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Week Ending July 27, 2018

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

Price Action: The August contract rose 6.5 cents (2.4%) to \$2.822 on a 12.1 cent range (\$2.831/\$2.710).

Price Outlook: After three consecutive weeks with a new low, the market rebounded on continued bullish weather forecasts and another rise in the storage deficit to the 5-year average. While the market is clearly comfortable with lower storage levels, until the storage deficit to the 5-year averages at least no longer increase, price downside may be limited. For daily updated storage projections, subscribe to our joint publication with RBN Energy. CFTC data indicated a (16,328) contract reduction in the managed money net long position as longs added and shorts added. This is the smallest net long position since August 23, 2016. This is the highest short position since January 16, 2018. Total open interest rose 32,630 to 3.765 million as of July 24. Aggregated CME futures open interest fell to 1.508 million as of July 27. The current weather forecast is now warmer than 9 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 20 indicated an injection of +24 bcf. Working gas inventories rose to 2,273 bcf. Current inventories fall (707) bcf (-23.7%) below last year and fall (547) bcf (-19.4%) below the 5-year average.

Storage Outlook: The EIA weekly implied flow was (6) 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.

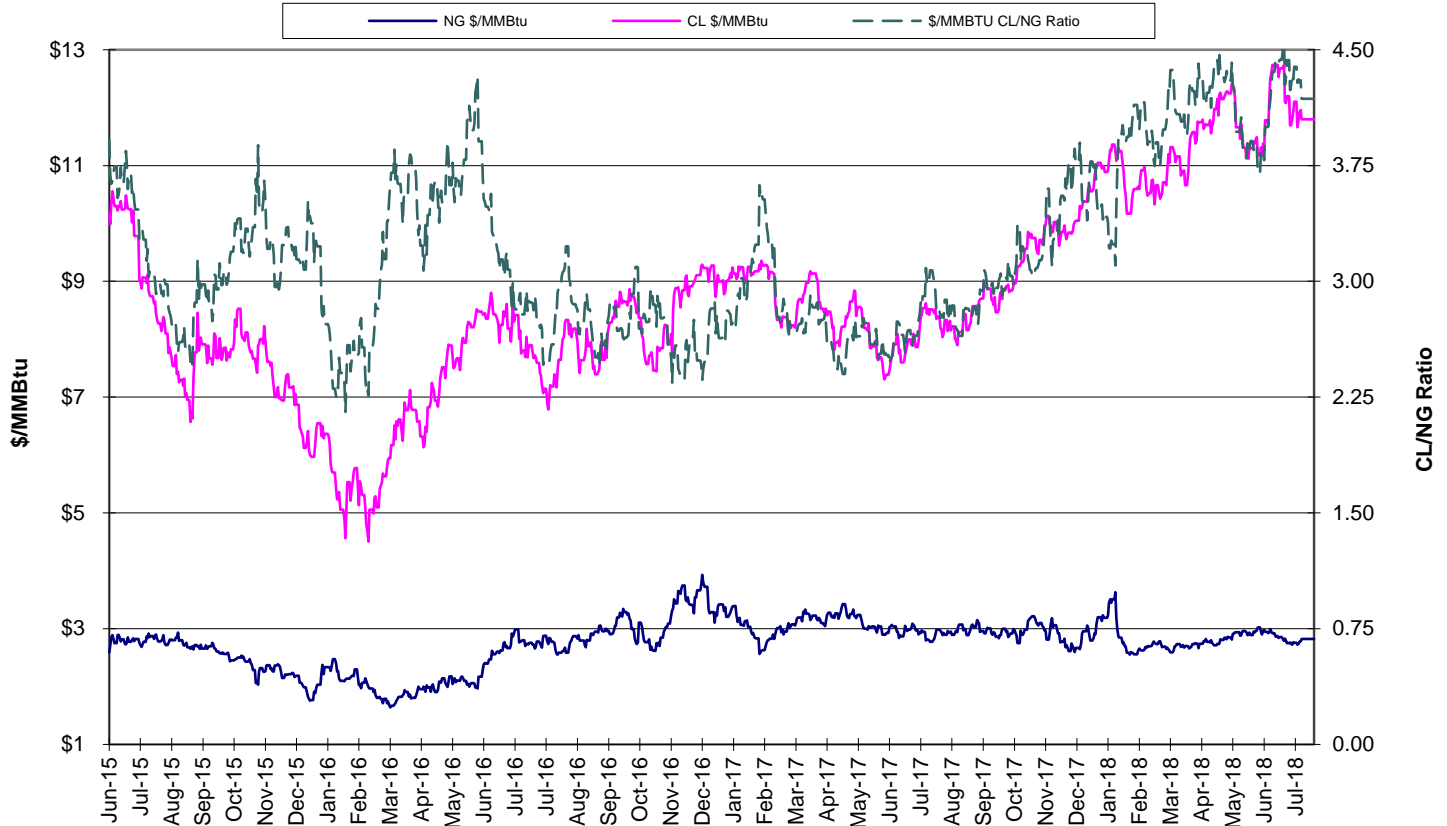
Supply Trends: Total supply fell (0.2) bcf/d to 79.4 bcf/d. US production fell. Canadian imports rose. LNG imports fell. LNG exports rose. Mexican exports fell. The US Baker Hughes rig count rose +2. Oil activity increased +3. Natural gas activity decreased (1). The total US rig count now stands at 1,048. The Canadian rig count rose +12 to 223. Thus, the total North American rig count rose +14 to 1,271 and now exceeds last year by +93. The higher efficiency US horizontal rig count was unchanged +0 to 922 and rises +112 above last year.

Demand Trends: Total demand rose +2.9 bcf/d to +74.7 bcf/d. Power demand rose. Industrial demand rose. Res/Comm demand fell. Electricity demand rose +1,804 gigawatt-hrs to 92,868 which trails last year by (1,673) (-1.8%) and exceeds the 5-year average by 1,714 (1.9%).

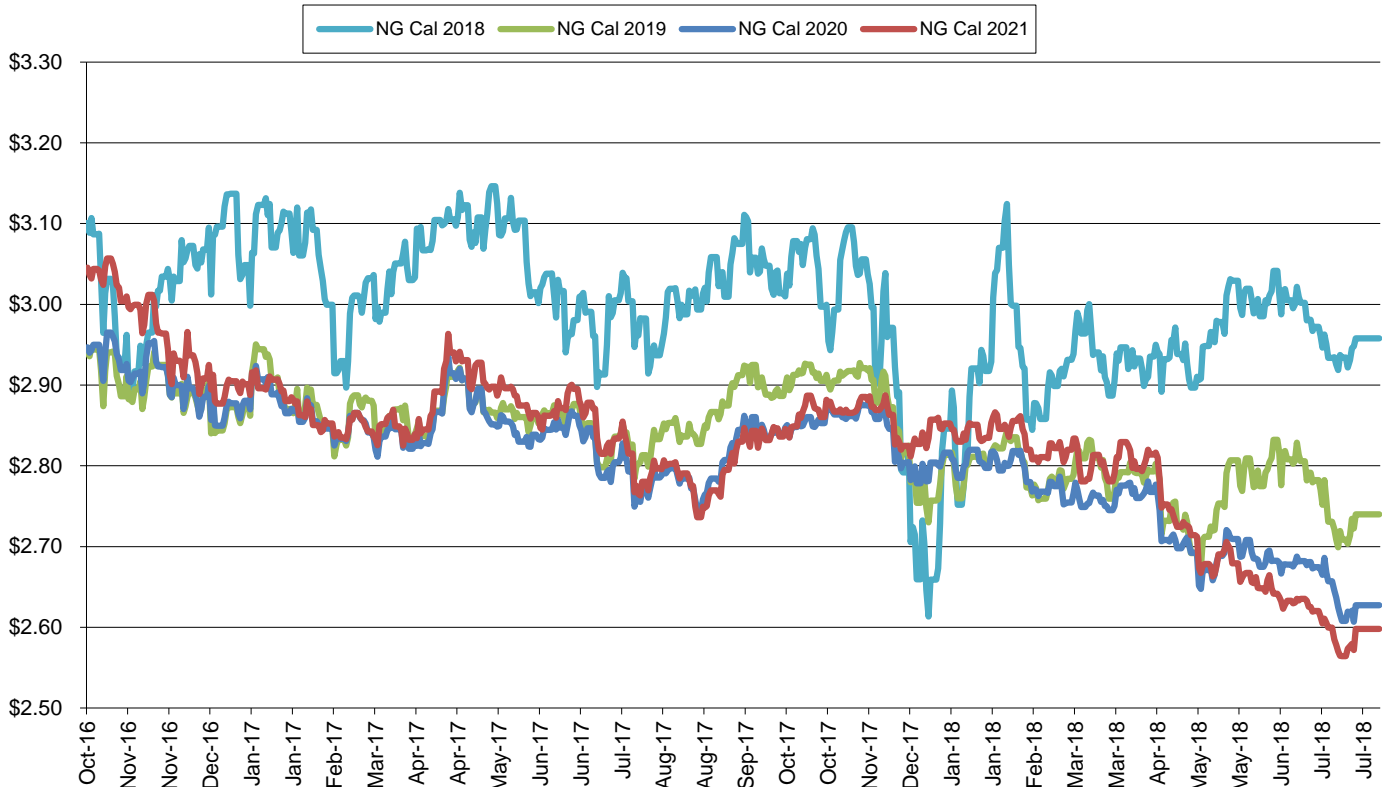
Nuclear Generation: Nuclear generation rose 858 MW in the reference week to 96,486 MW. This is +2,009 MW higher than last year and +2,208 MW higher than the 5-year average. Recent output was at 96,967 MW.

- The cooling season is now past its midpoint. With a forecast through August 10 the 2018 total cooling index is at 4,325 compared to 3,523 for 2017, 4,103 for 2016, 2,857 for 2015, 2,302 for 2014, 3,269 for 2013, 5,877 for 2012 and 4,503 for 2011.

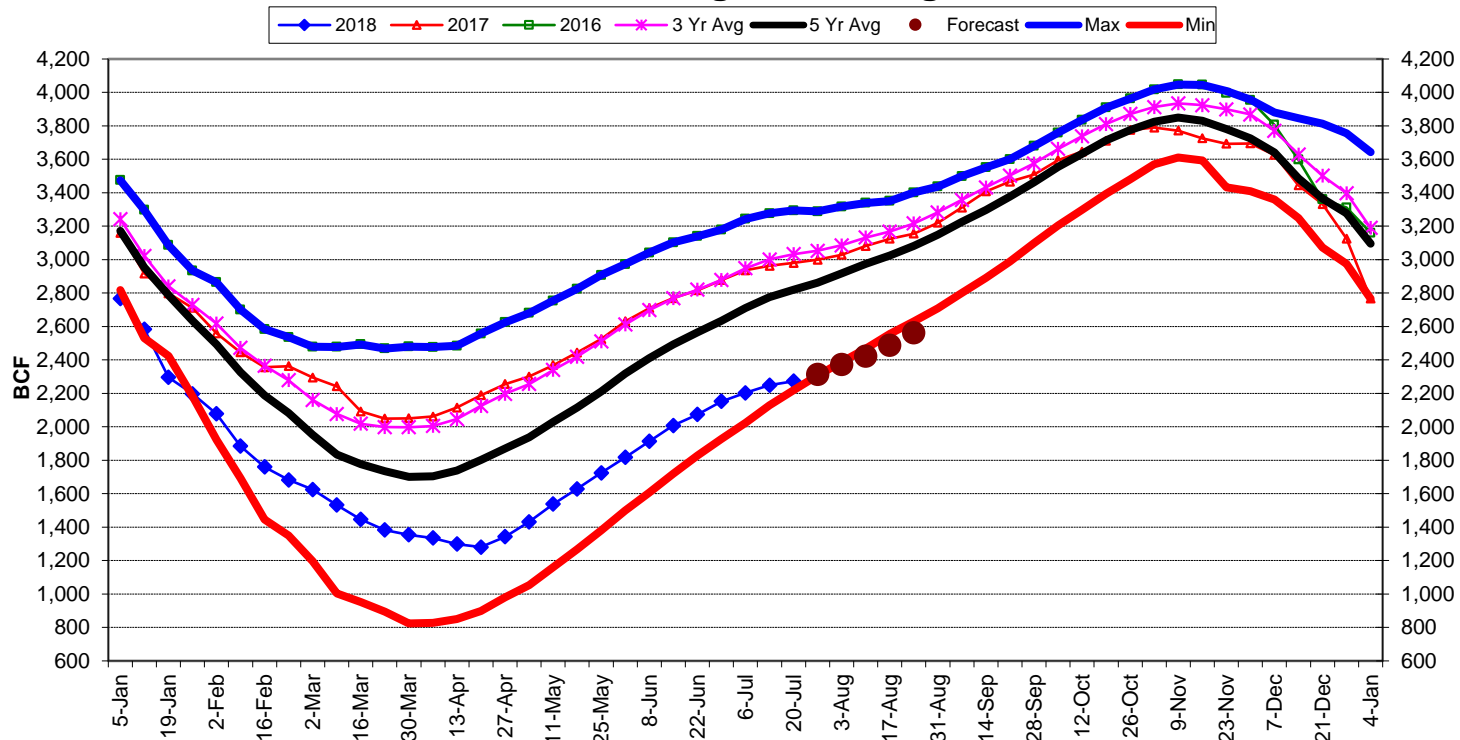
\$/MMBtu Ratio of NYMEX CL and NG



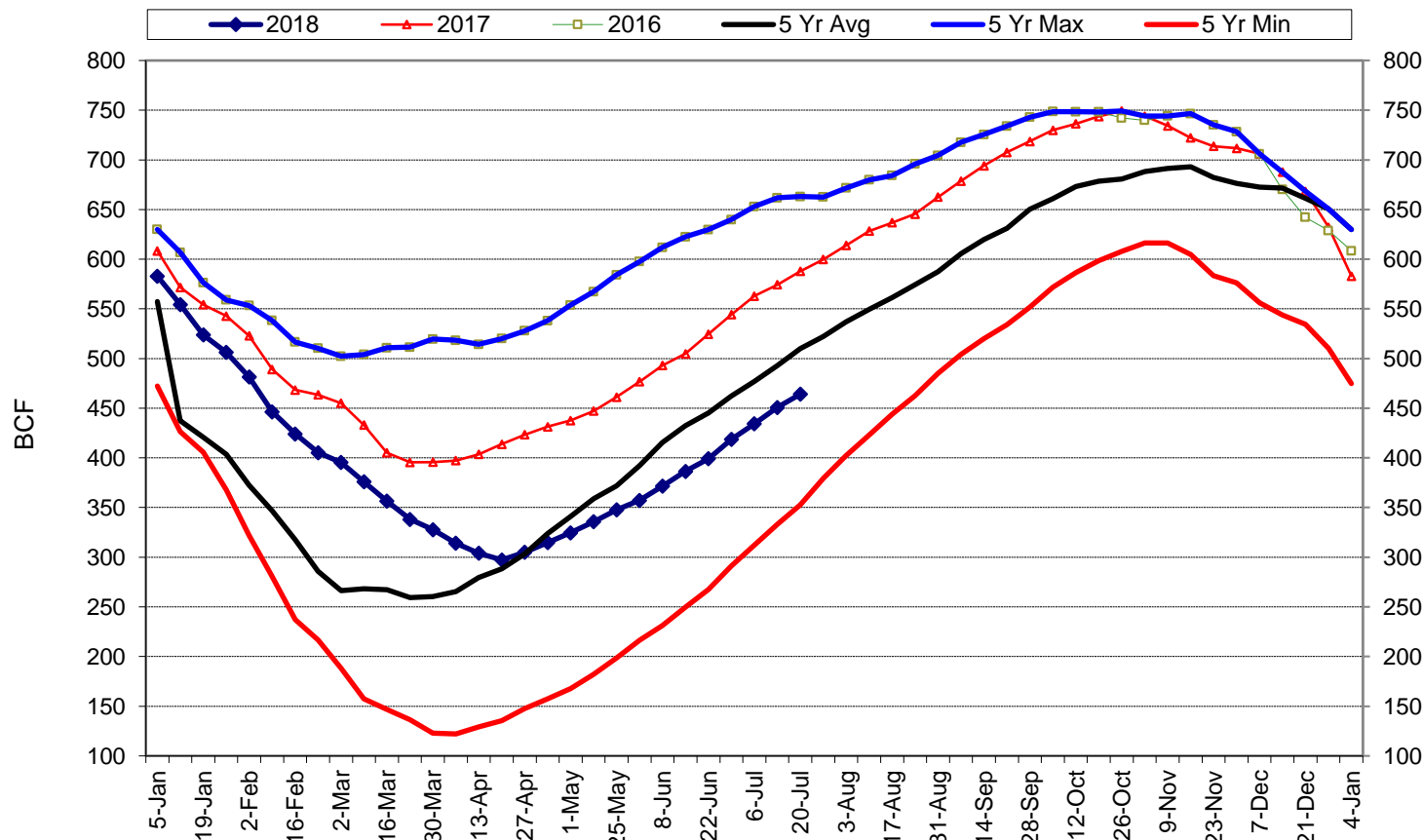
NYMEX Calendar Strips



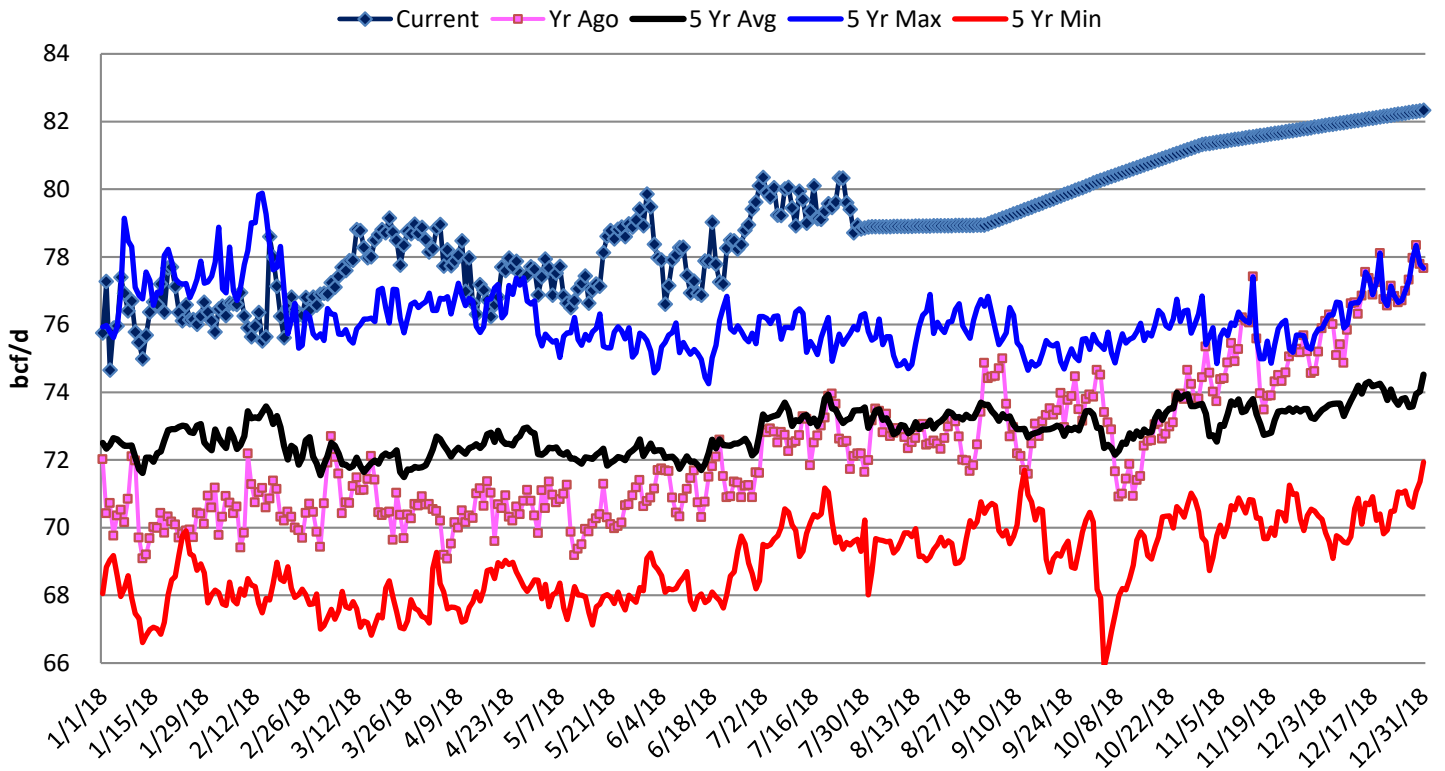
US Total Working Gas Storage - Source - EIA



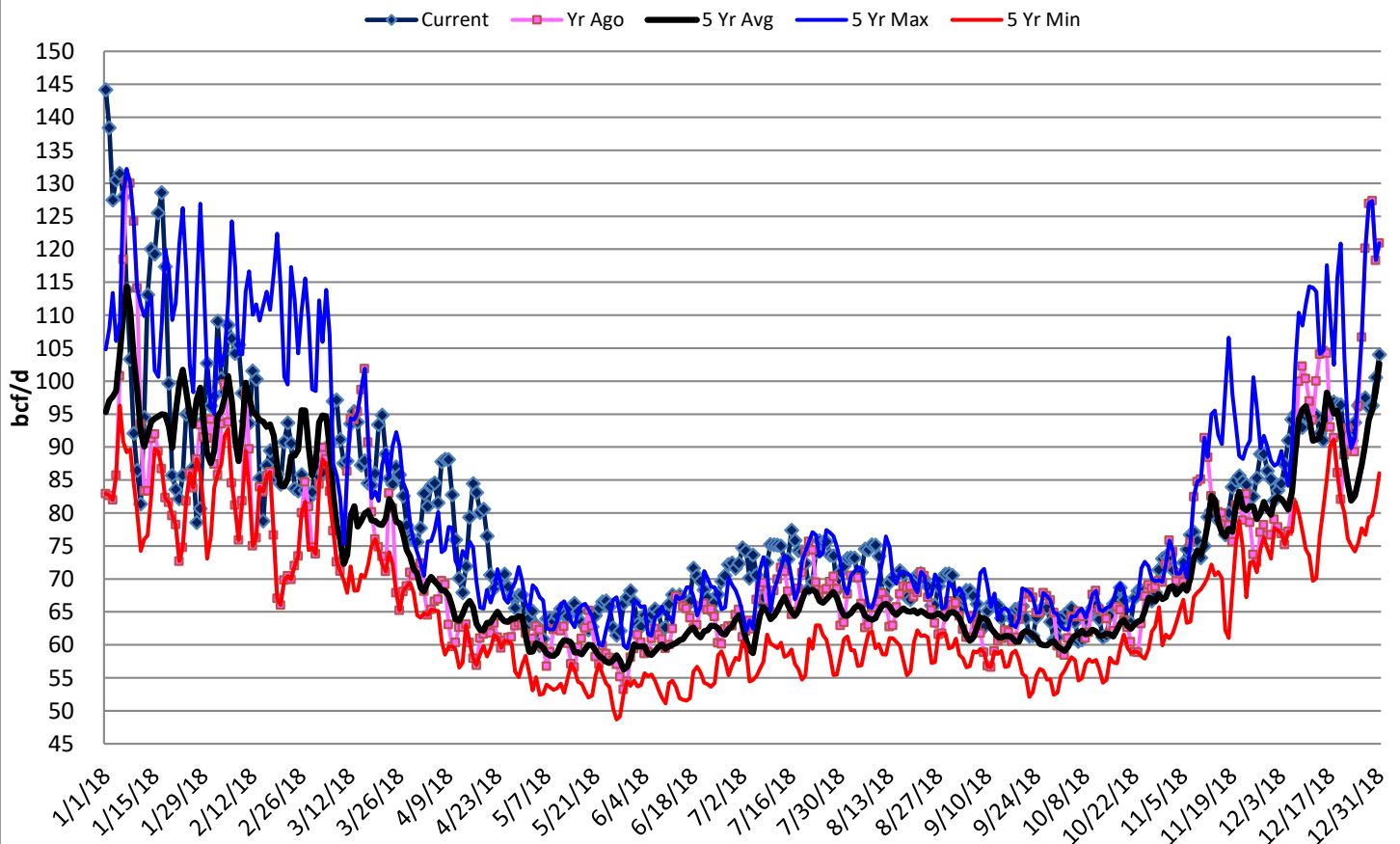
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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