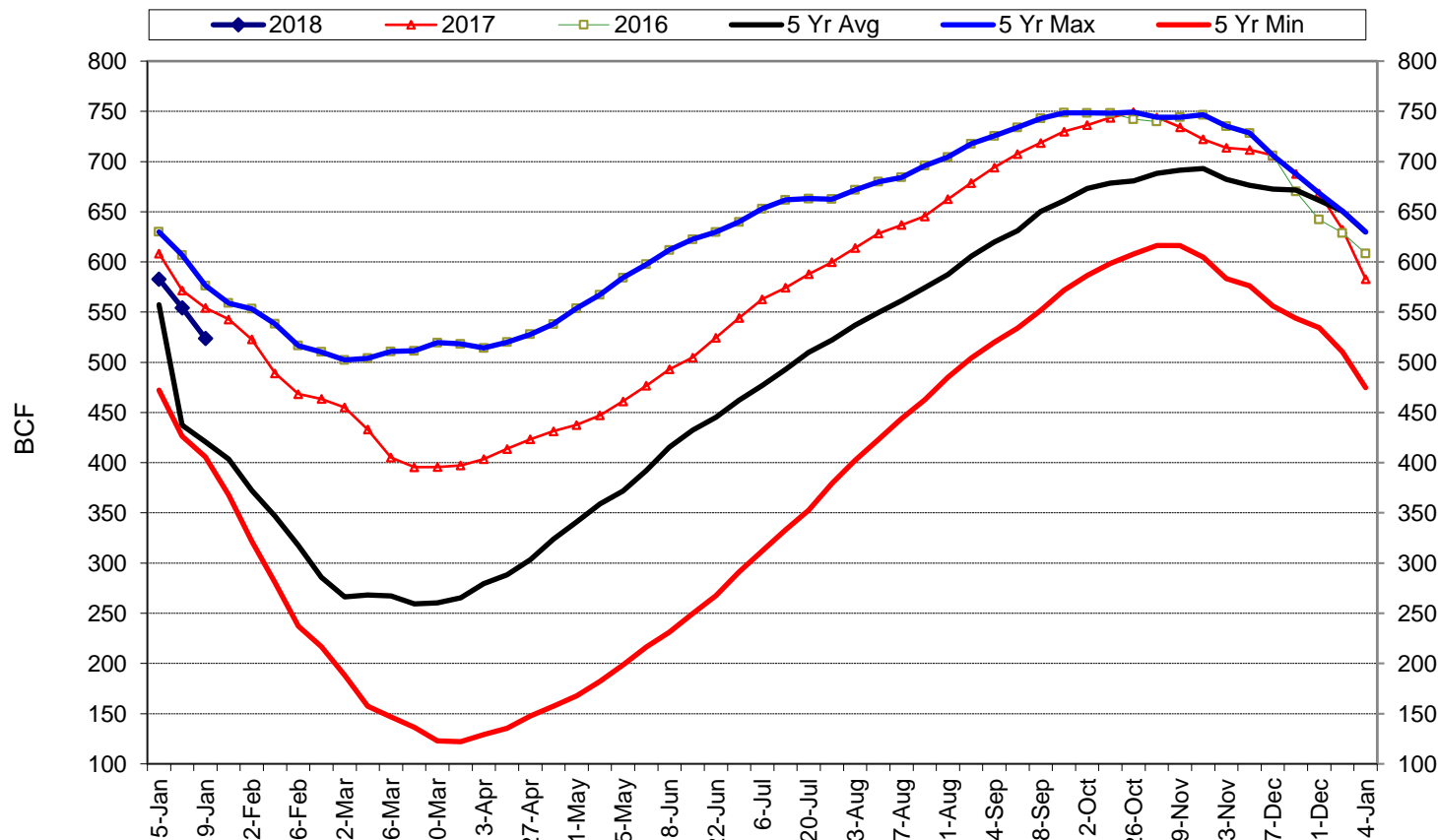
NYMEX Calendar Strips



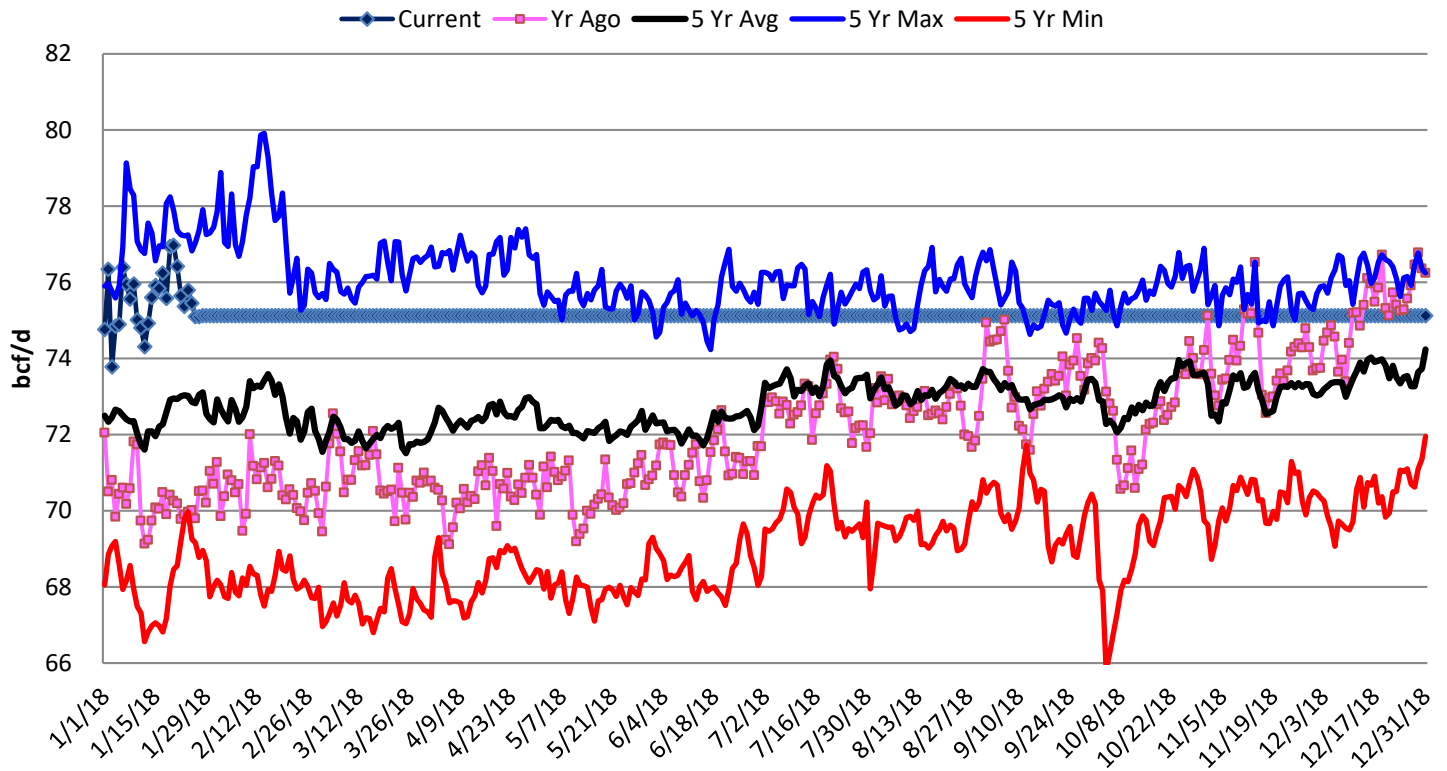
US Total Working Gas Storage - Source - EIA



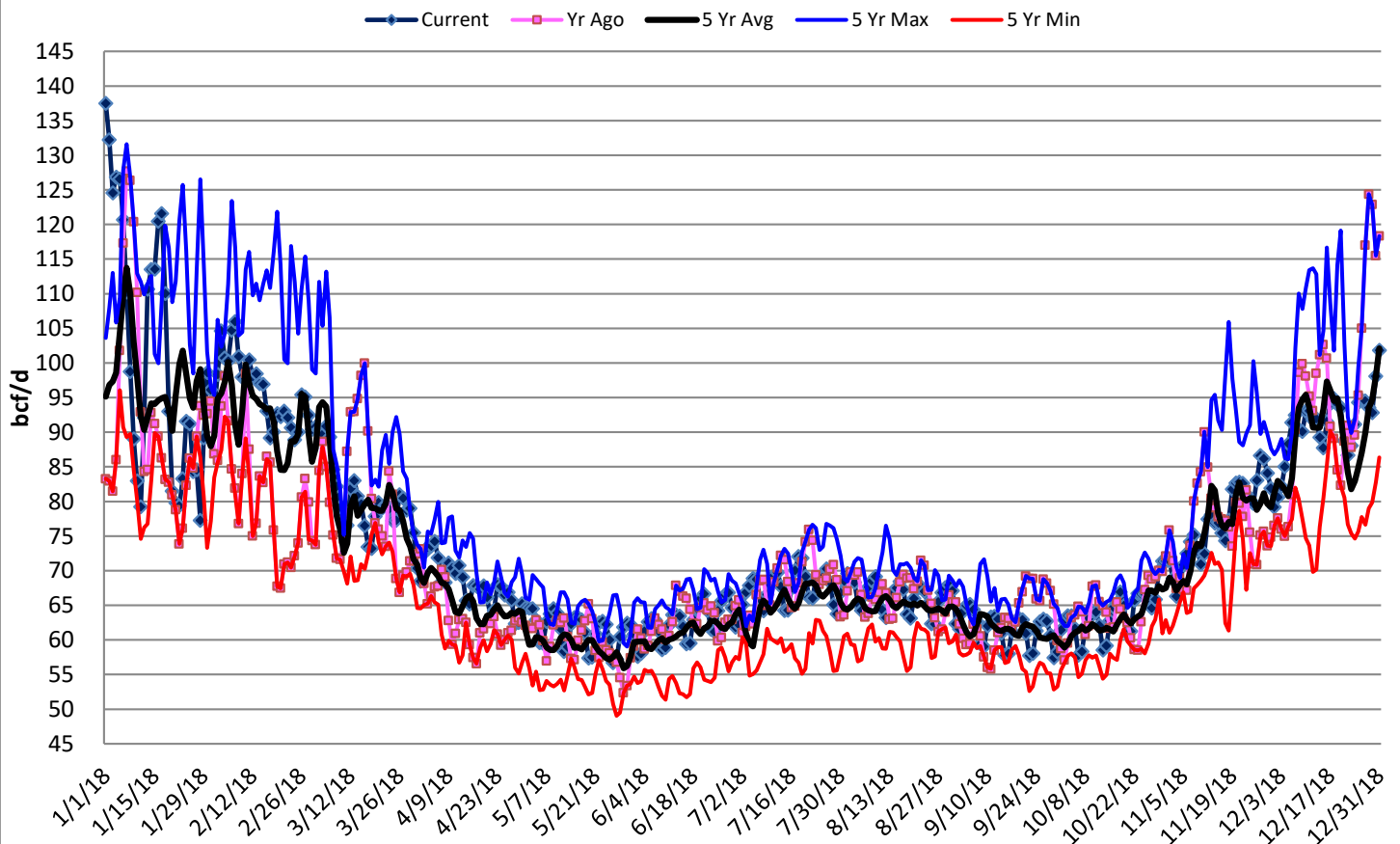
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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