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*Week Ending February 2, 2018*

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

**Price Action:** The March contract fell 32.9 cents (10.4%) to \$2.846 on a 42.2 cent range (\$3.259/\$2.837).

**Price Outlook:** Including the expired February contract, the market posted both a new weekly high and low on an expanded 82.2 cent range (\$3.661/\$2.837), this is of course including both February and March prices, with the understood caveats to the spot price approach. None-the-less, this week's price action highlights the historical price volatility of natural gas. **The current 15-day forecast is warmer 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 231,058 contracts since December 26. The net long position is the largest since September 19, 2017. Total open interest fell 335,000 to 3.715 million as of January 30. Aggregated CME futures open interest fell to 1.391 million as of February 2. Open interest in the March \$4.00 call rose +11,736 to 158,463. Open interest in the March \$3.50 call fell (1,818) to 103,818. Open interest in the March \$2.75 put rose +17,585 to 83,785.

**Weekly Storage:** US working gas storage for the week ending January 26 indicated a working gas storage withdrawal of (99) bcf. Working gas inventories fell to 2,197 bcf. Current inventories fall (514) bcf (19.0%) below last year and (438) bcf (16.6%) below the 5-year average.

**Storage Outlook:** Our EIA weekly storage estimate was 12 bcf from the actual EIA implied flow and was again outside our tolerance. The recent errors have been associated with conflicting model data that over time has been more in line with the total reported changes. The weekly volatility remains frustrating and has recently been unpredictable. The forecasts use a 10-year rolling temperature profile past the 15-day forecast.

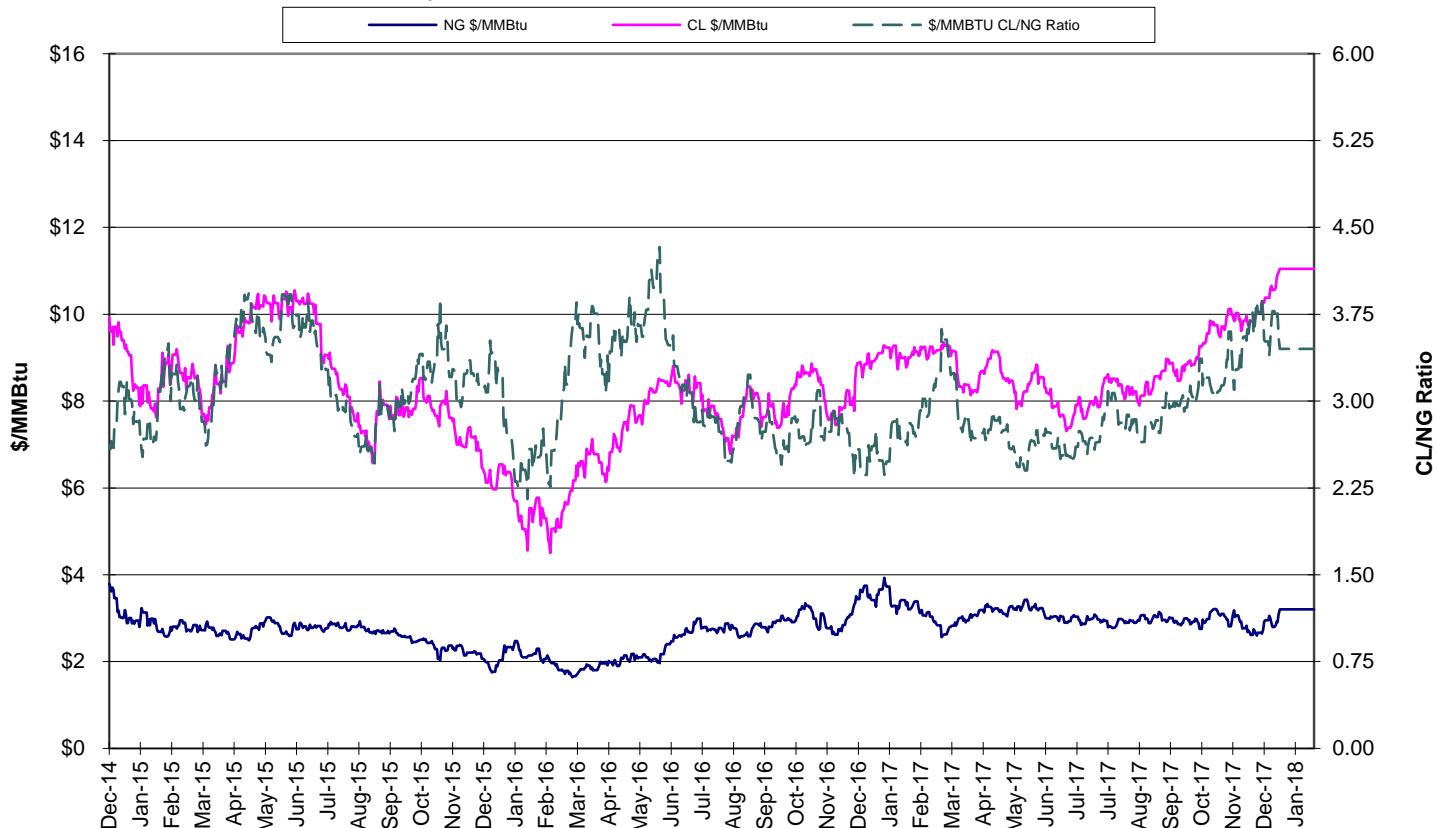
**Supply Trends:** Total supply rose +0.6 bcf/d to 76.6 bcf/d. US production rose and LNG exports fell. Canadian and LNG imports fell while Mexican exports rose. **Despite the increased US production fell, US production remains below December peaks output recovers from the freeze-offs.** The US Baker Hughes rig count fell (1) as oil activity increased but natural gas slipped. The total US rig count now stands at 946. The Canadian rig count rose +4 to 342. Thus, the total North American rig count rose +3 to 1,288 and now exceeds last year by +216. **The higher efficiency US horizontal rig count was unchanged at 808 and rises +212 above last year. EIA monthly data indicated record US production in November.**

**Demand Trends:** Total demand fell (25.9) bcf/d to 87.1 bcf/d. All sectors were lower as temperatures rose. Electricity demand fell (11,879) gigawatt-hrs to 75,934 which exceeds last year by 681 (0.9%) and trails the 5-year average by (3,549) (4.5%).

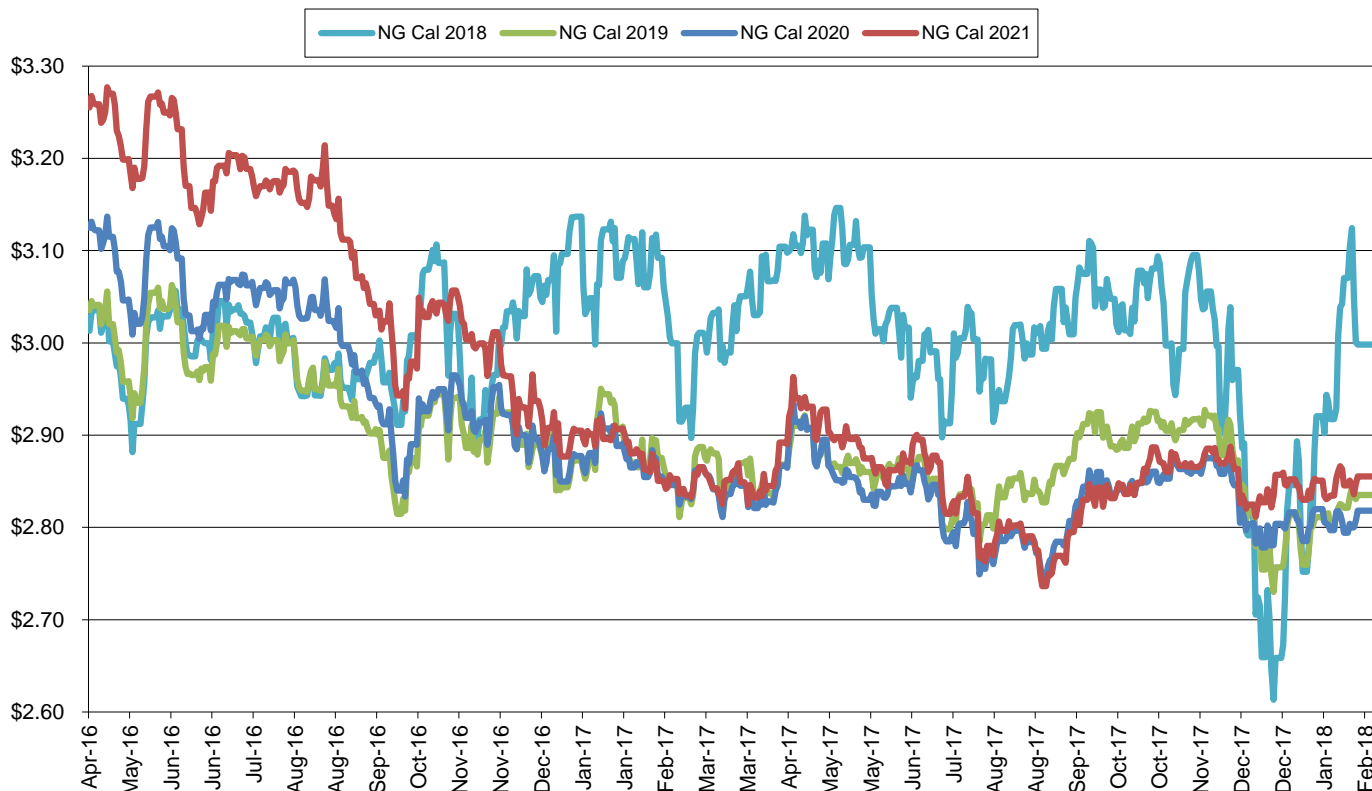
**Nuclear Generation:** Nuclear generation rose +1,713 MW in the reference week to 96,111 MW. This is +2,945 MW higher than last year and +2,997 MW higher than the 5-year average. **Recent output was at 95,192 MW.**

- The heating season is now past its midpoint. With a forecast through February 16 the 2018 total heating index is at 1,887 compared to 1,755 for 2017, 1,780 for 2016, 2,076 for 2015, 2,353 for 2014, 2,040 for 2013, 1,986 for 2012 and 2,344 for 2011.

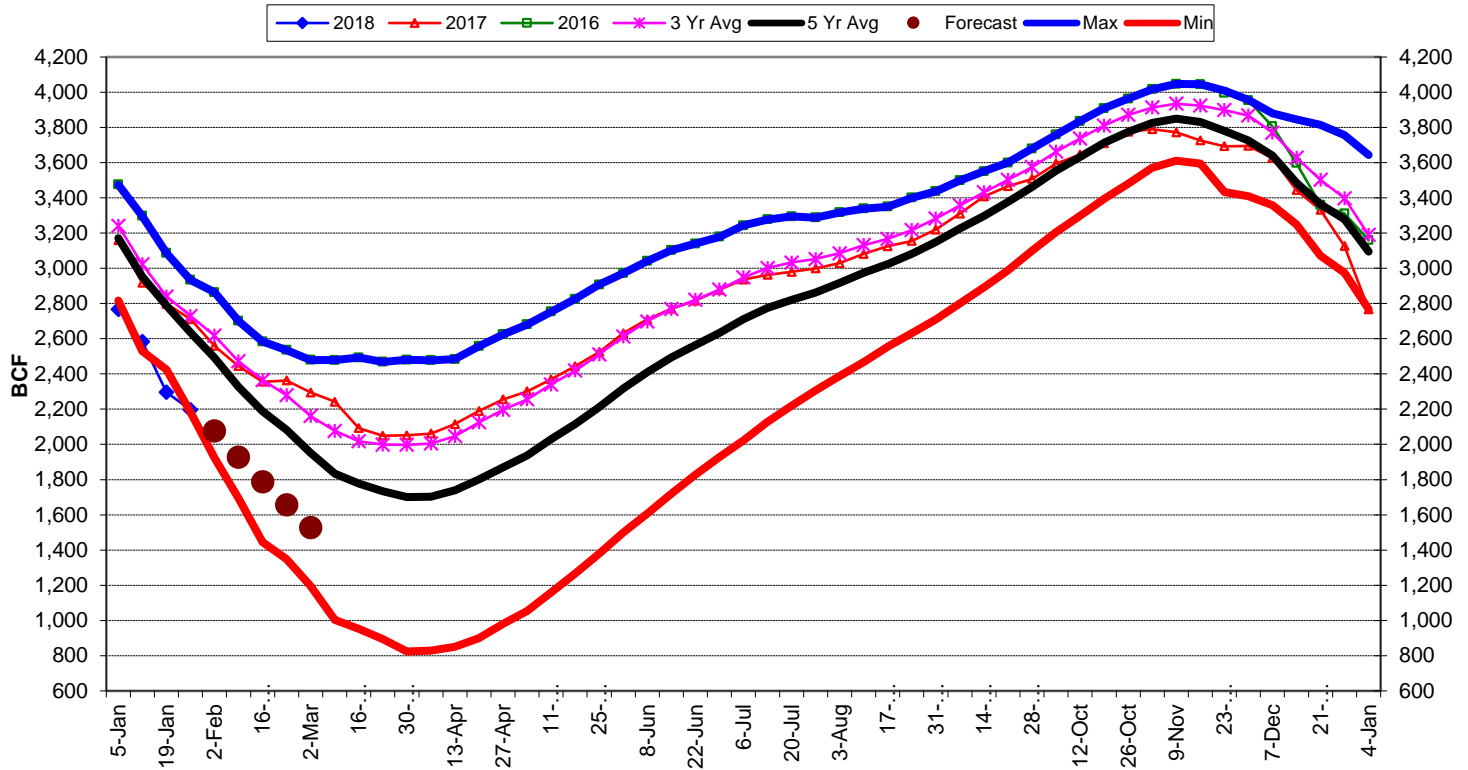
## \$/MMBtu Ratio of NYMEX CL and NG



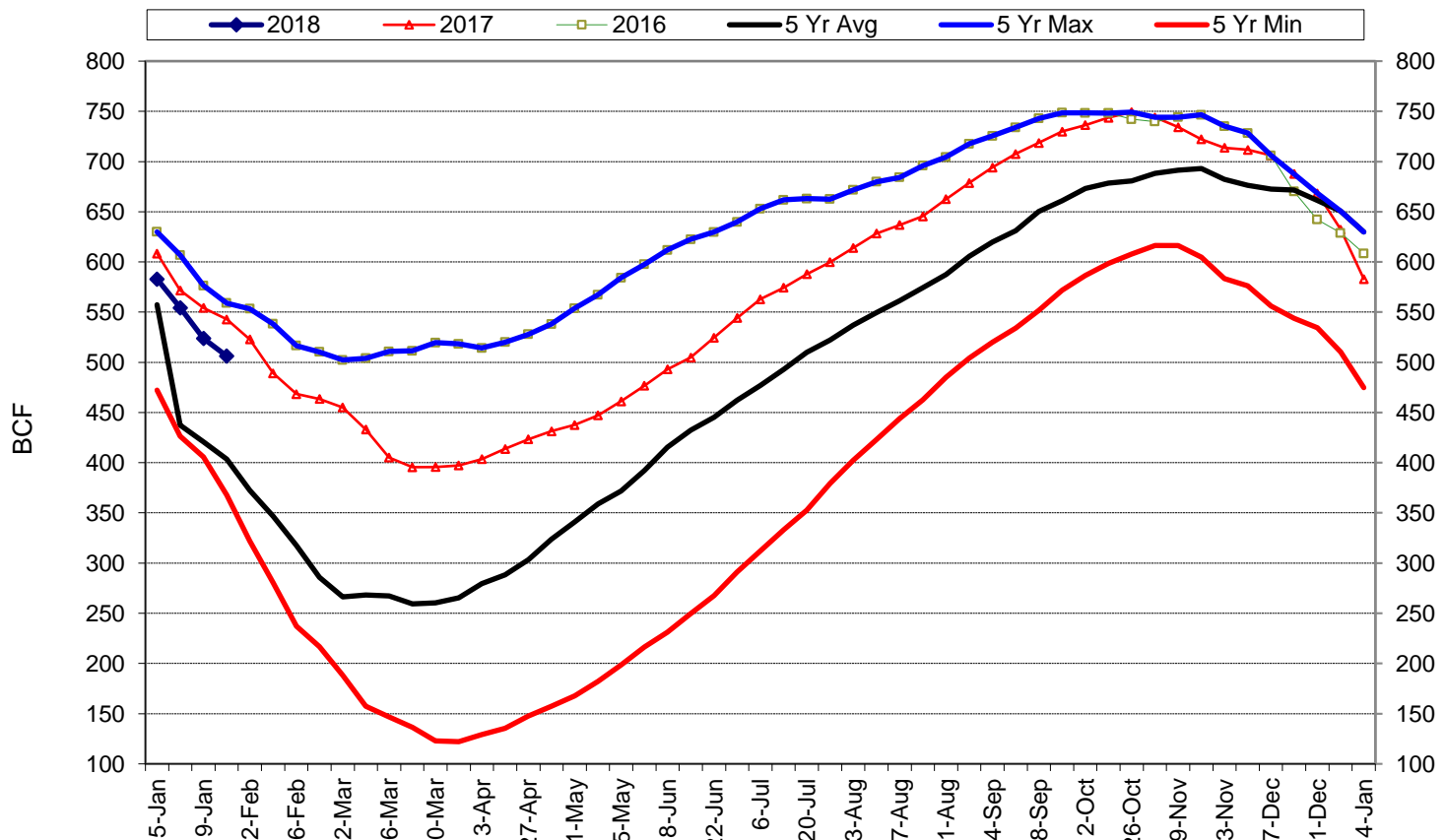
## NYMEX Calendar Strips



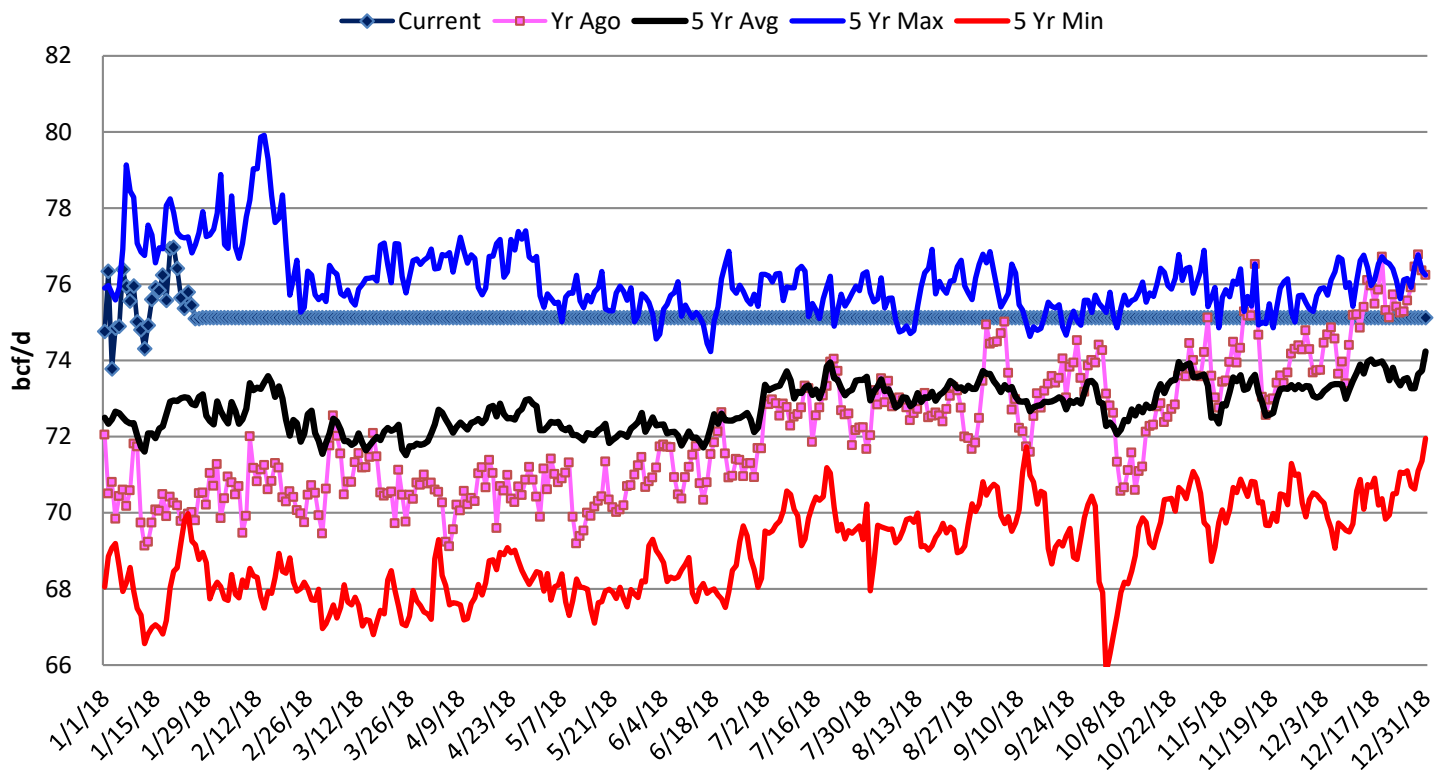
## US Total Working Gas Storage - Source - EIA



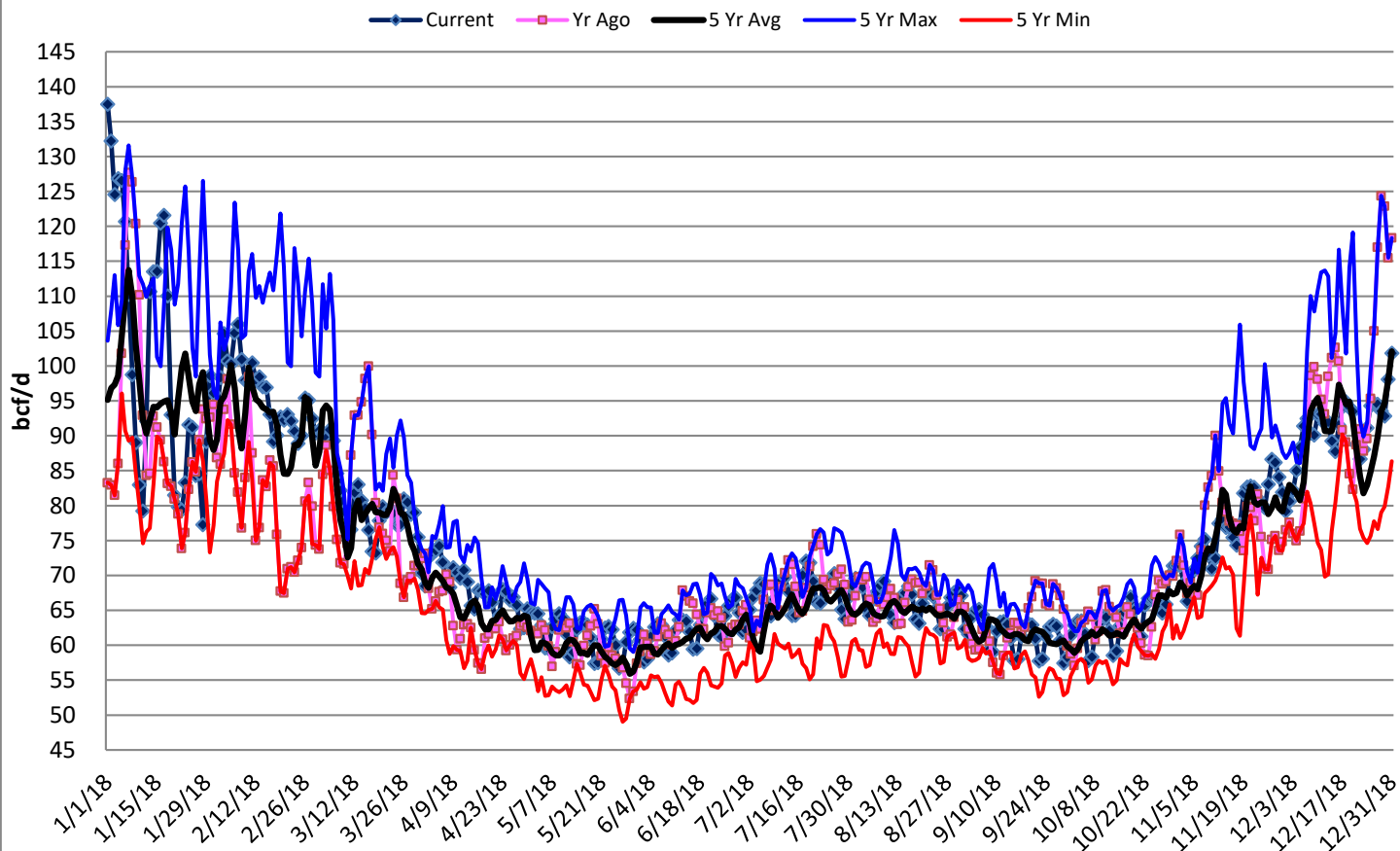
## Canadian Working Gas Storage - Enerdata



## US Total Supply



## US Total Demand



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**ADDITIONAL INFORMATION AVAILABLE UPON REQUEST**

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