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Week Ending May 18, 2018

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

Price Action: The June contract rose 4.1 cents (1.5%) to \$2.847 on a 9.0 cent range (\$2.870/\$2.780).

Price Outlook: Prices rose despite a triple digit EIA injection as physical data suggests next week's injection will fall well below that level and possibly even below the 5-year average, a typically price supportive factor. Storage injections should return to above +100 bcf, but these levels are needed to reduce the still massive storage deficit. For daily updated storage projections, subscribe to our joint publication with RBN Energy. The current weather forecast is now warmer than 8 of the last 10 years. CFTC data indicated a 44,994 contract increase in the managed money net long position as longs added and shorts covered. Total open interest rose 102,414 to 3.655 million as of May 15. Aggregated CME futures open interest rose to 1.489 million as of May 18. Our weekly special topics report focuses on the EIA Drilling Productivity Report which highlights the continued impressive efficiency gains in the US shale regions.

Weekly Storage: US working gas storage for the week ending May 11 indicated an injection of +106 bcf. Working gas inventories rose to 1,538 bcf. Current inventories fall (831) bcf (-35.1%) below last year and fall (491) bcf (-24.2%) below the 5-year average.

Storage Outlook: Our EIA weekly storage estimate was 3 bcf from the actual EIA implied flow and was 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.

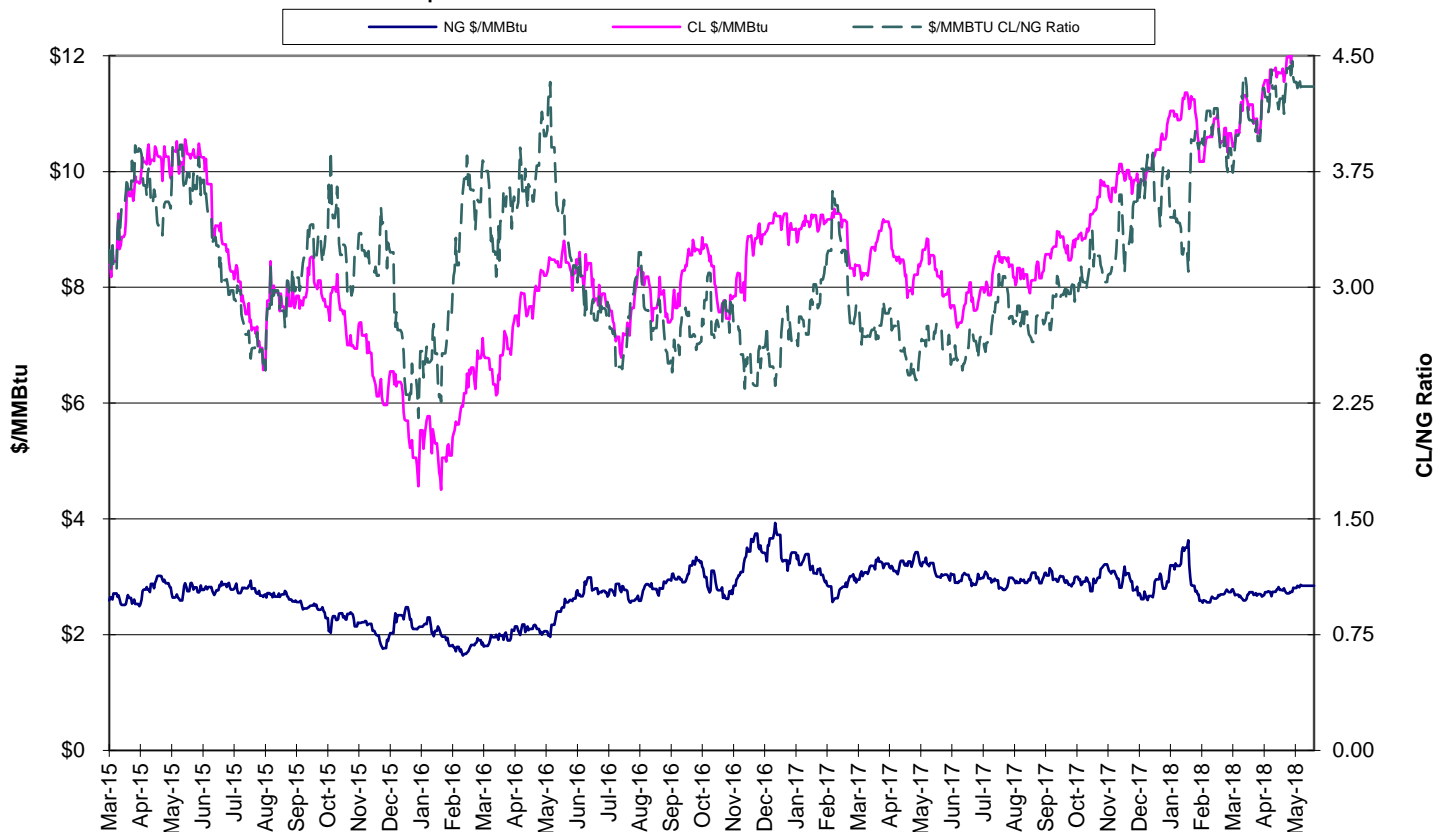
Supply Trends: Total supply rose 0.2 bcf/d to 77.5 bcf/d. US production fell. Canadian imports fell. LNG imports exports fell. LNG exports fell. Mexican exports rose. The US Baker Hughes rig count rose +1. Oil activity was unchanged +0. Natural gas activity increased +1. The total US rig count now stands at 1,046. The Canadian rig count rose +4 to 83. Thus, the total North American rig count rose +5 to 1,129 and now exceeds last year by +143. The higher efficiency US horizontal rig count rose +1 to 919 and rises +160 above last year.

Demand Trends: Total demand fell (2.0) bcf/d to +64.5 bcf/d. Power demand rose. Industrial demand rose. Res/Comm demand fell. Electricity demand rose +2,455 gigawatt-hrs to 73,179 which exceeds last year by +3,918 (5.7%) and exceeds the 5-year average by 3,327 (4.8%).

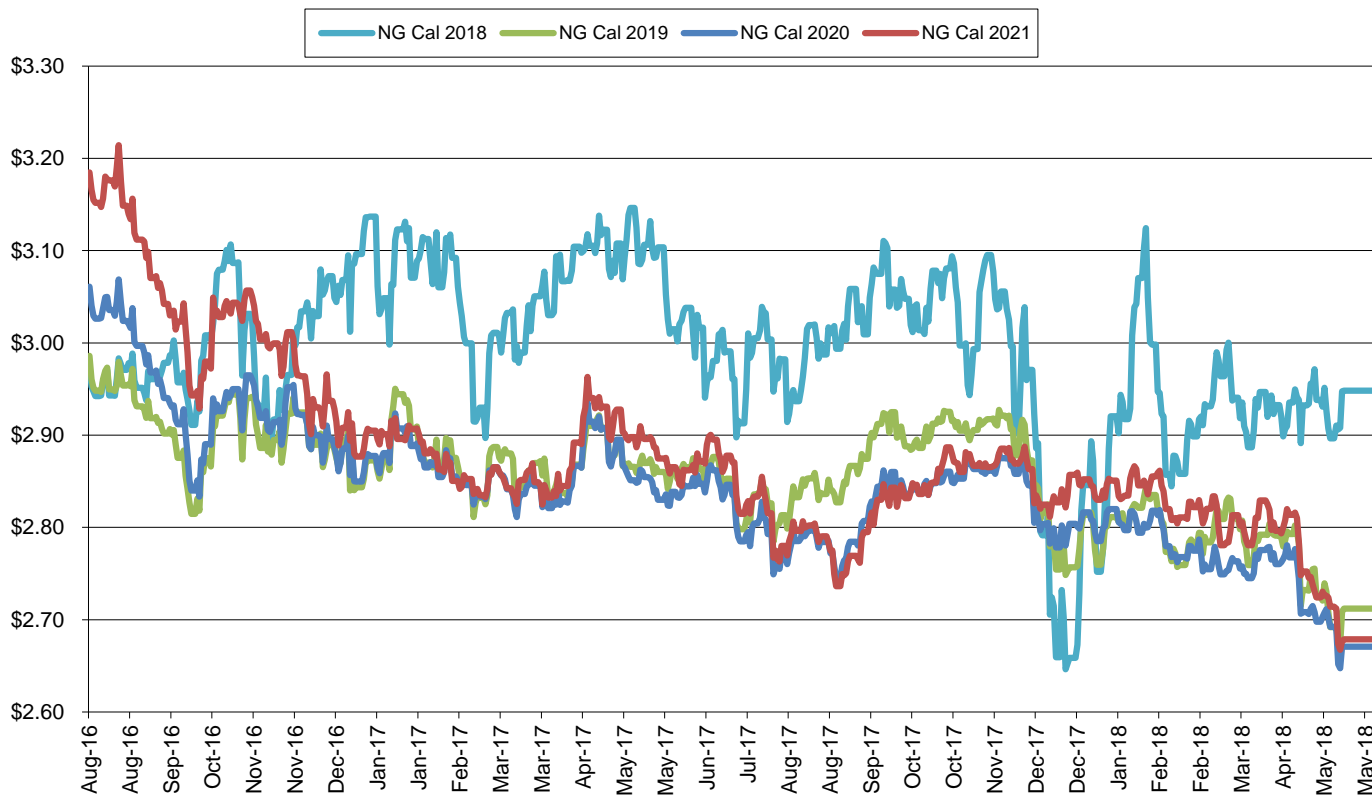
Nuclear Generation: Nuclear generation rose 2,449 MW in the reference week to 81,786 MW. This is +5,637 MW higher than last year and +1,602 MW higher than the 5-year average. Recent output was at 90,118 MW.

- The cooling season is beginning. With a forecast through June 1 the 2018 total cooling index is at 175 compared to 189 for 2017, 91 for 2016, 72 for 2015, 218 for 2014, 157 for 2013, 298 for 2012 and 189 for 2011.

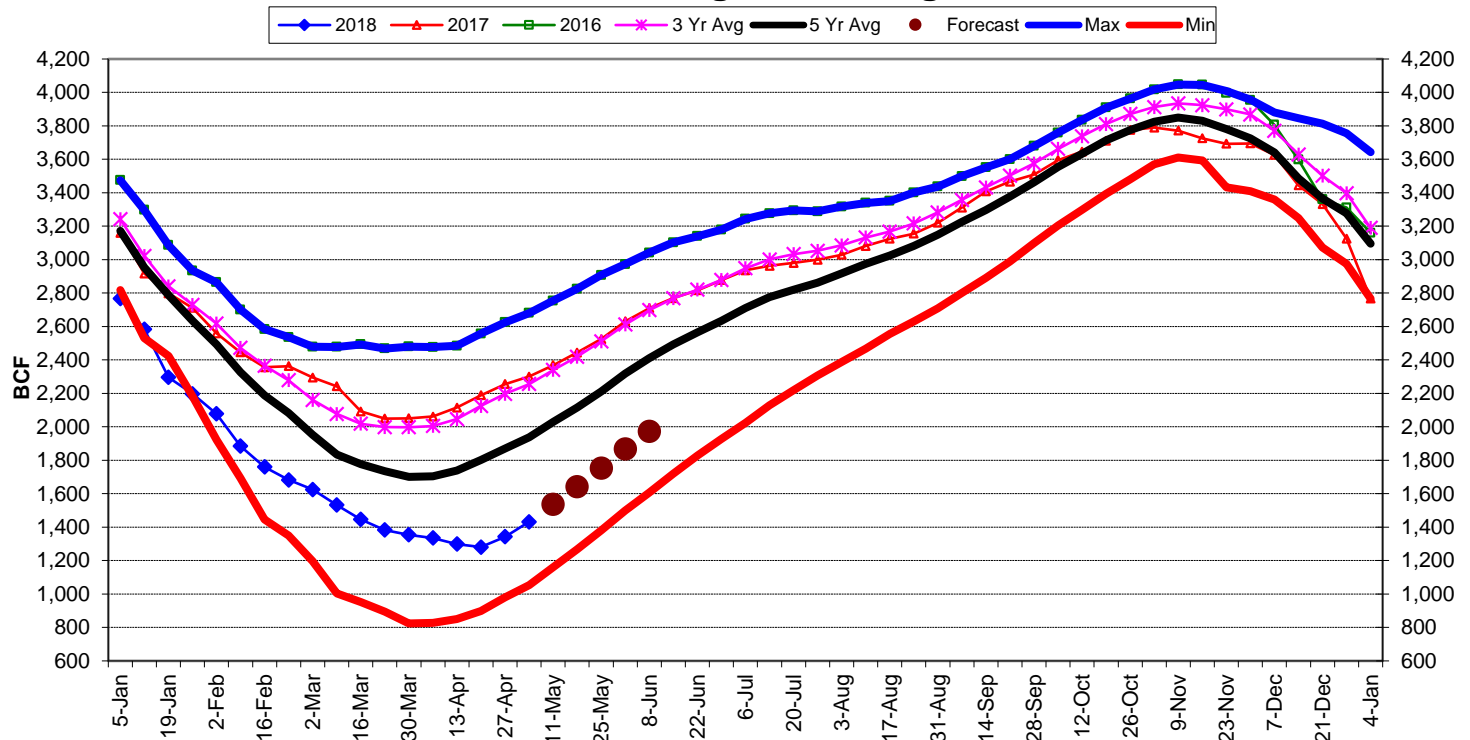
\$/MMBtu Ratio of NYMEX CL and NG



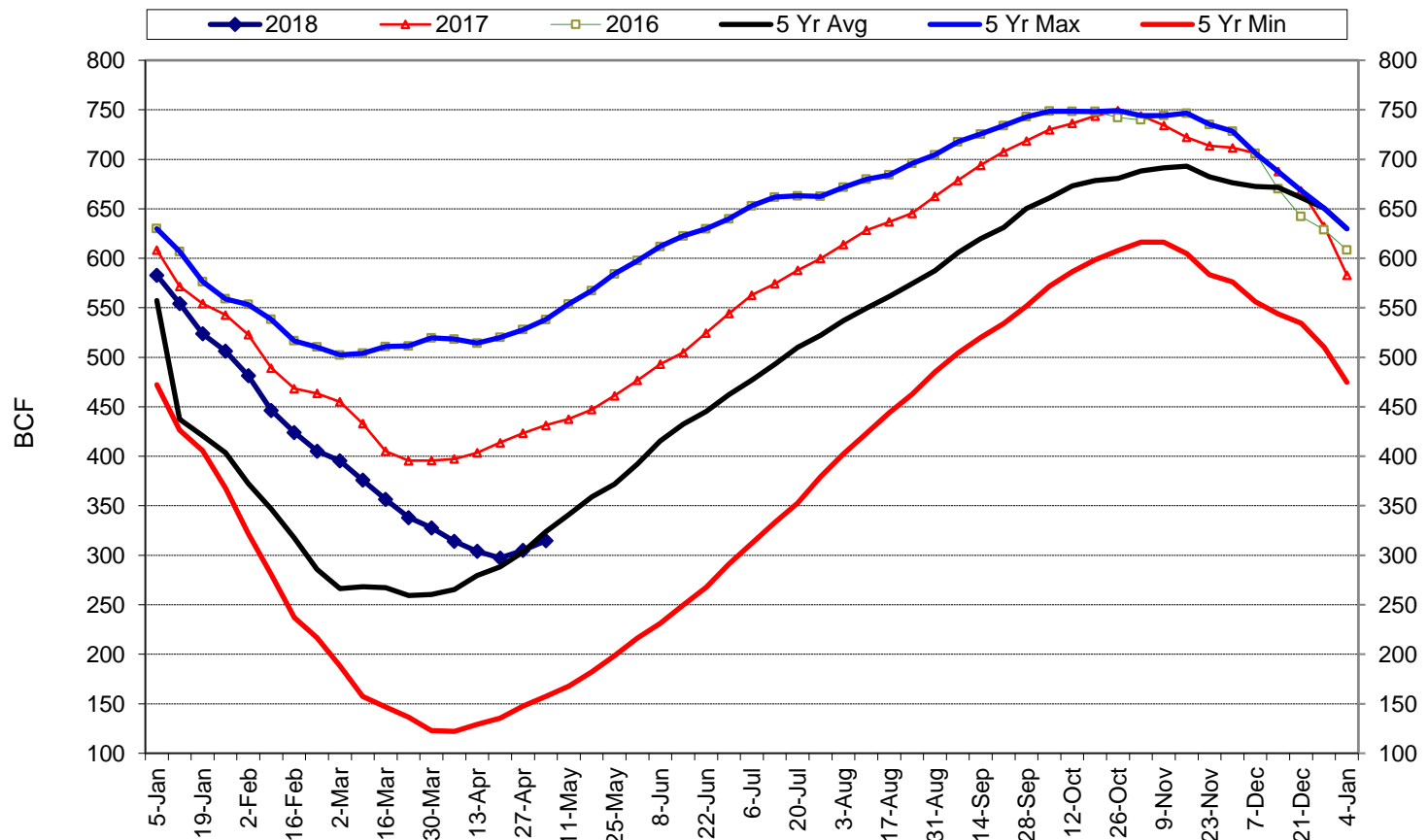
NYMEX Calendar Strips



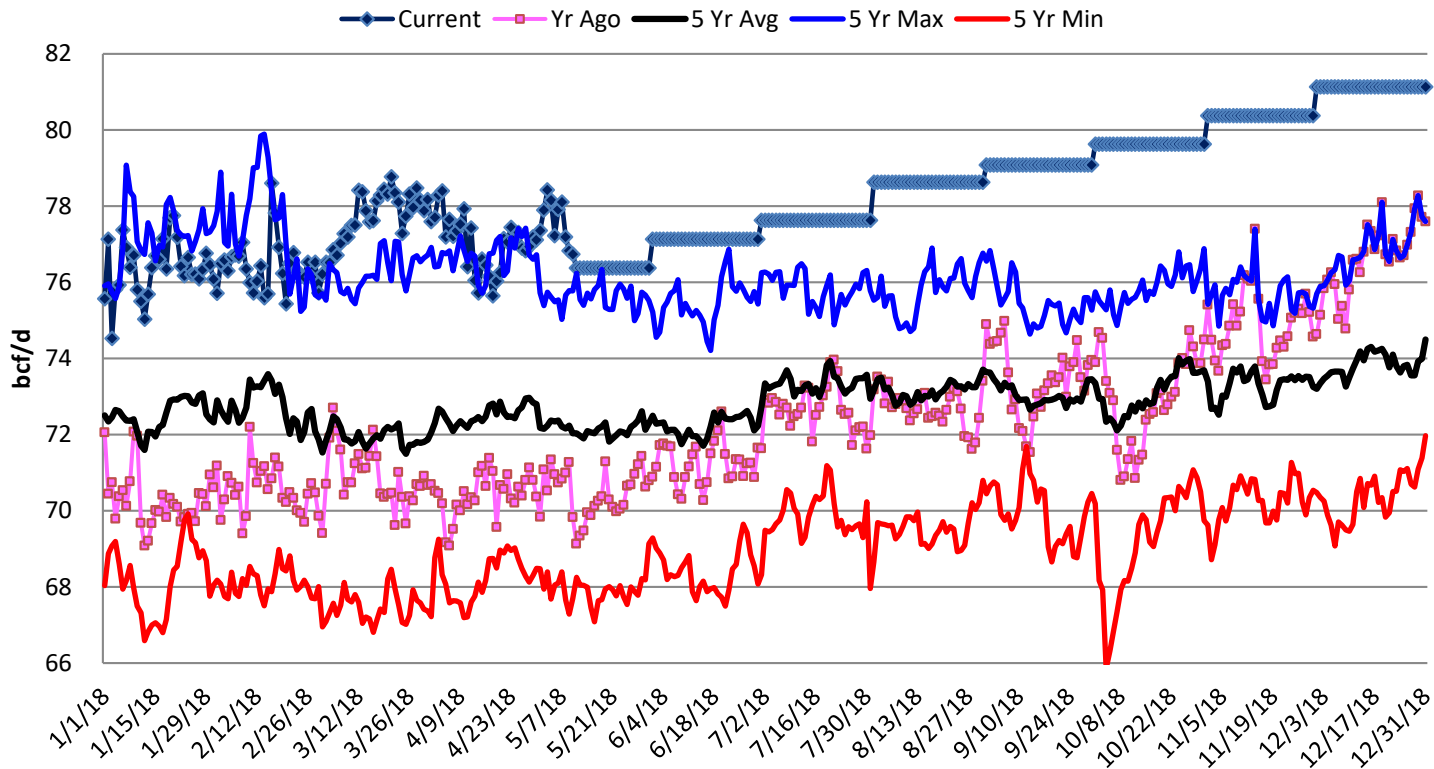
US Total Working Gas Storage - Source - EIA



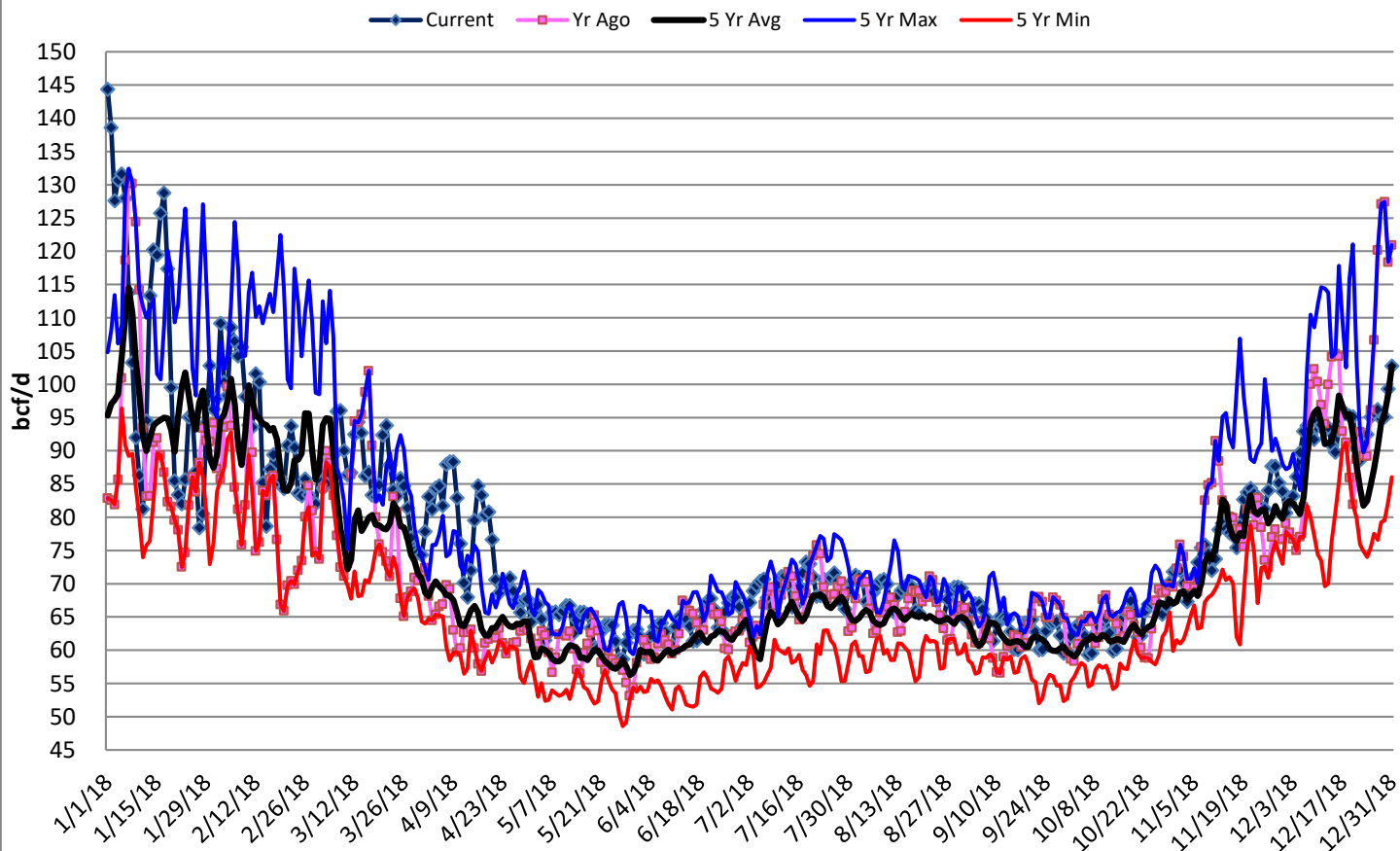
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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