

Kyle Cooper, (713) 248-3009, Kyle.Cooper@iafadvisors.com

Week Ending February 16, 2018

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

Price Action: The March contract fell 2.6 cents (1.0%) to \$2.558 on a 11.2 cent range (\$2.642/\$2.530).

Price Outlook: The market continued to slide as Mother Nature turned even more bearish and the market is beginning to focus on the upcoming injection season. Weather forecasts added over 100 bcf to storage projections this week. For daily updated storage projections, subscribe to our joint publication with RBN Energy. The current 15-day forecast is warmer than 8 of the previous 10 years. CFTC data indicated a 69,511 contract reduction in the managed money net long position as longs liquidated and shorts added. The net position is the smallest since January 9, 2018. This is the smallest long position since December 27, 2016. Total open interest rose 80,000 to 3.782 million as of February 13. Aggregated CME futures open interest fell to 1.335 million as of February 16, the lowest since November 16, 2017. Open interest in the March \$4.00 call fell (100) to 157,182. Open interest in the March \$3.50 call fell (324) to 97,523. Open interest in the March \$2.75 put fell (22) to 82,305.

Weekly Storage: US working gas storage for the week ending February 9 indicated a withdrawal of (194) bcf. Working gas inventories fell to 1,884 bcf. Current inventories fall (561) bcf (22.9%) below last year and (443) bcf (19.0%) below the 5-year average.

Storage Outlook: Our EIA weekly storage estimate was 8 bcf from the actual EIA implied flow and again outside our tolerance as weekly variance to the base model returned. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Our joint publication with RBN updates storage projections daily.

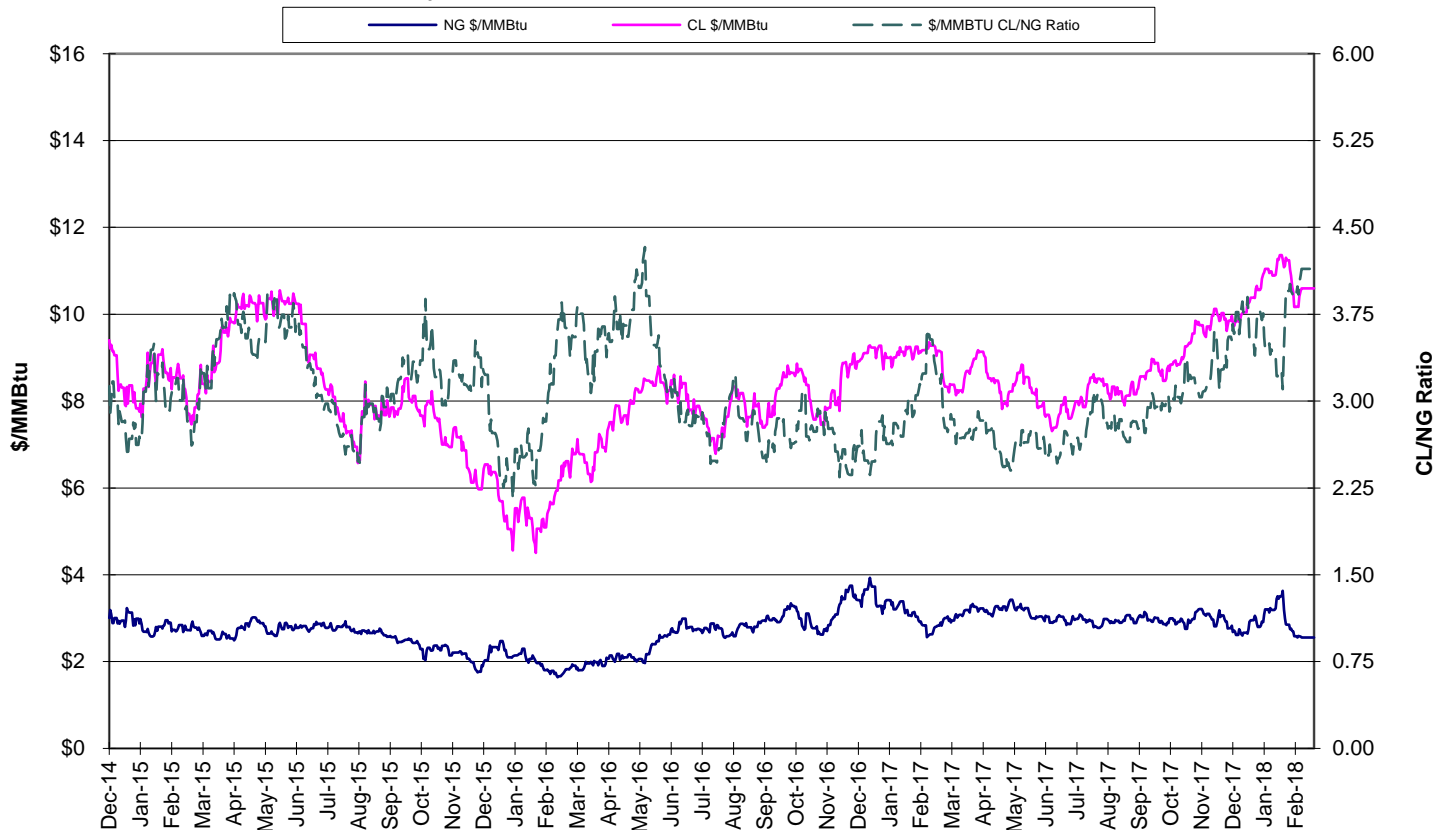
Supply Trends: Total supply rose +0.1 bcf/d to 76.3 bcf/d. LNG imports rose. LNG exports rose. US production, Canadian imports, LNG exports and Mexican exports were unchanged. The US Baker Hughes rig count rose +29 as both oil and natural gas activity increased. The US Baker Hughes rig count was unchanged as oil activity increased but natural gas slipped. The total US rig count now stands at 975. The Canadian rig count fell (7) to 318. Thus, the total North American rig count fell (7) to 1,293 and now exceeds last year by +211. The higher efficiency US horizontal rig count rose +7 to 839 and rises +225 above last year.

Demand Trends: Total demand rose +12.0 bcf/d to 102.2 bcf/d. All sectors were higher as temperatures fell. Electricity demand rose +1,556 gigawatt-hrs to 79,445 which exceeds last year by +4,596 (6.1%) and the 5-year average by +1,201 (1.5%).

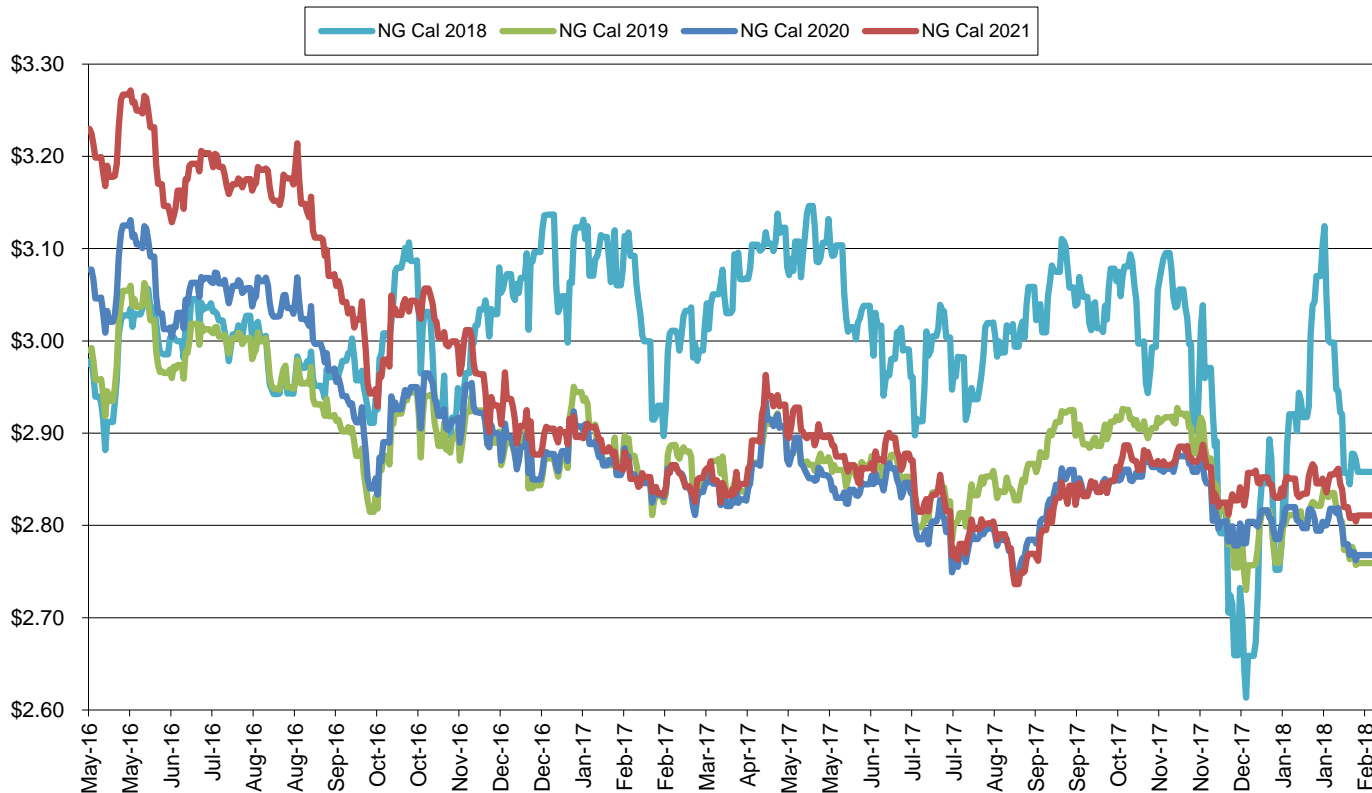
Nuclear Generation: Nuclear generation fell (1,421) MW in the reference week to 94,683 MW. This is +2,998 MW higher than last year and +2,702 MW higher than the 5-year average. Recent output was at 92,213 MW.

- The heating season is now past its midpoint. With a forecast through March 2 the 2018 total heating index is at 2,281 compared to 1,918 for 2017, 1,988 for 2016, 2,392 for 2015, 2,609 for 2014, 2,348 for 2013, 2,225 for 2012 and 2,615 for 2011.

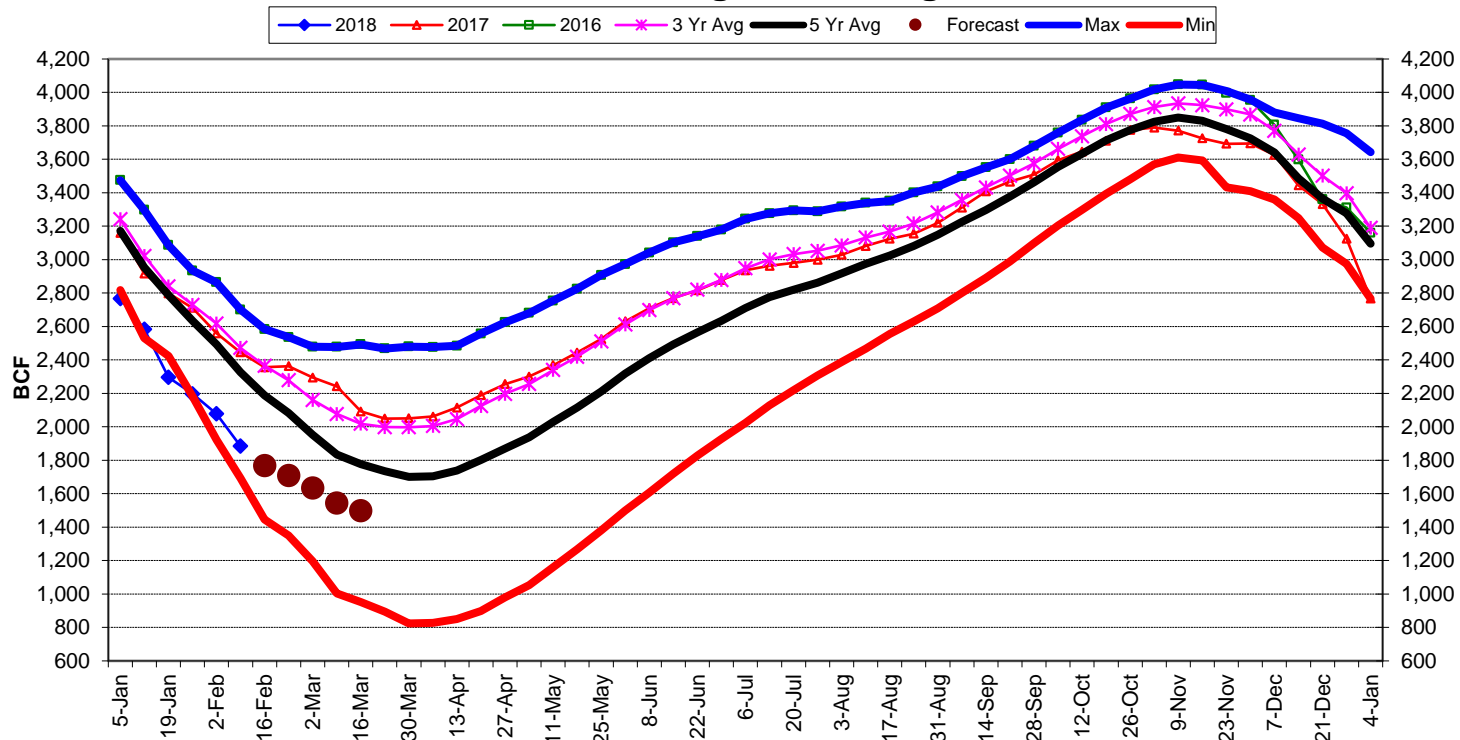
\$/MMBtu Ratio of NYMEX CL and NG



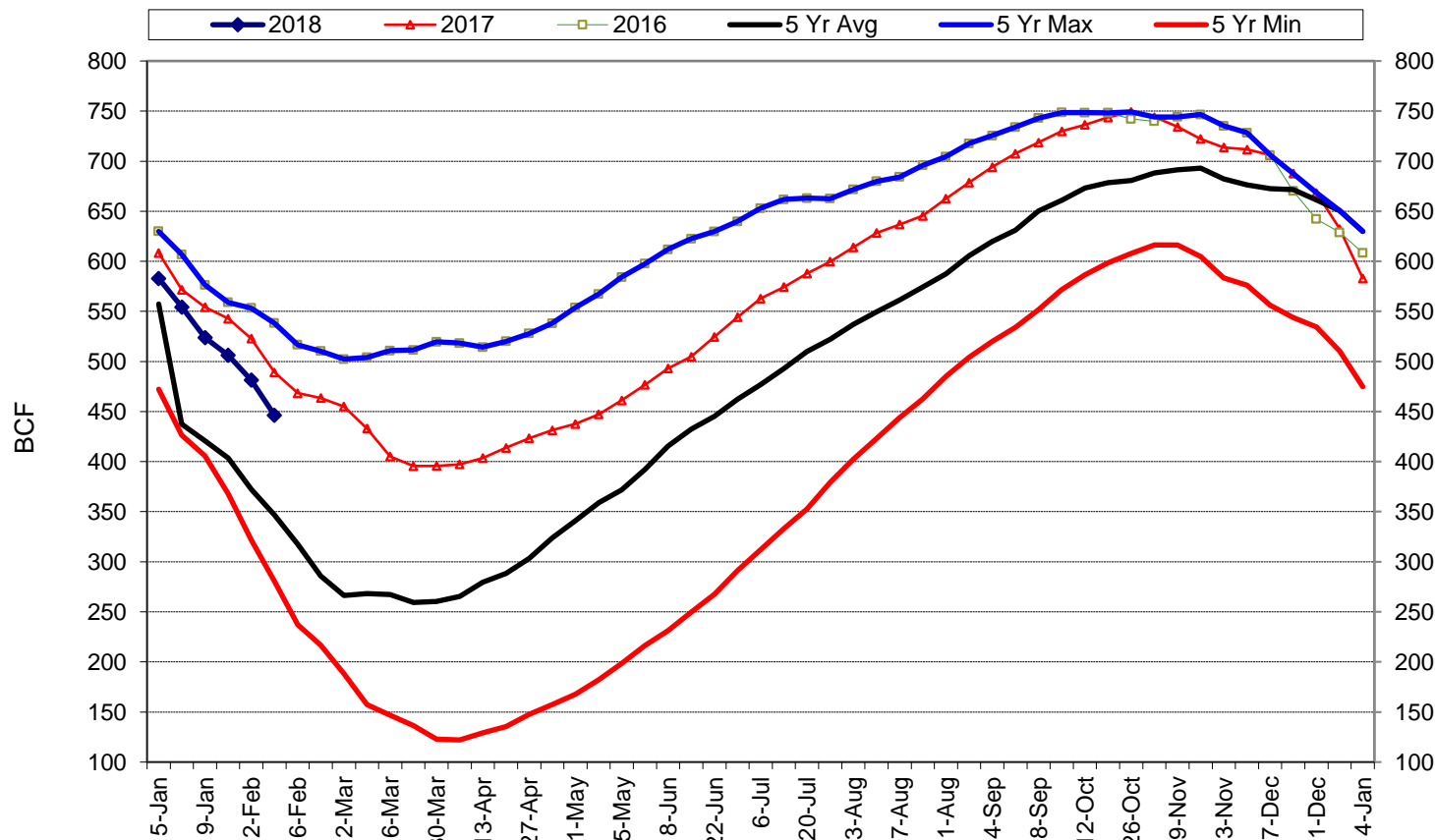
NYMEX Calendar Strips



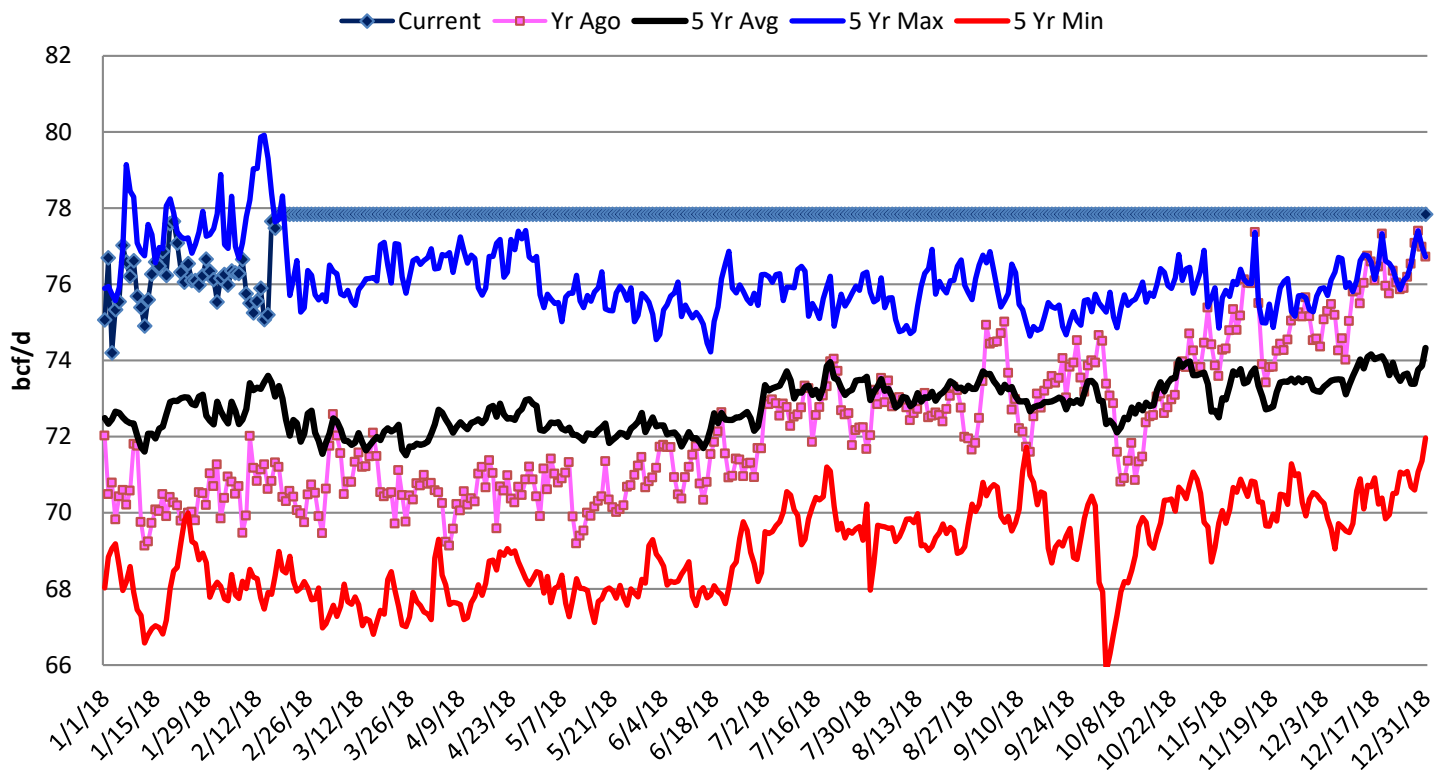
US Total Working Gas Storage - Source - EIA



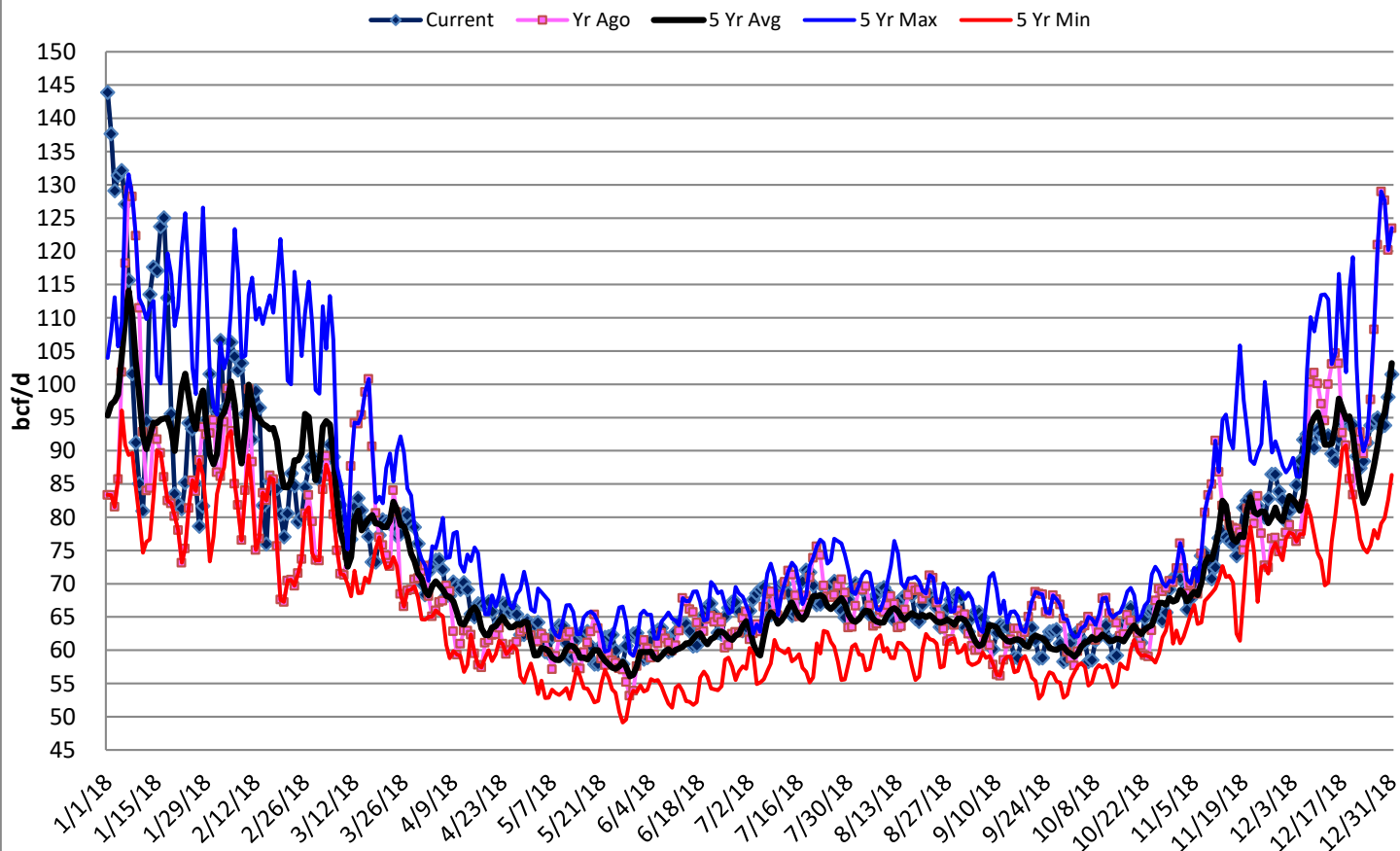
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any commodity, futures contract, equity, bond or option contract on any other financial asset. IAF Advisors does not provide investment, financial, tax, or other advice, nor does it operate as a broker-dealer. IAF Advisors does not recommend the purchase or sale of any particular security or securities. Although any statements of fact in this report have been obtained from and are based upon sources that IAF Advisors believes to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. IAF Advisors, its officers and/or employees, may at any time have a long and/or short position in any commodity, futures contract, equity, bond or option contract on any other financial asset mentioned in this report. All opinions and estimates included in this report constitute IAF Advisors judgment as of the date of this report and are subject to change without notice.

© 2018 IAF Advisors