

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

Week Ending July 13, 2018

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

Price Action: The August contract fell 10.6 cents (3.7%) to \$2.752 on a 11.5 cent range (\$2.865/\$2.750).

Price Outlook: Prices continued to slide despite an expansion in the yearly and 5-year average storage deficits with pipeline data suggesting still robust US output. Weather forecasts remain bullish and the storage deficit to the 5-year average is expected to expand this week, typically a price supportive situation. 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 indicated a (27,862) contract reduction in the managed money net long position as longs liquidated and shorts added. This is smallest net long position since May 8, 2016. This is the smallest long position since March 15, 2016. Total open interest rose 49,855 to 3.647 million as of July 10. Aggregated CME futures open interest rose to 1.509 million as of July 13. This is the highest CME open interest since June 19. The current weather forecast is now warmer than 8 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 July 6 indicated an injection of +51 bcf. Working gas inventories rose to 2,203 bcf. Current inventories fall (733) bcf (-25.0%) below last year and fall (508) bcf (-18.7%) below the 5-year average.

Storage Outlook: The EIA weekly implied flow was 1 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.

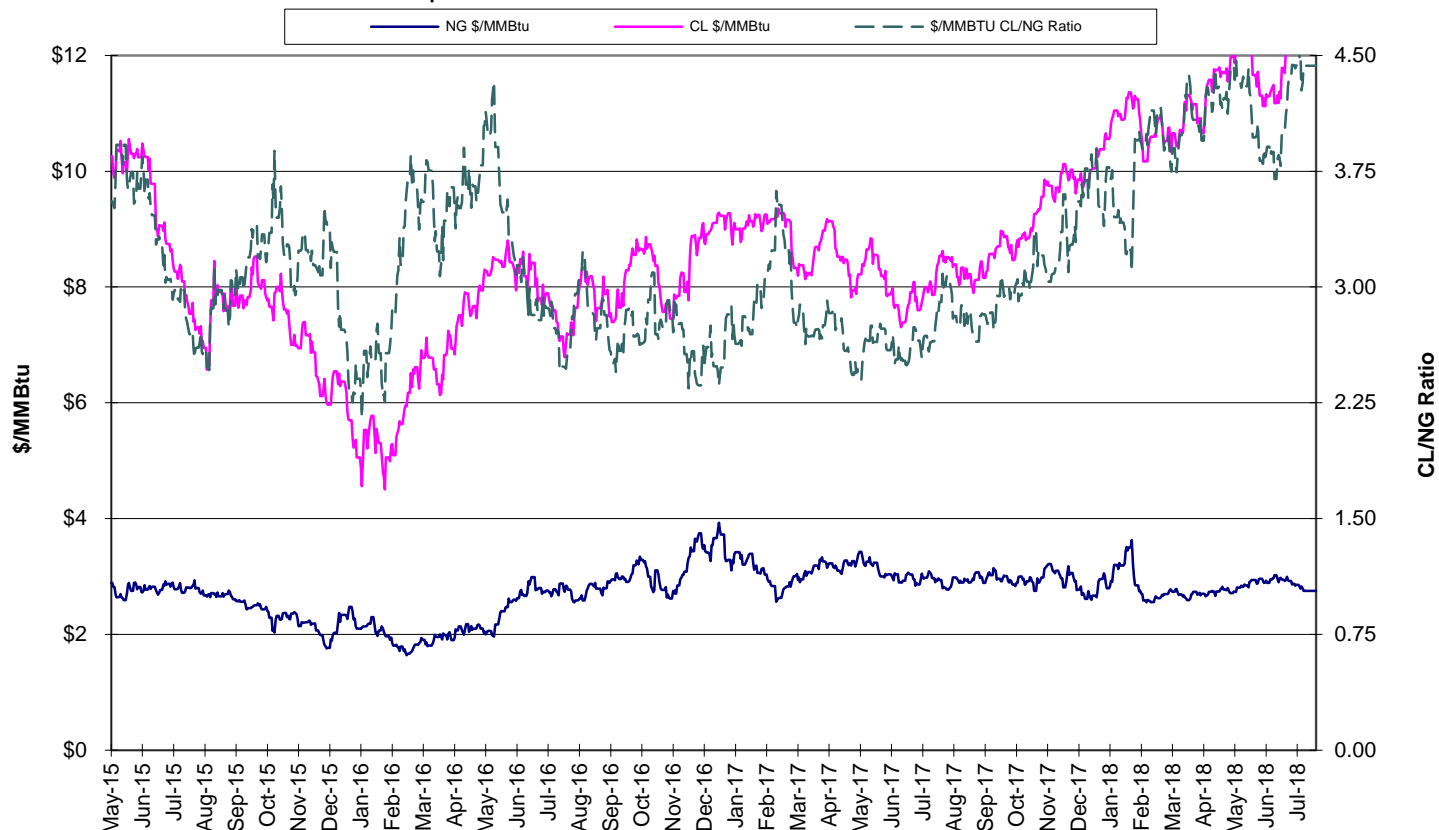
Supply Trends: Total supply rose 1.5 bcf/d to 80.5 bcf/d. US production rose. Canadian imports rose. LNG imports exports rose. LNG exports fell. Mexican exports fell. The US Baker Hughes rig count rose +2. Oil activity was unchanged +0. Natural gas activity increased +2. The total US rig count now stands at 1,054. The Canadian rig count rose +15 to 197. Thus, the total North American rig count rose +17 to 1,251 and now exceeds last year by +108. The higher efficiency US horizontal rig count was unchanged +0 to 930 and rises +126 above last year.

Demand Trends: Total demand rose +4.8 bcf/d to +73.4 bcf/d. Power demand rose. Industrial demand fell. Res/Comm demand fell. Electricity demand rose +3,110 gigawatt-hrs to 92,272 which exceeds last year by +4,650 (5.3%) and exceeds the 5-year average by 7,026 (8.2%%).

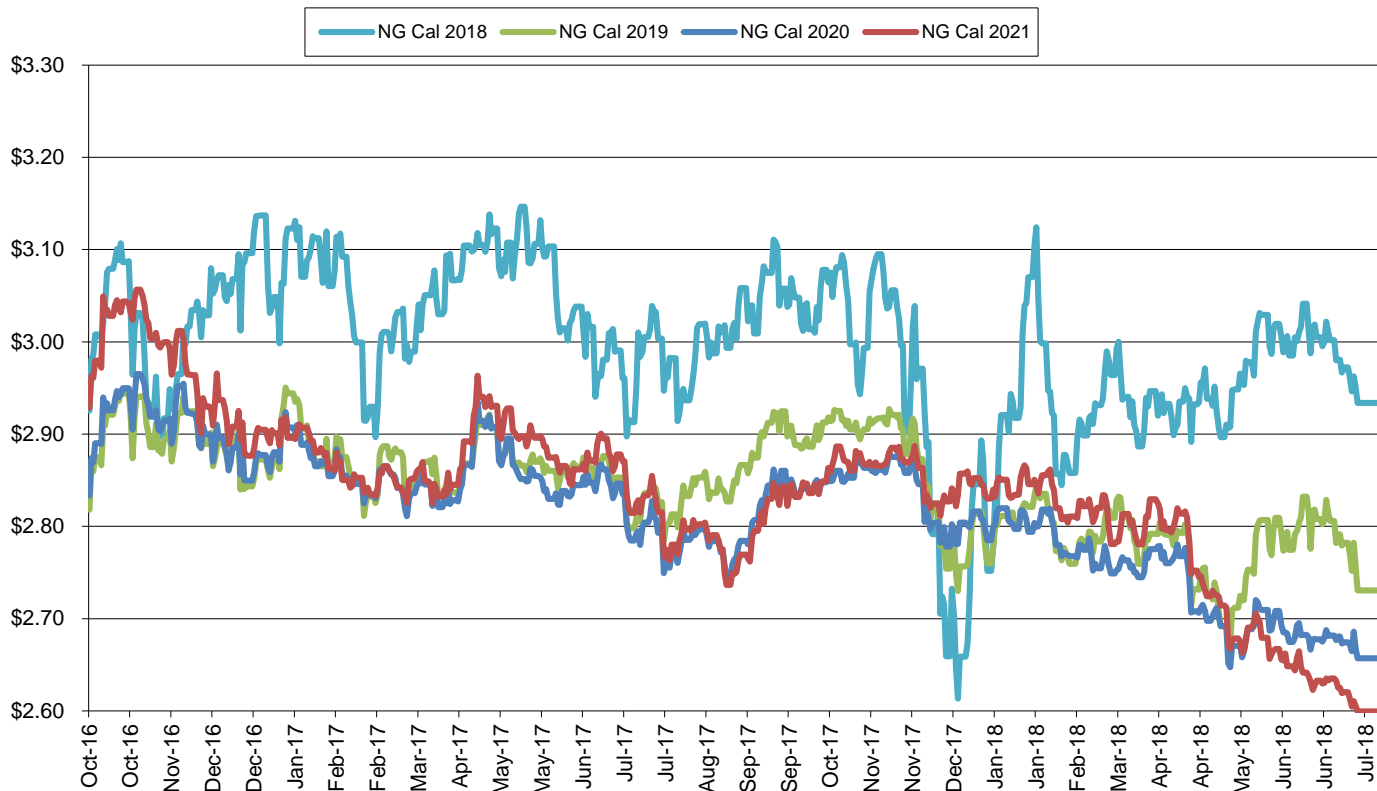
Nuclear Generation: Nuclear generation rose 245 MW in the reference week to 93,822 MW. This is +456 MW higher than last year and +461 MW higher than the 5-year average. Recent output was at 96,527 MW.

- The cooling season is approaching its midpoint. With a forecast through July 27 the 2018 total cooling index is at 3,491 compared to 3,017 for 2017, 3,291 for 2016, 1,985 for 2015, 1,924 for 2014, 2,716 for 2013, 4,646 for 2012 and 3,378 for 2011.

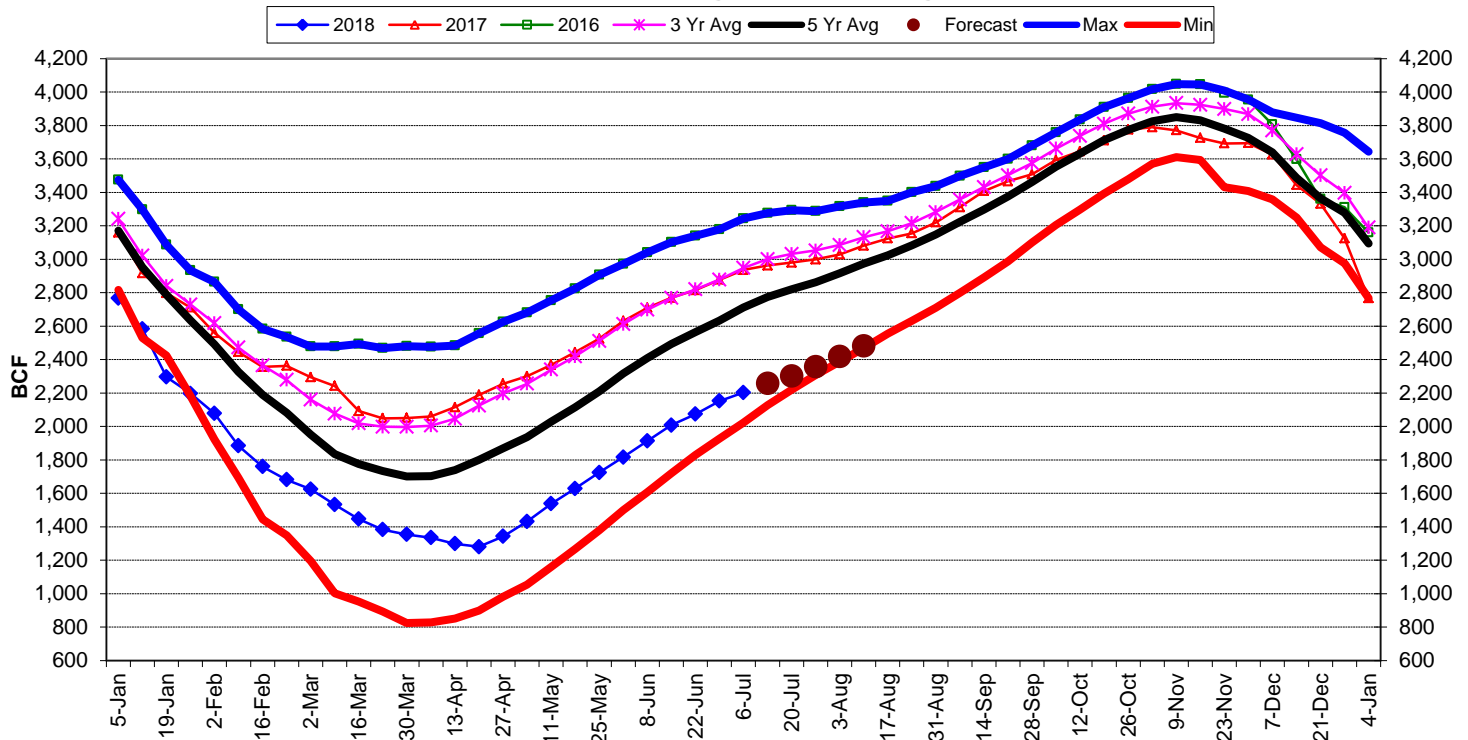
\$/MMBtu Ratio of NYMEX CL and NG



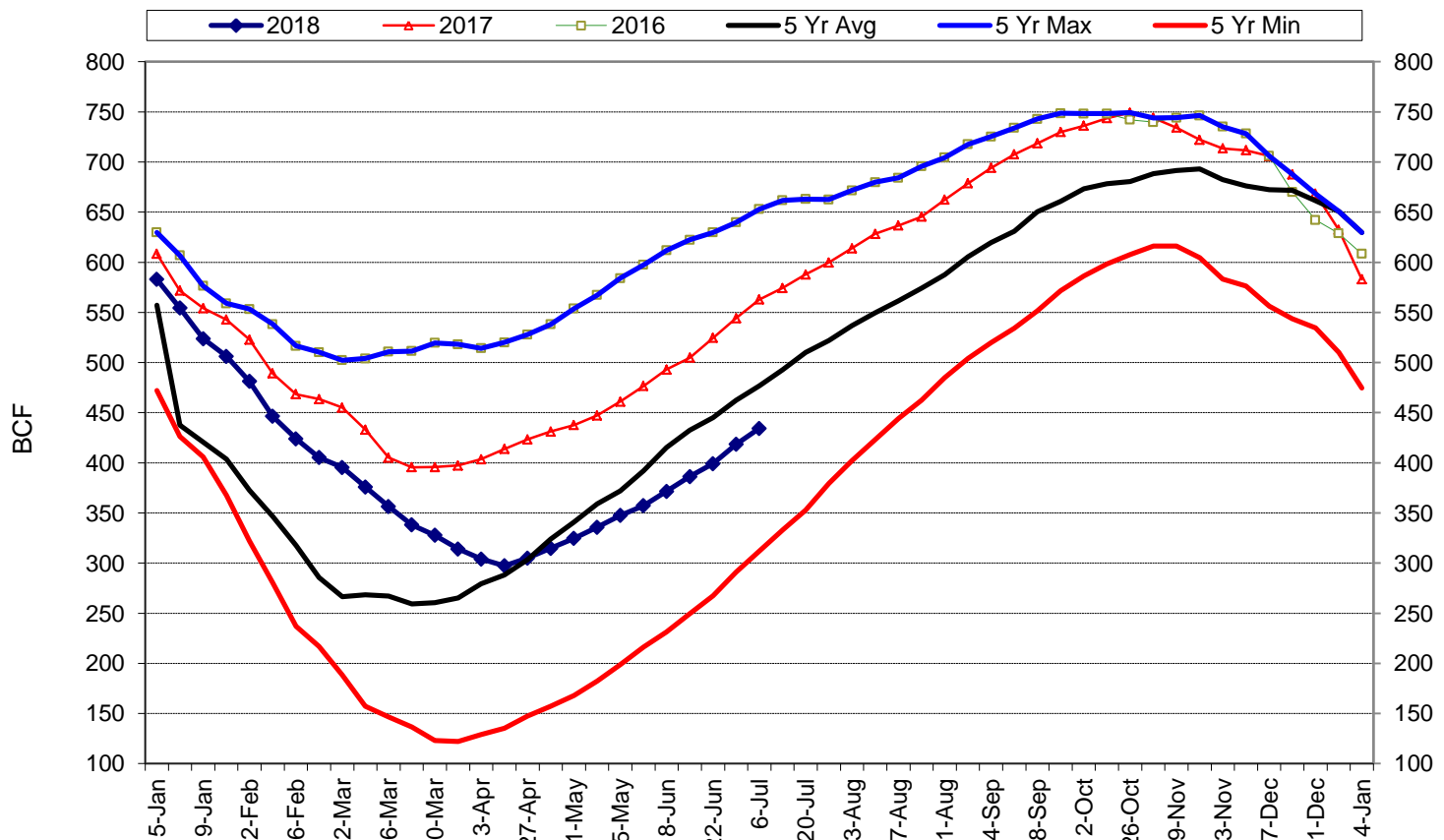
NYMEX Calendar Strips



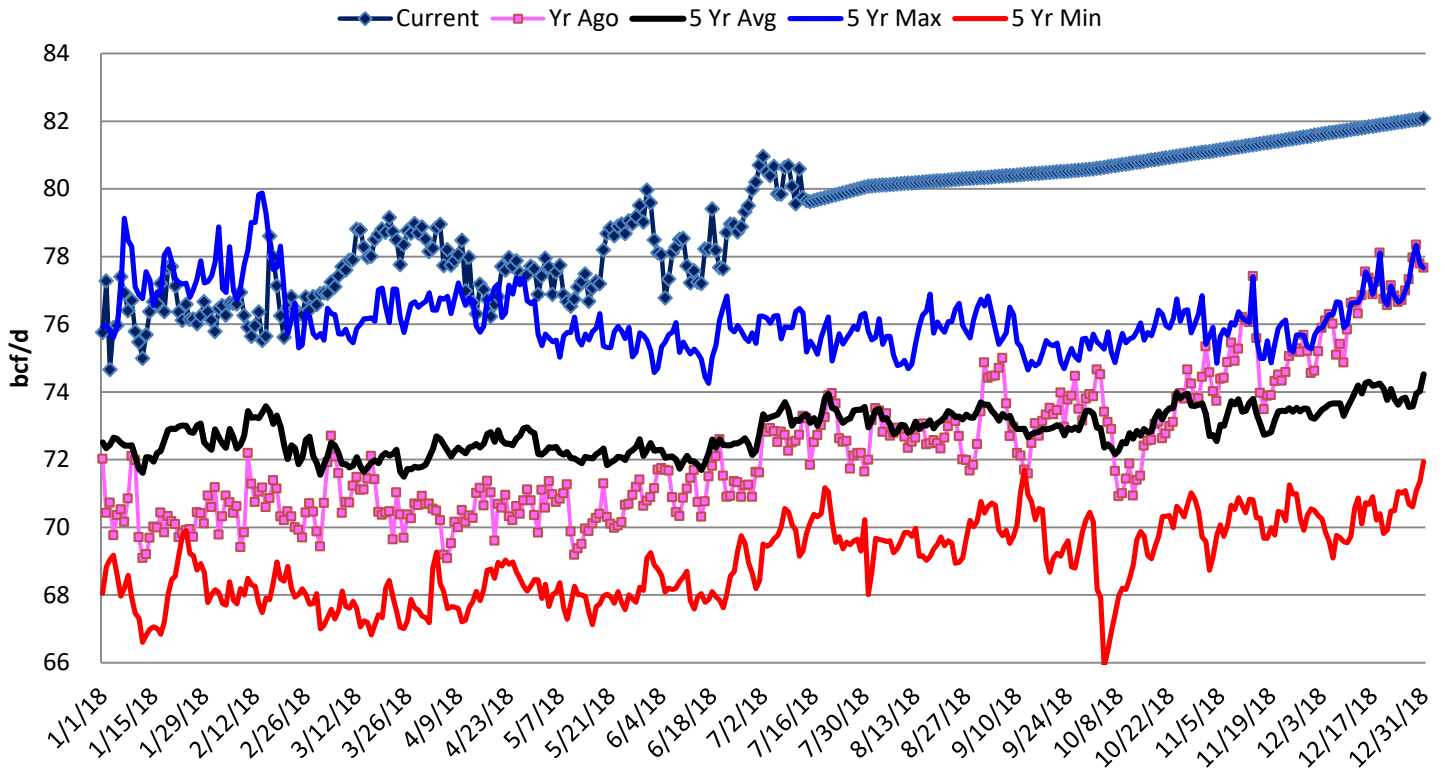
US Total Working Gas Storage - Source - EIA



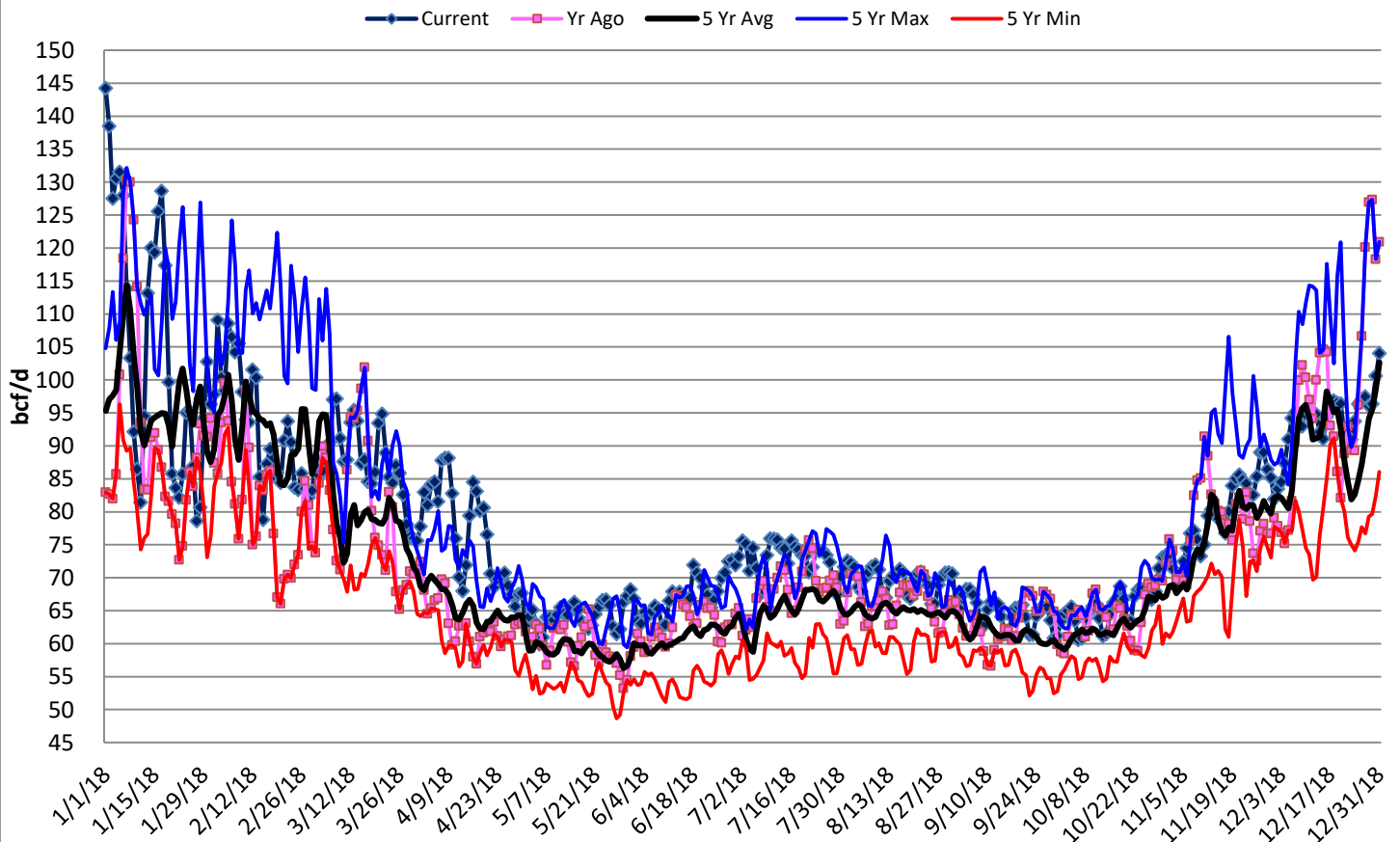
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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