

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

Week Ending May 4, 2018

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

Price Action: The June contract fell 6.0 cents (2.2%) to \$2.711 on a 12.0 cent range (\$2.820/\$2.700).

Price Outlook: Prices slipped as more moderate weather finally arrived and the EIA reported the first storage injection of the season that was also well above expectations. Although US production remains a bearish factor, the storage deficit is massive and injections must begin to soar above 100 bcf to reduce the deficit at an acceptable pace. The next couple of weeks are crucial to market action with injections that fall short of +100 likely leading to a substantial rally while injections over 110 bcf will probably pressure prices lower. For daily updated storage projections, subscribe to our joint publication with RBN Energy. The current weather forecast is now warmer than 10 of the last 10 years. CFTC data indicated a (26,944) contract reduction in the managed money net long position as longs liquidated and shorts added. This is the smallest speculative net position since December 26, 2107. Total open interest fell (124,365) to 3.489 million as of May 01. Aggregated CME futures open interest rose to 1.461 million as of May 04.

Weekly Storage: US working gas storage for the week ending April 27 indicated an injection of +62 bcf. Working gas inventories rose to 1,343 bcf. Current inventories fall (913) bcf (-40.5%) below last year and fall (527) bcf (-28.2%) below the 5-year average.

Storage Outlook: : Our EIA weekly storage estimate was 9 bcf from the actual EIA implied flow and was obviously within our tolerance. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Our joint publication with RBN updates storage projections daily.

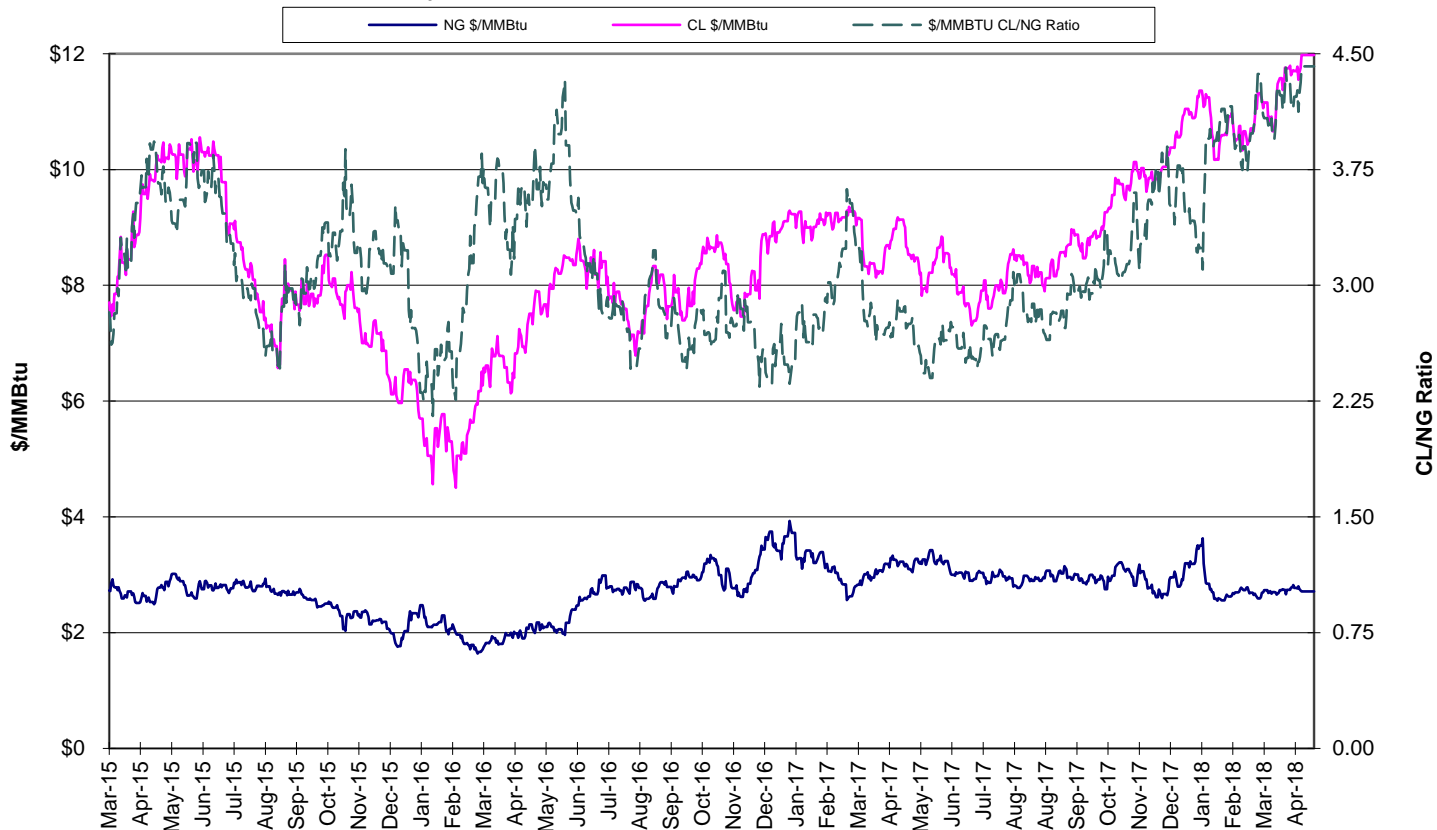
Supply Trends: Total supply rose 0.9 bcf/d to 77.0 bcf/d. US production rose. Canadian imports rose. LNG imports exports fell. LNG exports fell. Mexican exports rose. The US Baker Hughes rig count rose +11. Oil activity increased +9. Natural gas activity increased +1. The total US rig count now stands at 1,032. The Canadian rig count rose +1 to 86. Thus, the total North American rig count rose +12 to 1,118 and now exceeds last year by +159. The higher efficiency US horizontal rig count rose +12 to 913 and rises +179 above last year.

Demand Trends: Total demand fell (7.7) bcf/d to +70.6 bcf/d. Power demand fell. Industrial demand fell. Res/Comm demand fell. Electricity demand fell (1,664) gigawatt-hrs to 67,526 which trails last year by (2,215) (-3.2%) and trails the 5-year average by (846) (-1.2%).

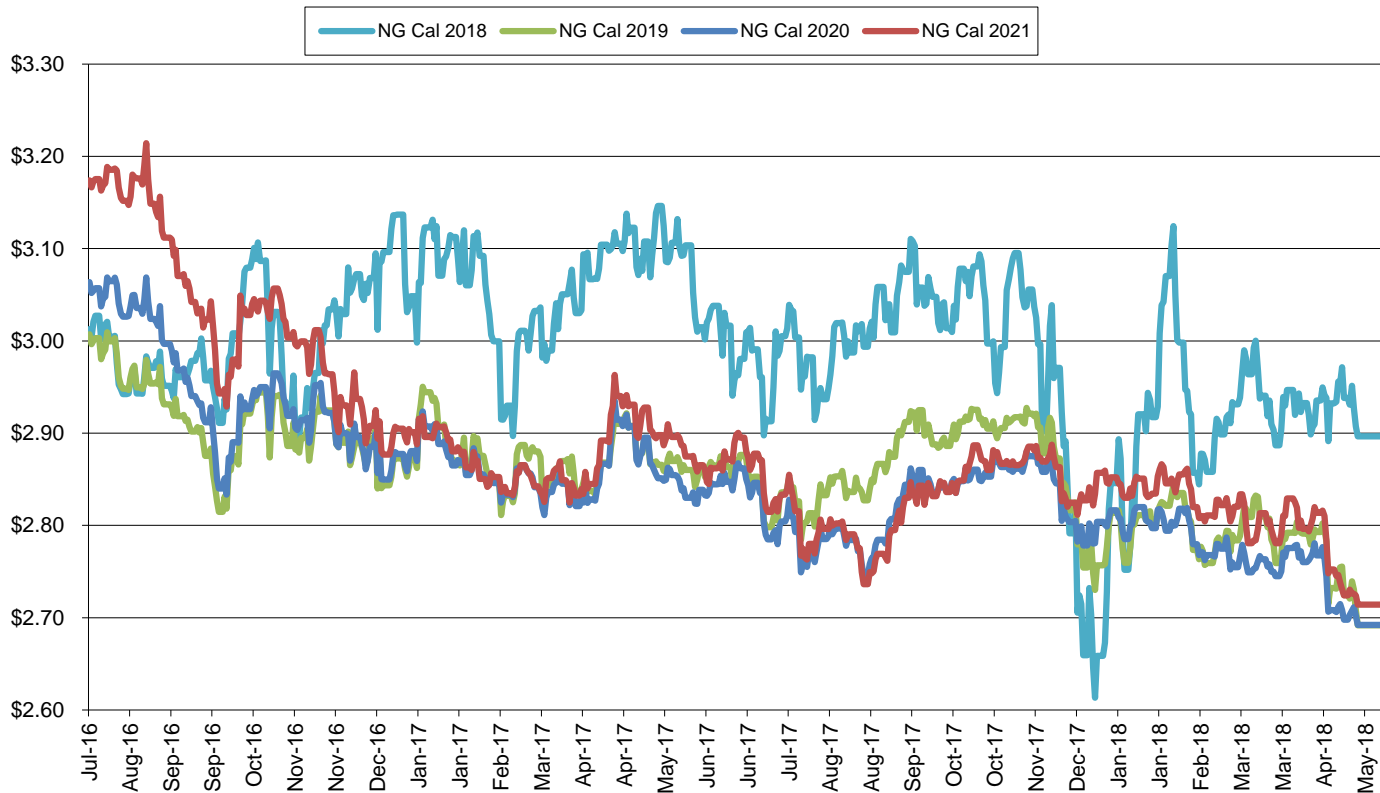
Nuclear Generation: Nuclear generation rose 1,649 MW in the reference week to 78,637 MW. This is +3,175 MW higher than last year and +1,259 MW higher than the 5-year average. Recent output was at 81,171 MW.

- The heating season is entering its final leg. With a forecast through May 18 the 2018 total heating index is at 3,005 compared to 2,298 for 2017, 2,419 for 2016, 2,886 for 2015, 3,231 for 2014, 3,048 for 2013, 2,567 for 2012 and 3,168 for 2011.

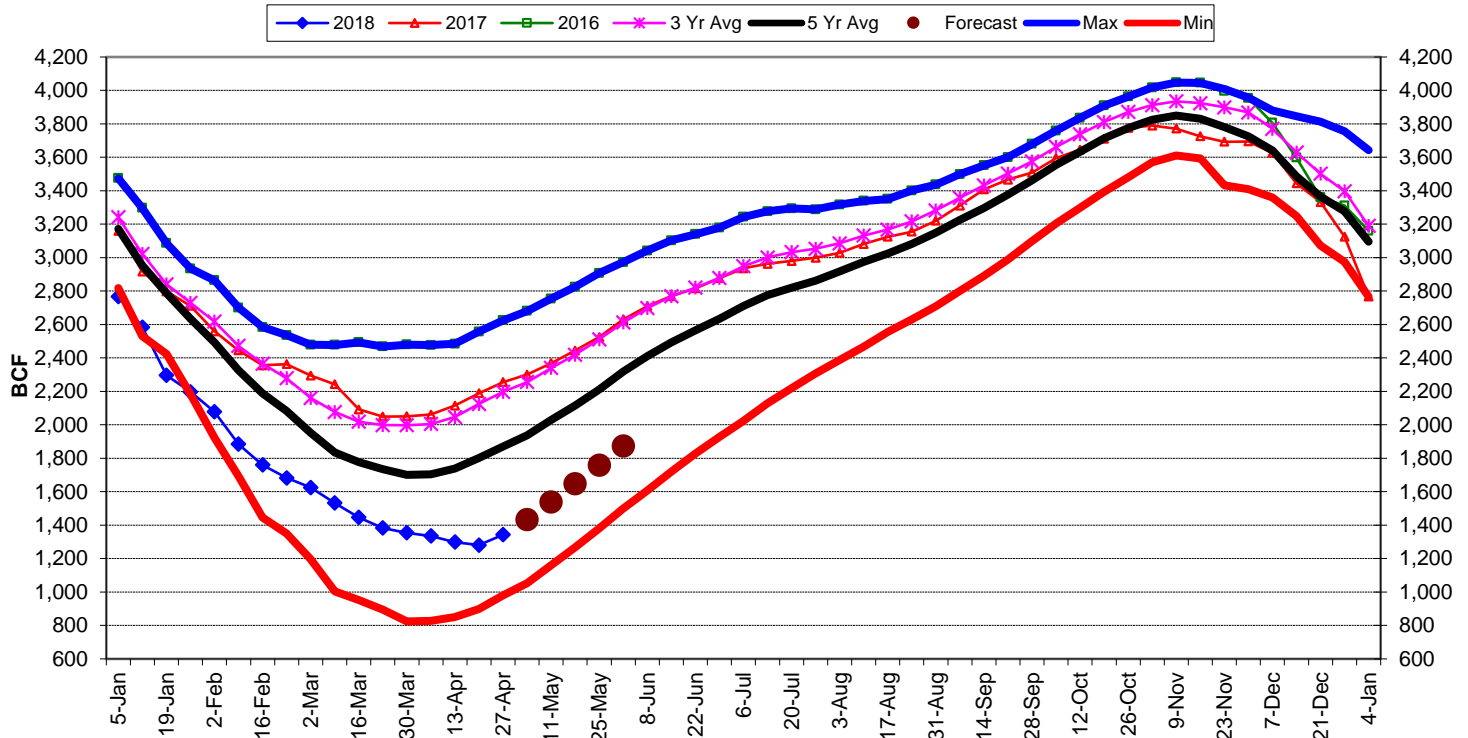
\$/MMBtu Ratio of NYMEX CL and NG



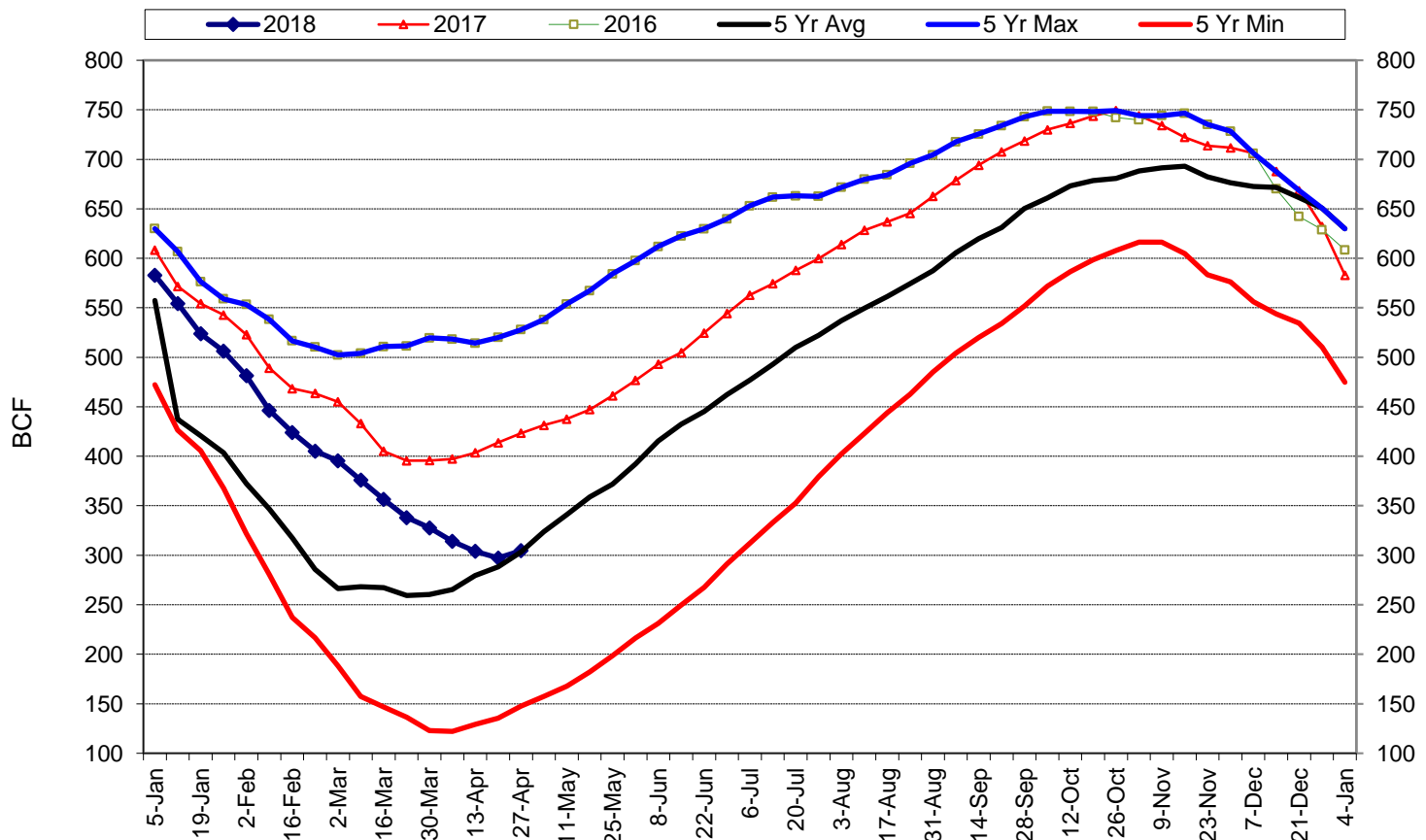
NYMEX Calendar Strips



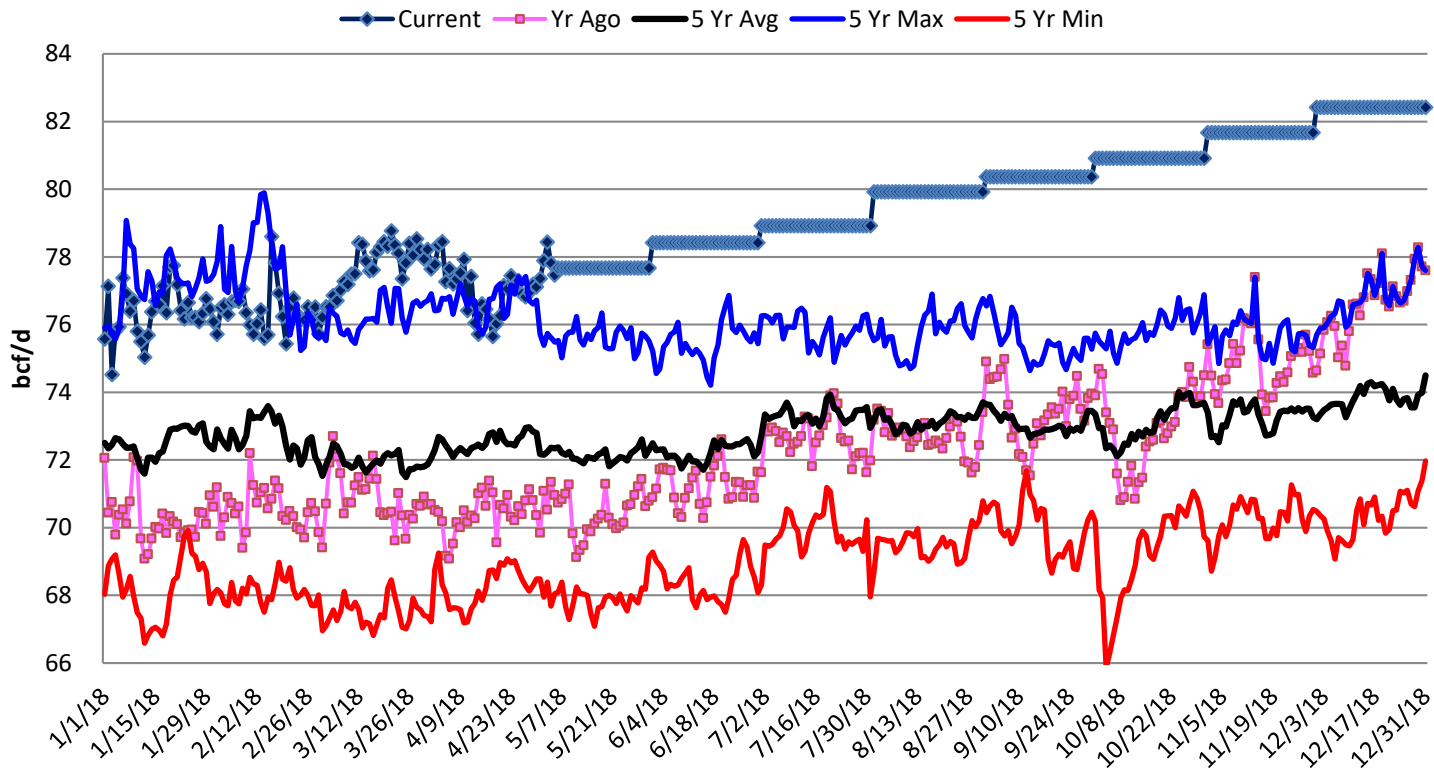
US Total Working Gas Storage - Source - EIA



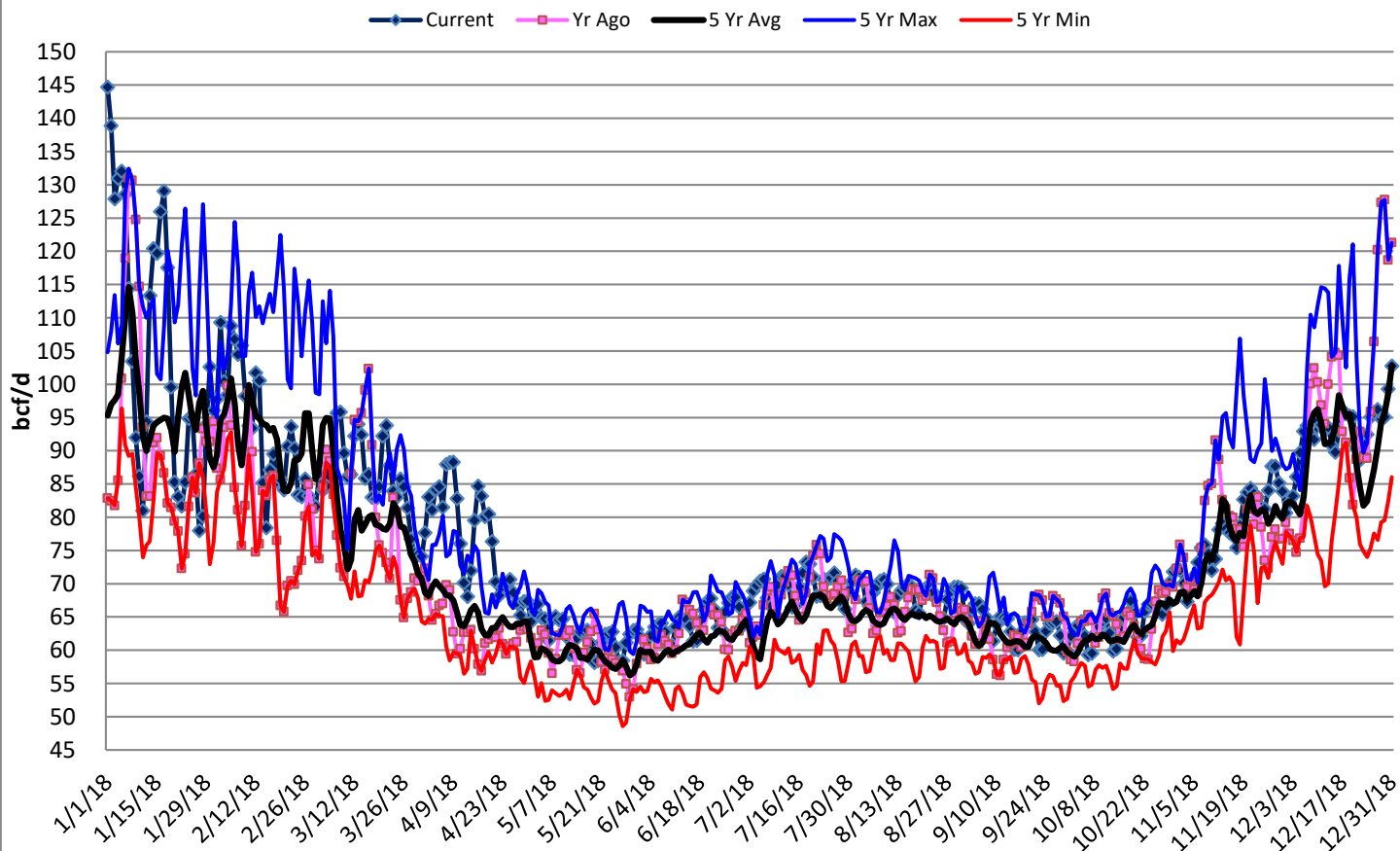
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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