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Week Ending July 6, 2018

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

Price Action: The August contract fell 6.6 cents (2.3%) to \$2.858 on a 10.5 cent range (\$2.927/\$2.822).

Price Outlook: After last week's rare inside where neither a high or low were posted, prices slipped as pipeline data indicated record US production. Even though weather forecasts remain bullish, US production is rising at a slightly faster pace than expected. The market continues to focus almost entirely on production and is seemingly discounting solid structural demand growth. For daily updated storage projections, subscribe to our joint publication with RBN Energy. CFTC data was not updated due to July 4th but last week CFTC data indicated a (21,415) contract reduction in the managed money net long position as longs liquidated and shorts added. This is the smallest long position since May 3, 2016. Total open interest fell (79,727) to 3.650 million as of June 26. Aggregated CME futures open interest fell to 1.486 million as of July 06. The current weather forecast is now warmer than 10 of the last 10 years. Pipeline data indicates total flows to Cheniere's export facility were at 2.8 bcf. Cove Point is net exporting 0.7 bcf.

Weekly Storage: US working gas storage for the week ending June 29 indicated an injection of +78 bcf. Working gas inventories rose to 2,152 bcf. Current inventories fall (726) bcf (-25.2%) below last year and fall (482) bcf (-18.3%) below the 5-year average.

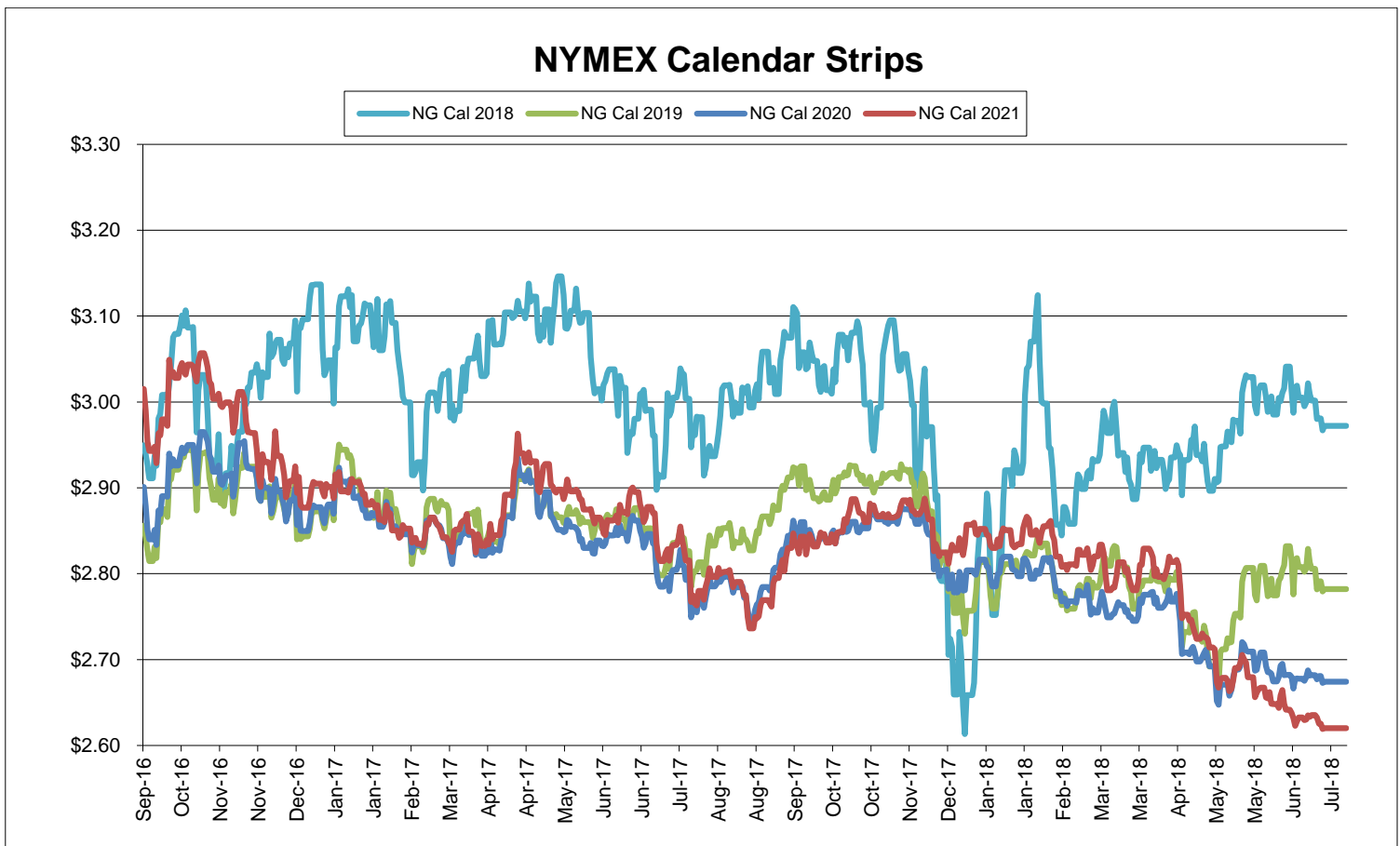
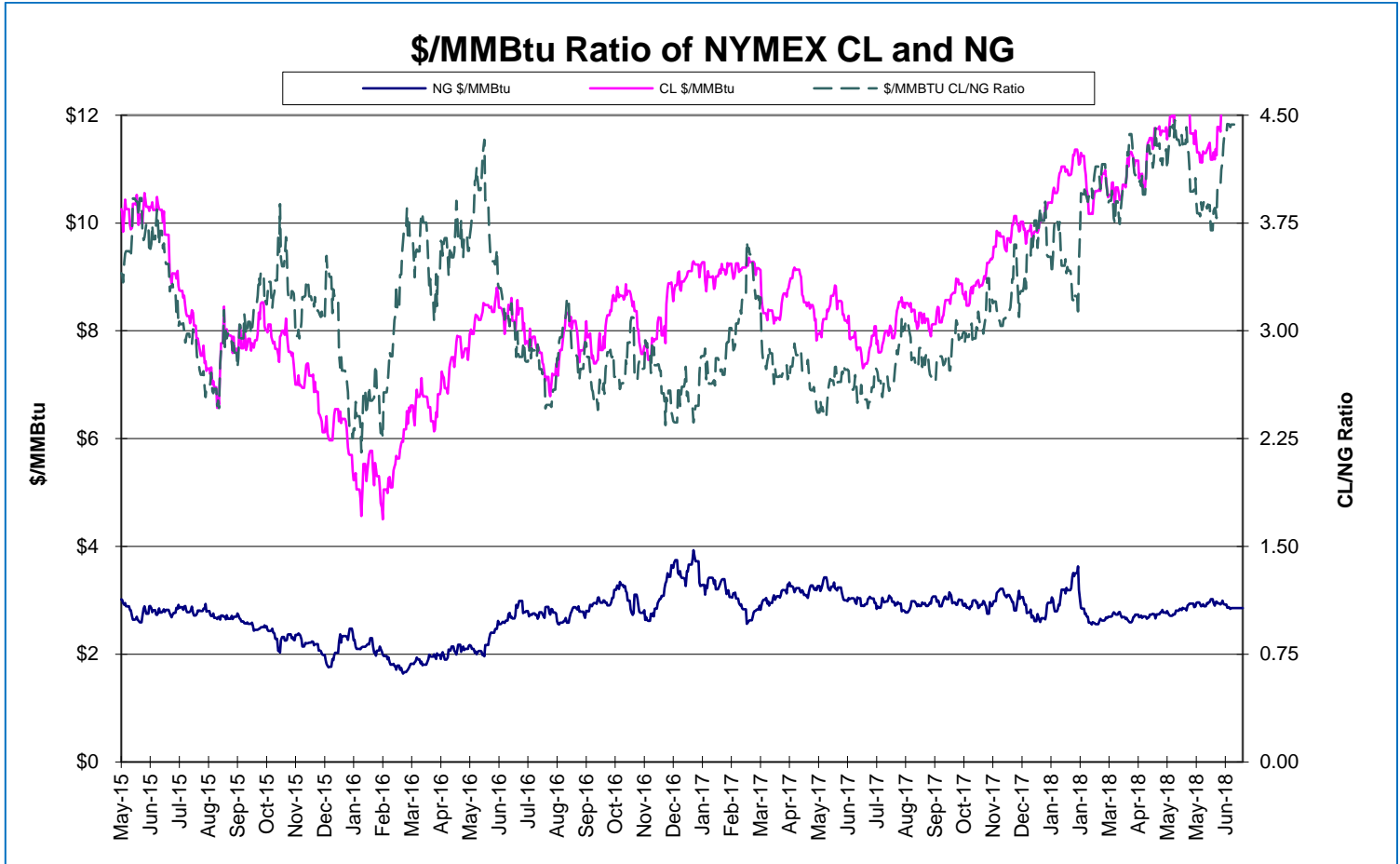
Storage Outlook: The EIA weekly implied flow was 0 bcf from our EIA storage estimate. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Our joint publication with RBN updates storage projections daily.

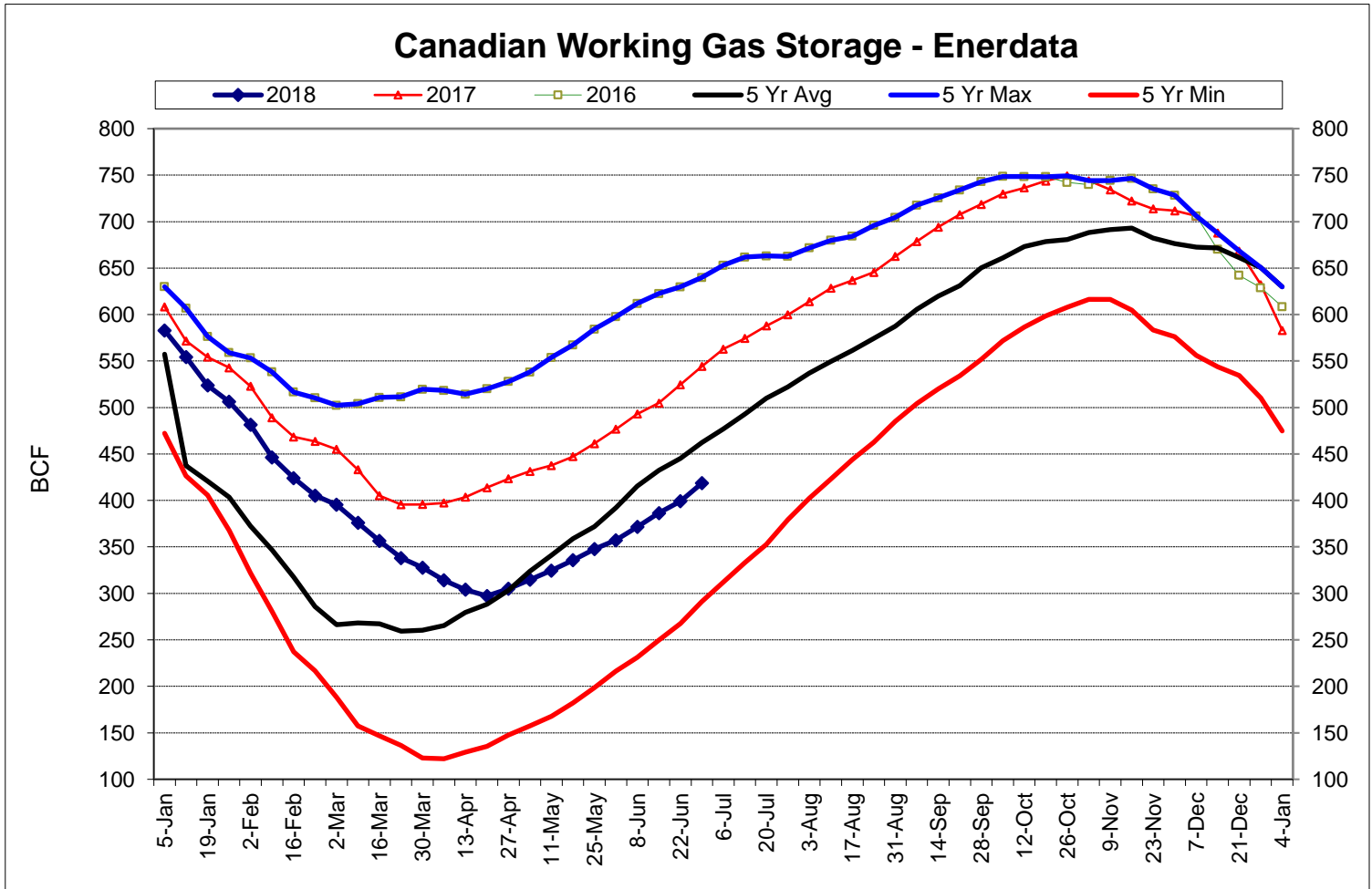
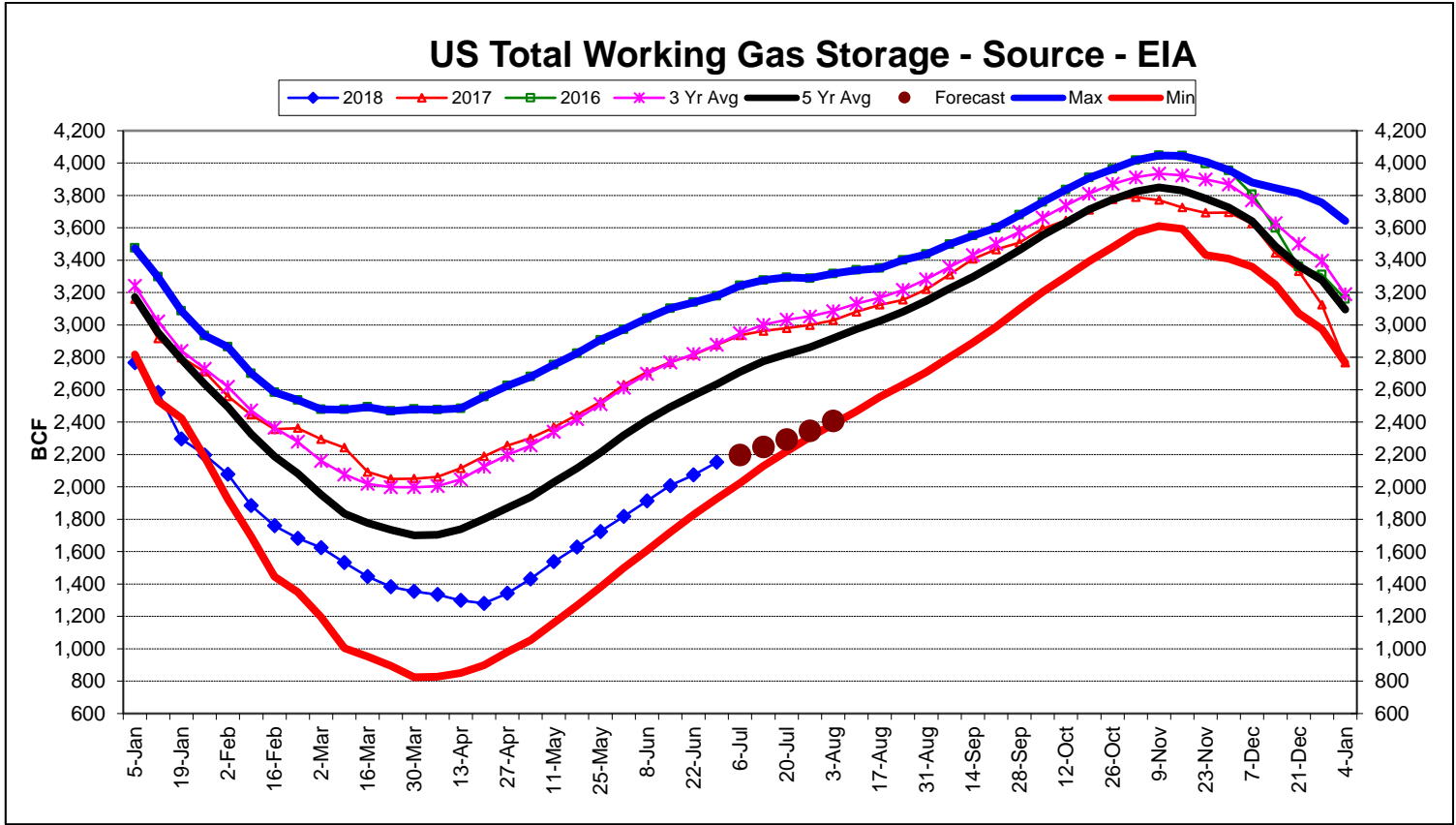
Supply Trends: Total supply rose 0.9 bcf/d to 79.1 bcf/d. US production rose. Canadian imports fell. LNG imports exports fell. LNG exports rose. Mexican exports fell. The US Baker Hughes rig count rose +5. Oil activity increased +5. Natural gas activity was unchanged +0. The total US rig count now stands at 1,052. The Canadian rig count rose +10 to 182. Thus, the total North American rig count rose +15 to 1,234 and now exceeds last year by +107. The higher efficiency US horizontal rig count rose +4 to 930 and rises +126 above last year.

Demand Trends: Total demand fell (0.1) bcf/d to +69.2 bcf/d. Power demand fell. Industrial demand fell. Res/Comm demand rose. Electricity demand rose +1,815 gigawatt-hrs to 89,162 which exceeds last year by +6,902 (8.4%) and exceeds the 5-year average by 5,092 (6.1%).

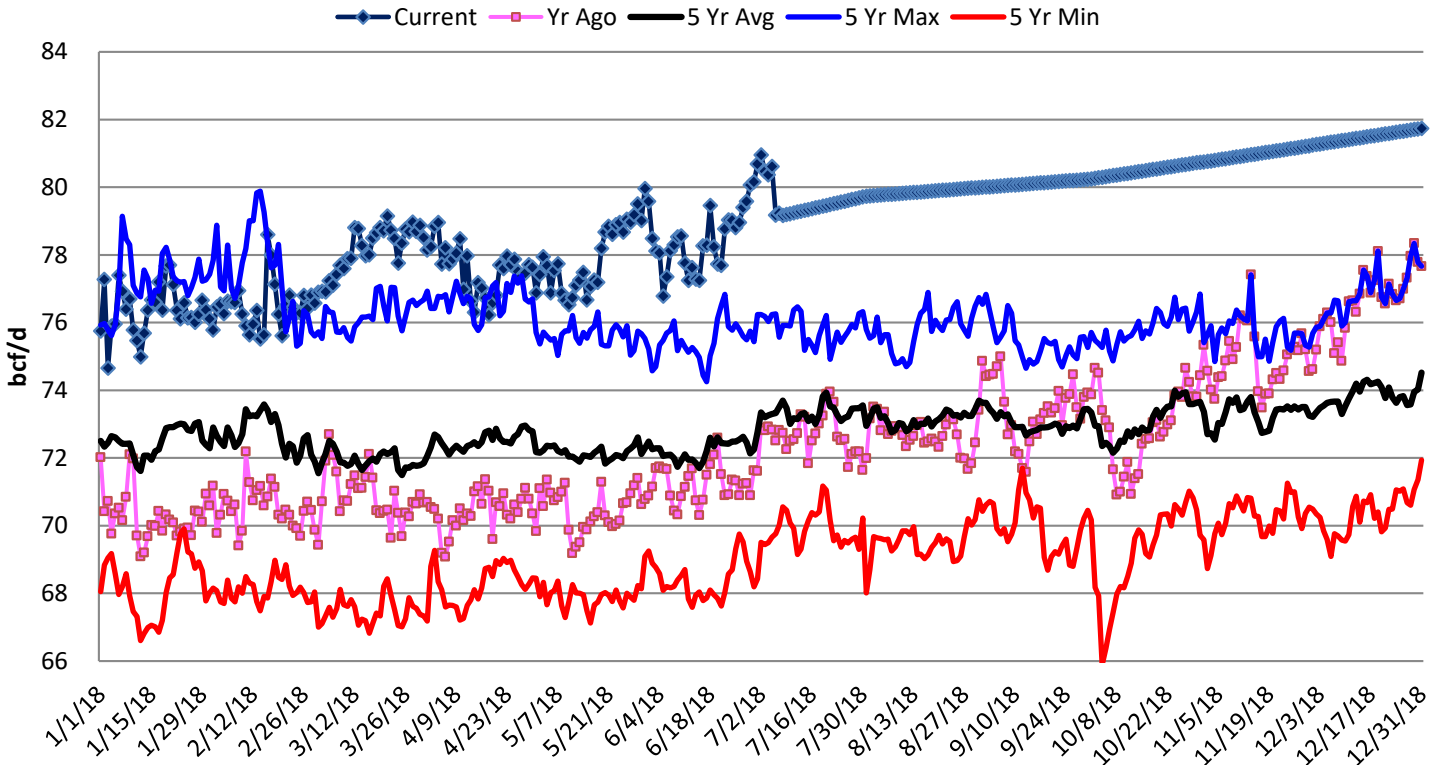
Nuclear Generation: Nuclear generation fell (982)MW in the reference week to 93,577 MW. This is +1,650 MW higher than last year and +978 MW higher than the 5-year average. Recent output was at 94,763 MW.

- The cooling season is approaching its midpoint. With a forecast through July 20 the 2018 total cooling index is at 3,061 compared to 2,595 for 2017, 2,465 for 2016, 1,718 for 2015, 1,532 for 2014, 2,482 for 2013, 3,961 for 2012 and 2,645 for 2011.

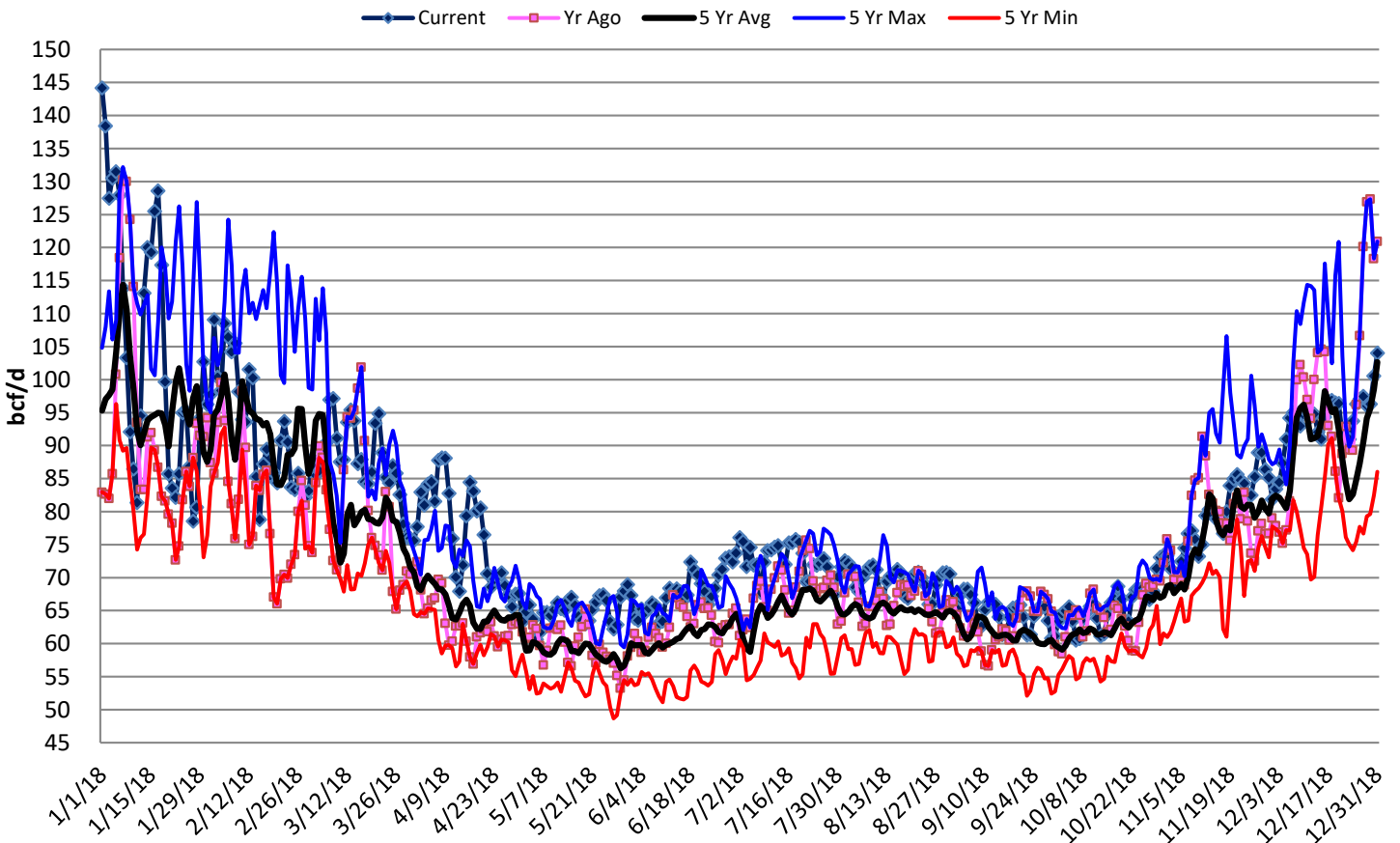




US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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