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Week Ending August 3, 2018

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

Price Action: The September contract rose 3.1 cents (1.1%) to \$2.853 on a 12.2 cent range (\$2.862/\$2.740).

Price Outlook: The market continued higher on the heels of another below expected storage change and an expansion in the storage deficit to the 5-year average. Weather forecasts and physical pipeline data suggest the deficit increases again in the next few weeks. Until the storage deficit to the 5-year average begins to contract, prices are likely to remain supported. For daily updated storage projections, subscribe to our joint publication with RBN Energy. CFTC data indicated a (13,900) contract reduction in the managed money net long position as longs liquidated and shorts covered. This is the smallest net long position since August 16, 2016. This is the smallest long position since January 5, 2016. Total open interest fell (133,900) to 3.631 million as of July 31. Aggregated CME futures open interest rose to 1.573 million as of August 03, the highest since April 22, 2013. 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 27 indicated an injection of +35 bcf. Working gas inventories rose to 2,308 bcf. Current inventories fall (691) bcf (-23.0%) below last year and fall (554) bcf (-19.4%) below the 5-year average.

Storage Outlook: The EIA weekly implied flow was (5) 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.

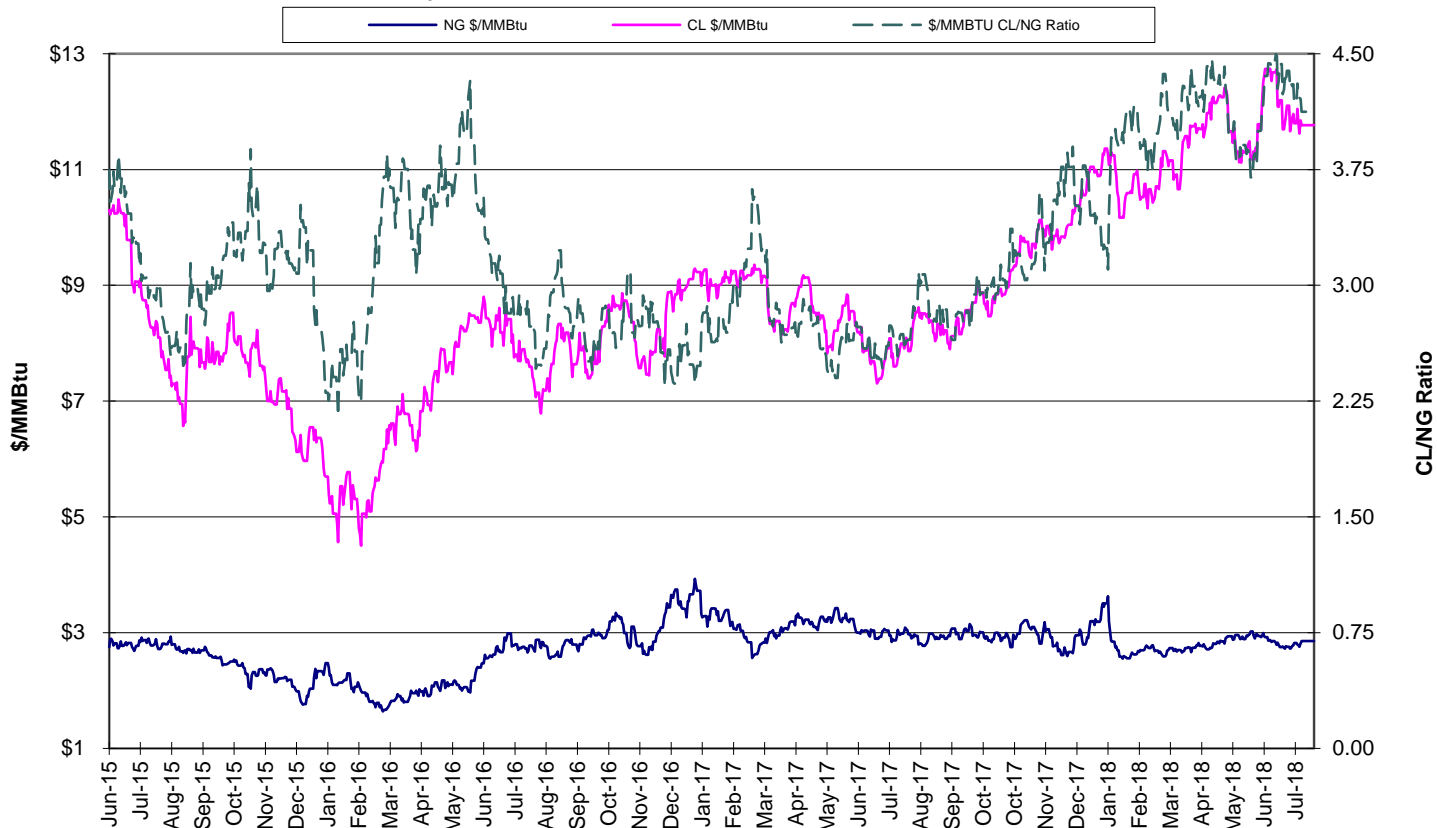
Supply Trends: Total supply rose 0.3 bcf/d to 79.3 bcf/d. US production rose. Canadian imports fell. LNG imports rose. LNG exports fell. Mexican exports rose. The US Baker Hughes rig count fell (4). Oil activity decreased (2). Natural gas activity decreased (3). The total US rig count now stands at 1,044. The Canadian rig count was unchanged at +0 to 223. Thus, the total North American rig count fell (4) to 1,267 and now exceeds last year by +96. The higher efficiency US horizontal rig count fell (10) to 912 and rises +105 above last year.

Demand Trends: Total demand fell (1.6) bcf/d to +73.7 bcf/d. Power demand fell. Industrial demand fell. Res/Comm demand rose. Electricity demand fell (1,079) gigawatt-hrs to 91,789 which exceeds last year by +1,172 (1.3%) and exceeds the 5-year average by 1,190 (1.3%).

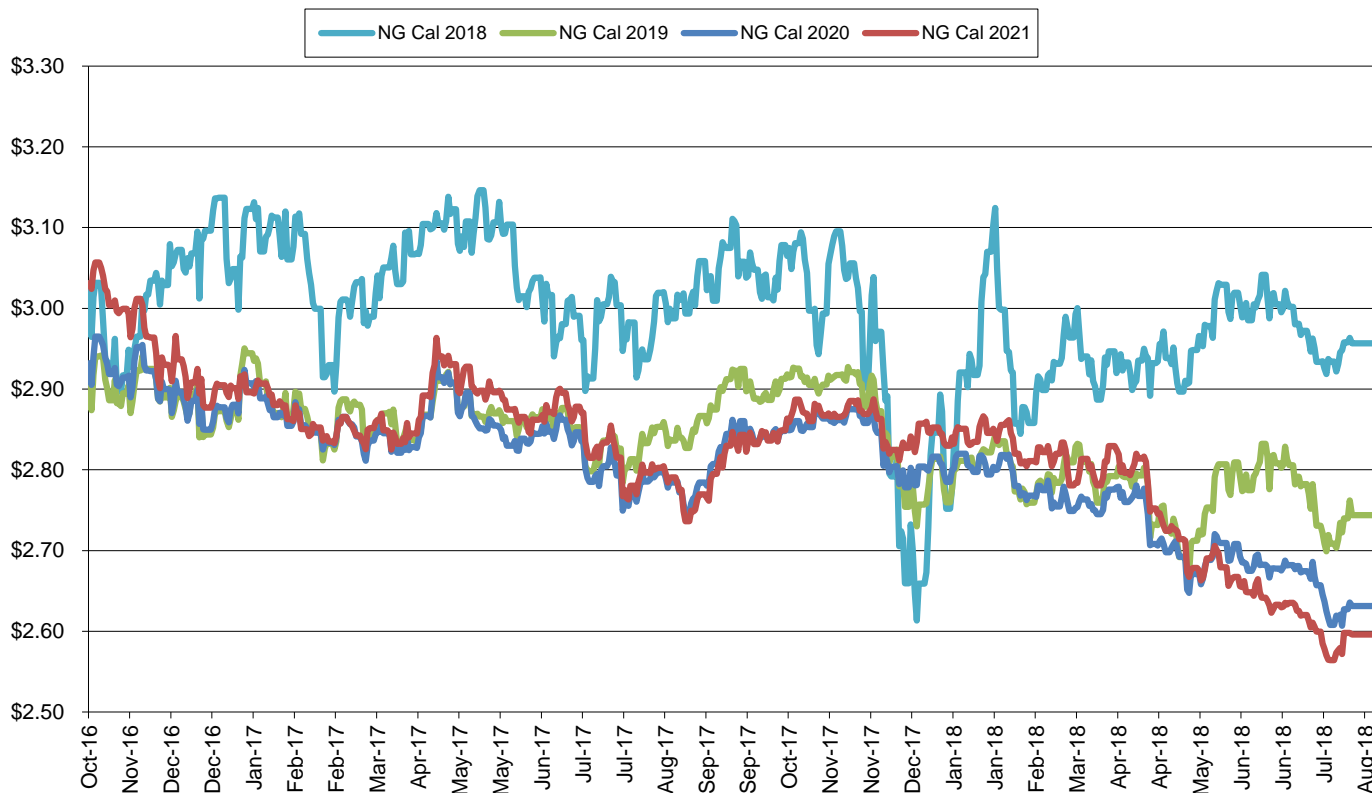
Nuclear Generation: Nuclear generation fell (474)MW in the reference week to 96,012 MW. This is +2,204 MW higher than last year and +1,523 MW higher than the 5-year average. Recent output was at 96,341 MW.

- The cooling season is now well past its midpoint. With a forecast through August 17 the 2018 total cooling index is at 4,549 compared to 3,682 for 2017, 4,660 for 2016, 3,283 for 2015, 2,496 for 2014, 3,581 for 2013, 6,310 for 2012 and 4,838 for 2011.

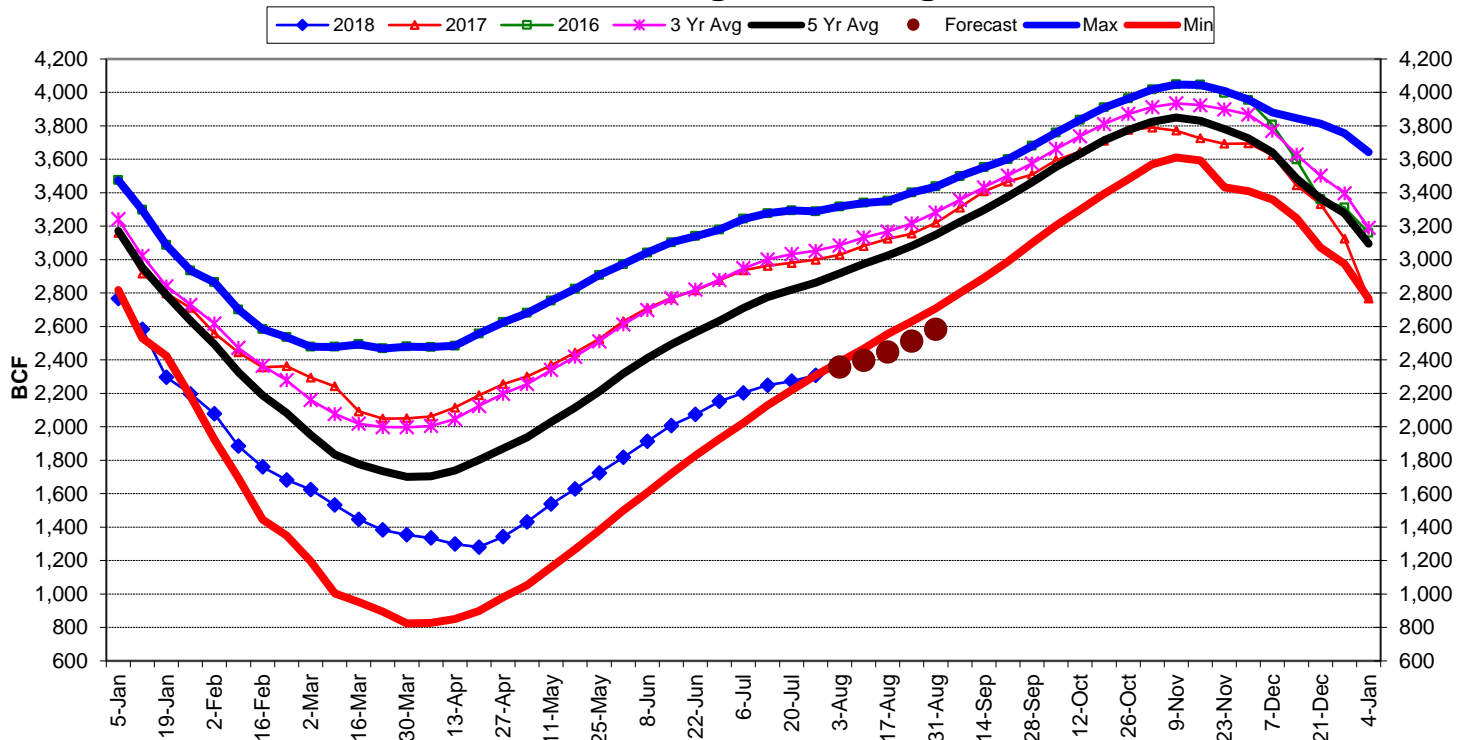
\$/MMBtu Ratio of NYMEX CL and NG



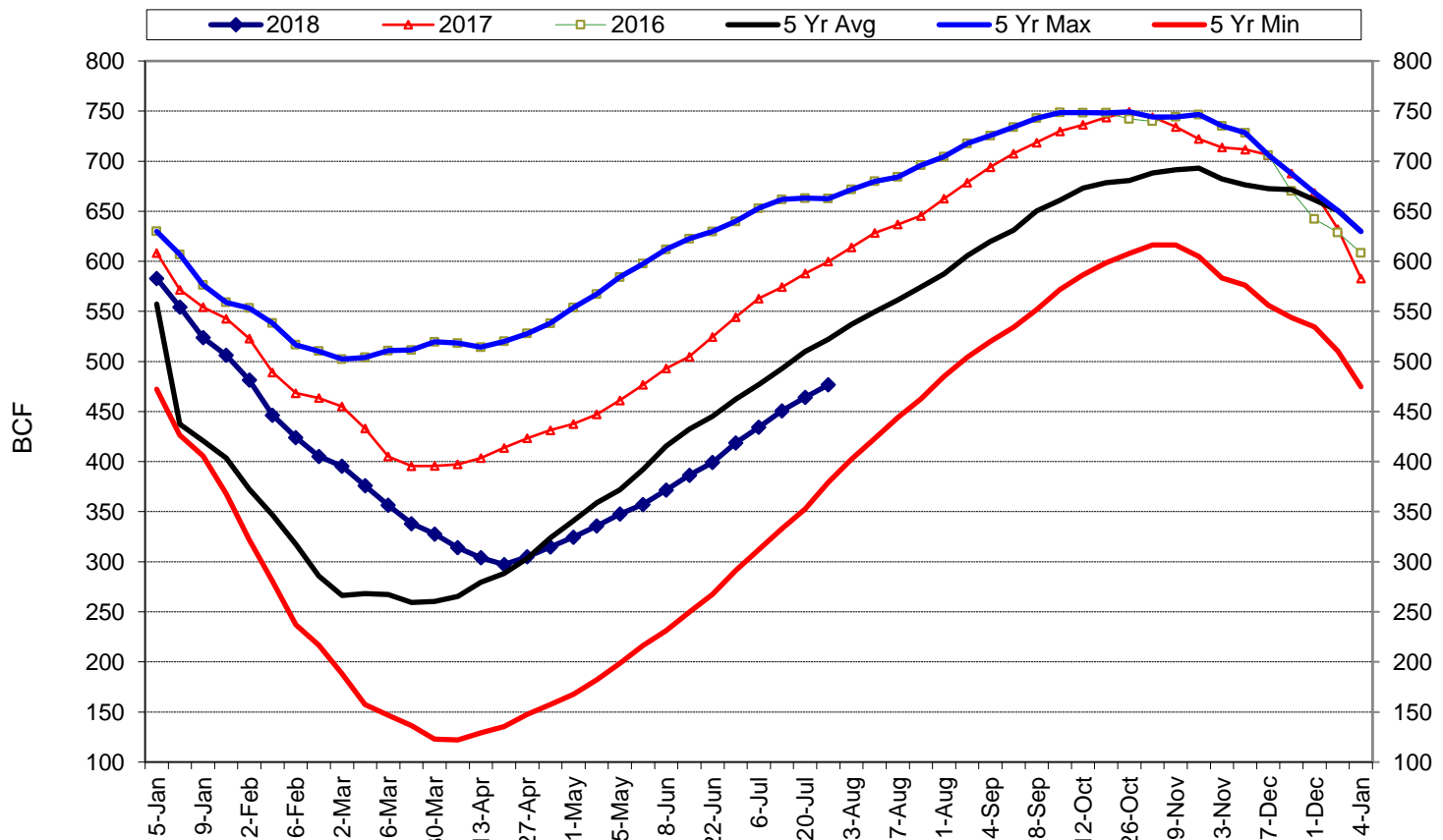
NYMEX Calendar Strips



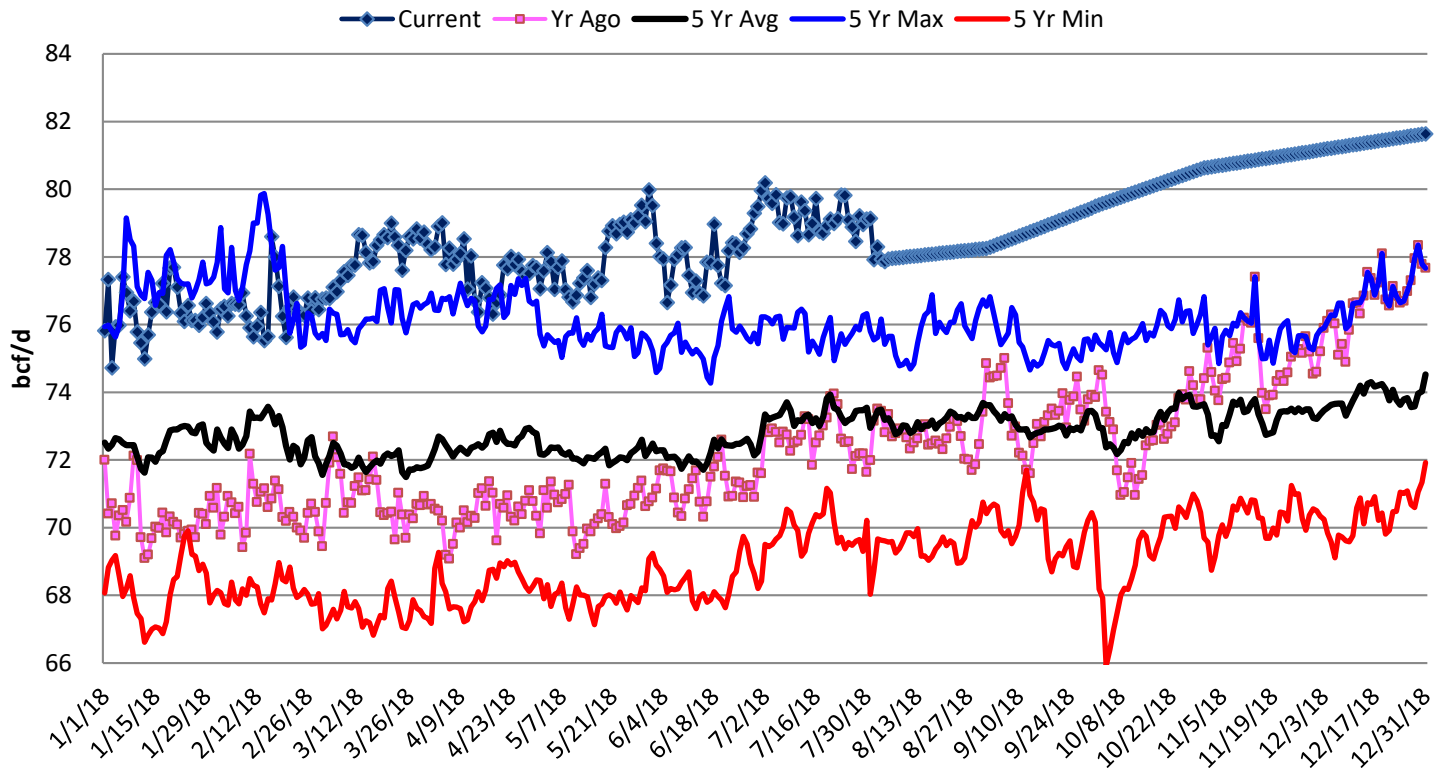
US Total Working Gas Storage - Source - EIA



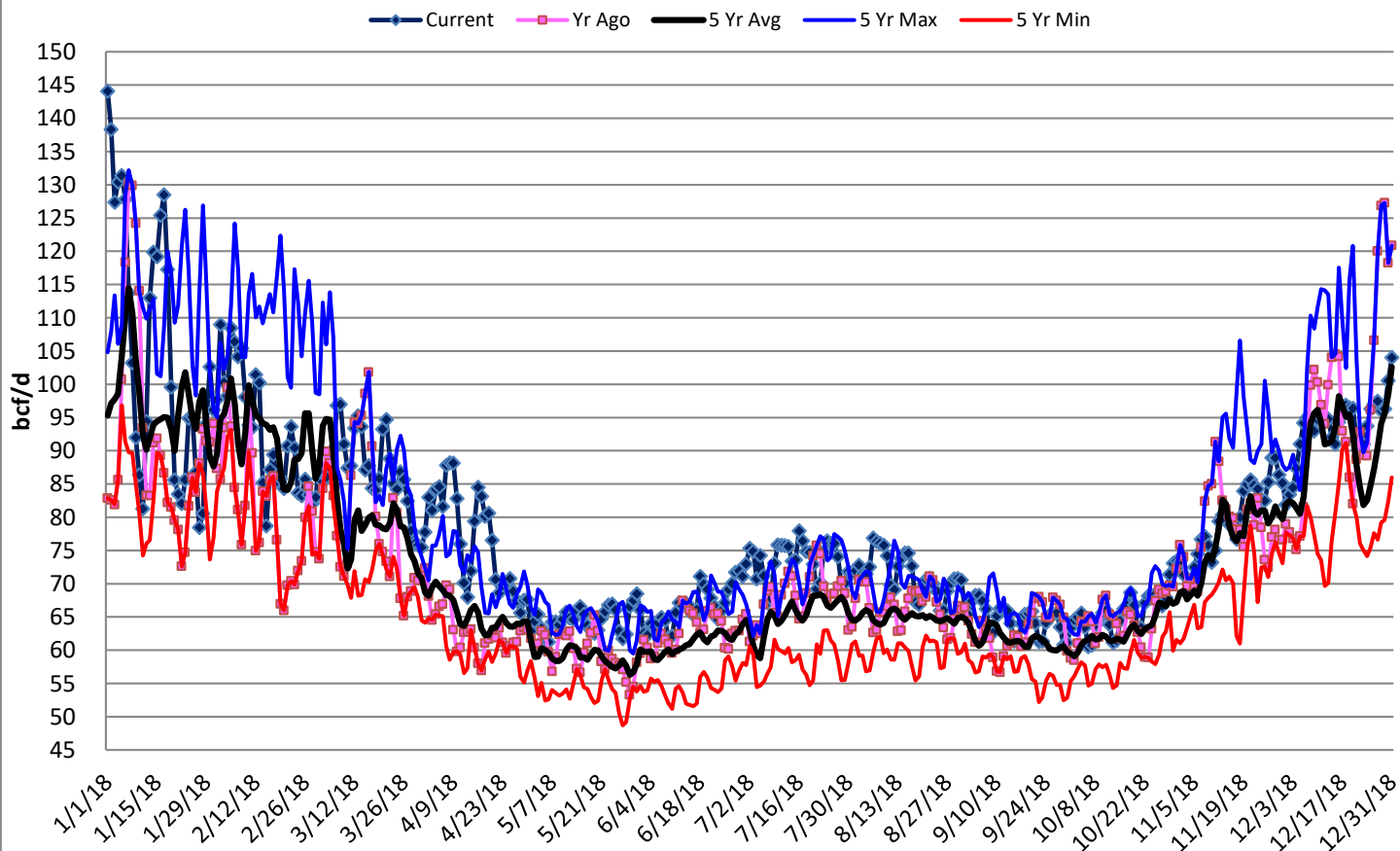
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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