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Week Ending August 31, 2018

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

Price Action: The October contract rose 0.3 cents (0.1%) to \$2.917 on a 9.0 cent range (\$2.993/\$2.903).

Price Outlook: Although weather forecasts remain very bullish, a larger than expected EIA storage report restrained prices with the market posting a new weekly low, after 5 consecutive weeks higher. Although above national normal temperatures are still bullish, that will change in coming weeks with above normal temperatures turning decidedly bearish in northern climes in coming weeks. The storage deficit to the 5-year average did contract noticeably this week, but is likely to expand this week. Until the storage deficit to the 5-year begins to contract consistently, price downside is considered somewhat limited, recognizing overall sentiment remains bearish. For daily updated storage projections, subscribe to our joint publication with RBN Energy. CFTC data indicated a (15,064) contract reduction in the managed money net long position as longs liquidated and shorts covered. Total open interest fell (56,766) to 3.772 million as of August 28. Aggregated CME futures open interest rose to 1.618 million as of August 31, a new record. 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 2.6 bcf. Cove Point is net exporting 0.7 bcf.

Weekly Storage: US working gas storage for the week ending August 24 indicated an injection of +70 bcf. Working gas inventories rose to 2,505 bcf. Current inventories fall (650) bcf (-20.6%) below last year and fall (577) bcf (-18.7%) below the 5-year average.

Storage Outlook: The EIA weekly implied flow was 6 bcf from our EIA storage estimate. Although our weekly storage error has been somewhat disappointing, over the last 5 weeks the EIA has reported total injections of 232 bcf compared to our 233 bcf estimate and that is more than acceptable. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Our joint publication with RBN updates storage projections daily.

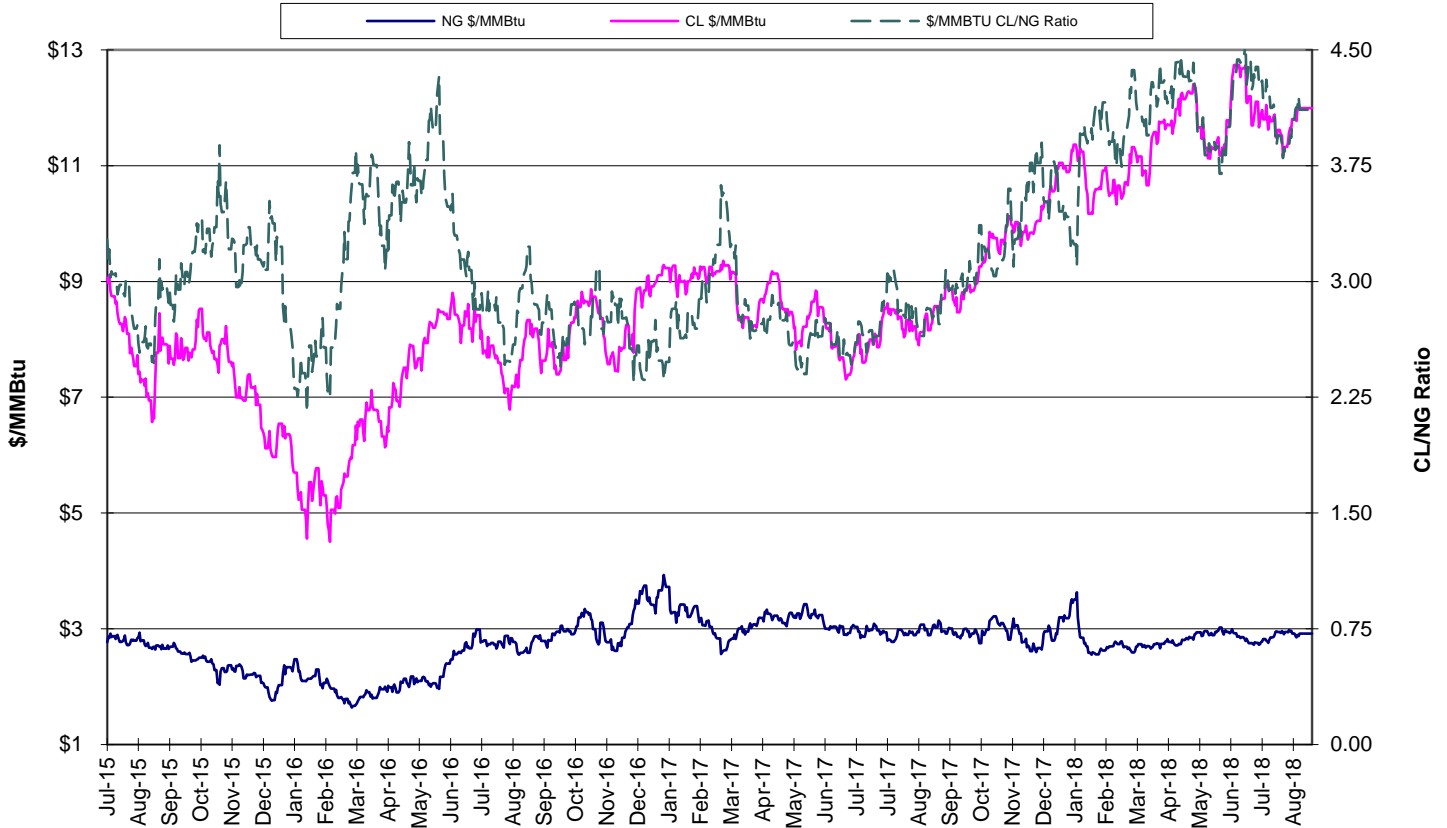
Supply Trends: Total supply rose 0.5 bcf/d to 79.8 bcf/d. US production rose. Canadian imports fell. LNG imports fell. LNG exports fell. Mexican exports rose. The US Baker Hughes rig count rose +4. Oil activity increased +2. Natural gas activity increased +2. The total US rig count now stands at 1,048. The Canadian rig count fell (1) to 228. Thus, the total North American rig count rose +3 to 1,276 and now exceeds last year by +132. The higher efficiency US horizontal rig count fell (2) to 917 and rises +123 above last year.

Demand Trends: Total demand fell (1.9) bcf/d to +70.0 bcf/d. Power demand fell. Industrial demand rose. Res/Comm demand rose. Electricity demand fell (5,552) gigawatt-hrs to 85,509 which exceeds last year by +441 (0.5%) and exceeds the 5-year average by 174 (0.2%).

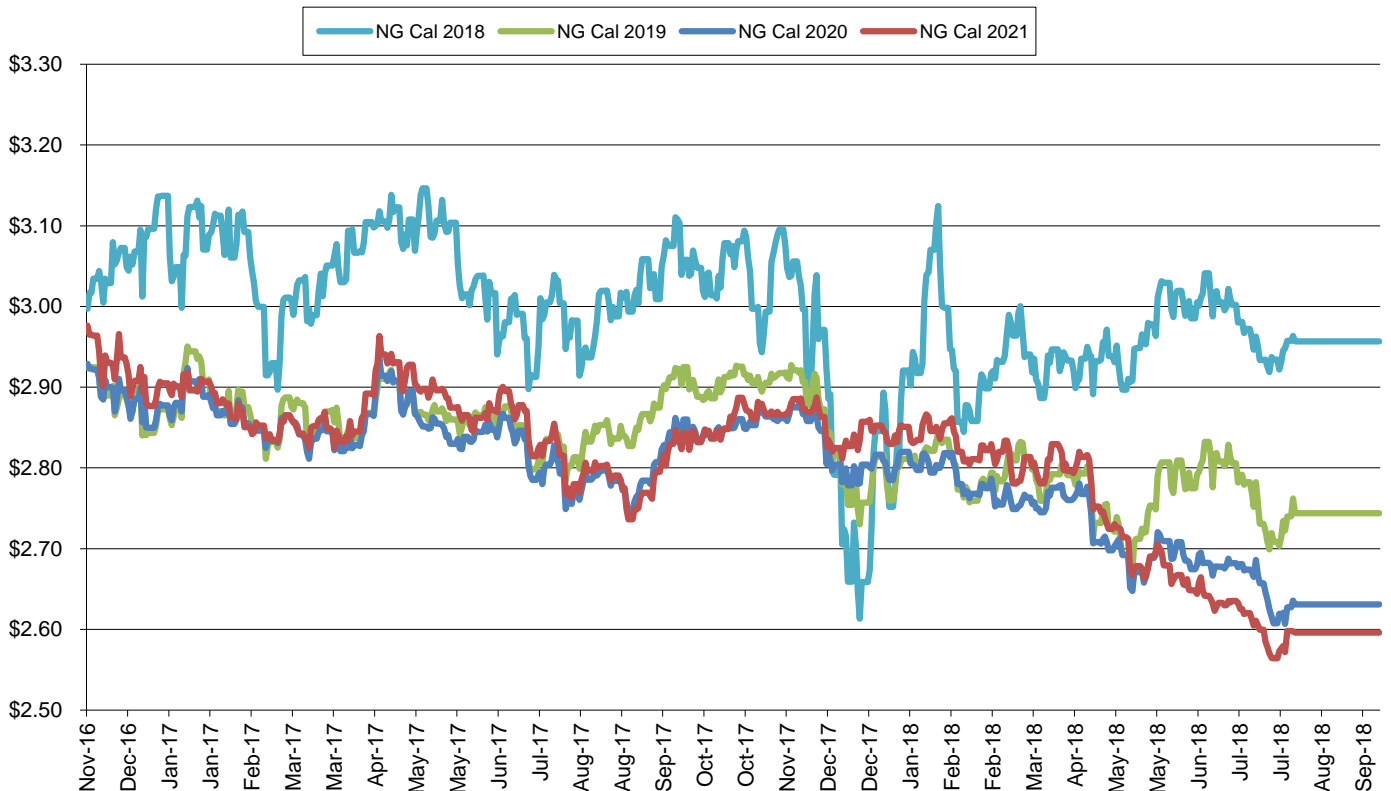
Nuclear Generation: Nuclear generation fell (738) MW in the reference week to 95,068 MW. This is (583) MW lower than last year and (468) MW lower than the 5-year average. Recent output was at 95,659 MW.

- The cooling season is now entering its final stretch. With a forecast through September 14 the 2018 total cooling index is at 5,126 compared to 4,584 for 2017, 5,296 for 2016, 4,170 for 2015, 3,303 for 2014, 4,722 for 2013, 7,058 for 2012 and 6,519 for 2011.

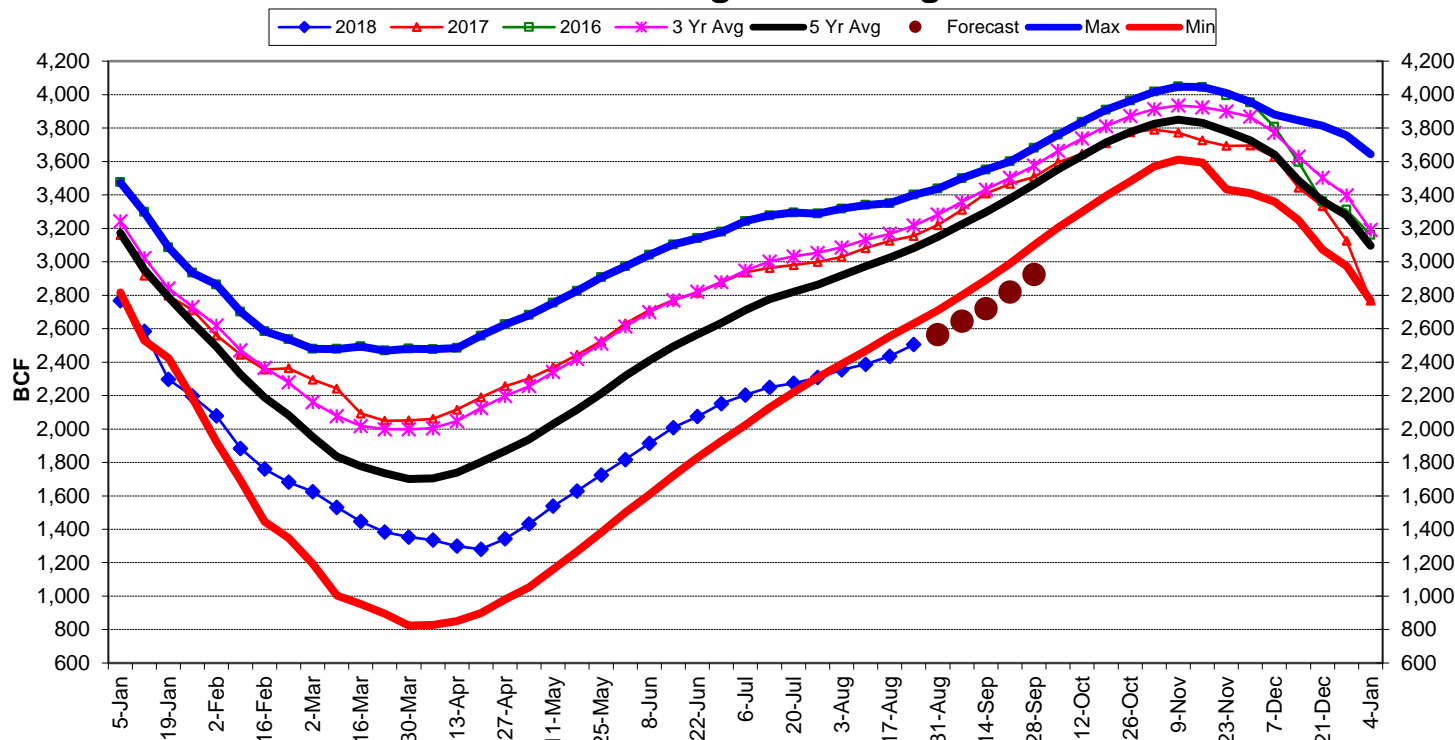
\$/MMBtu Ratio of NYMEX CL and NG



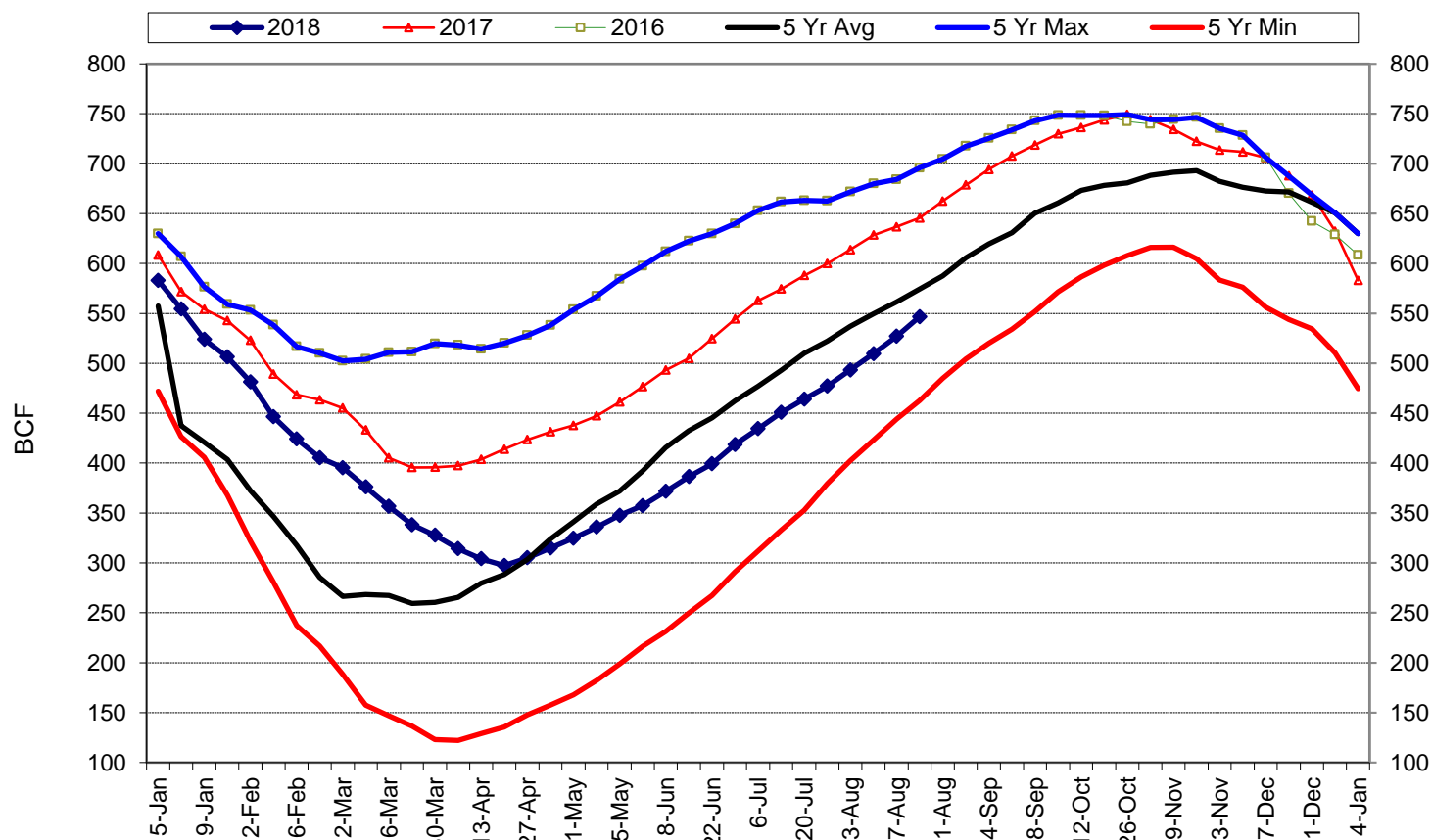
NYMEX Calendar Strips



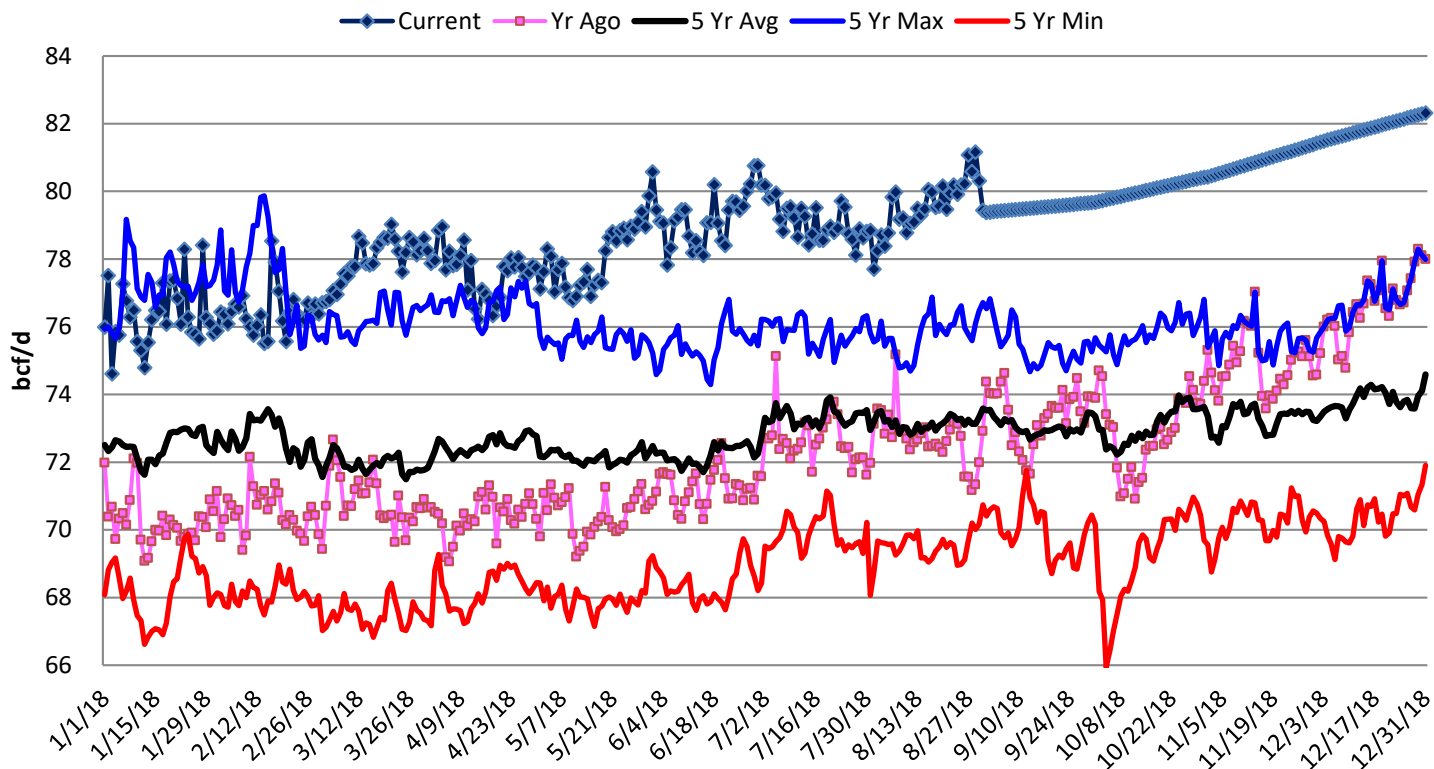
US Total Working Gas Storage - Source - EIA



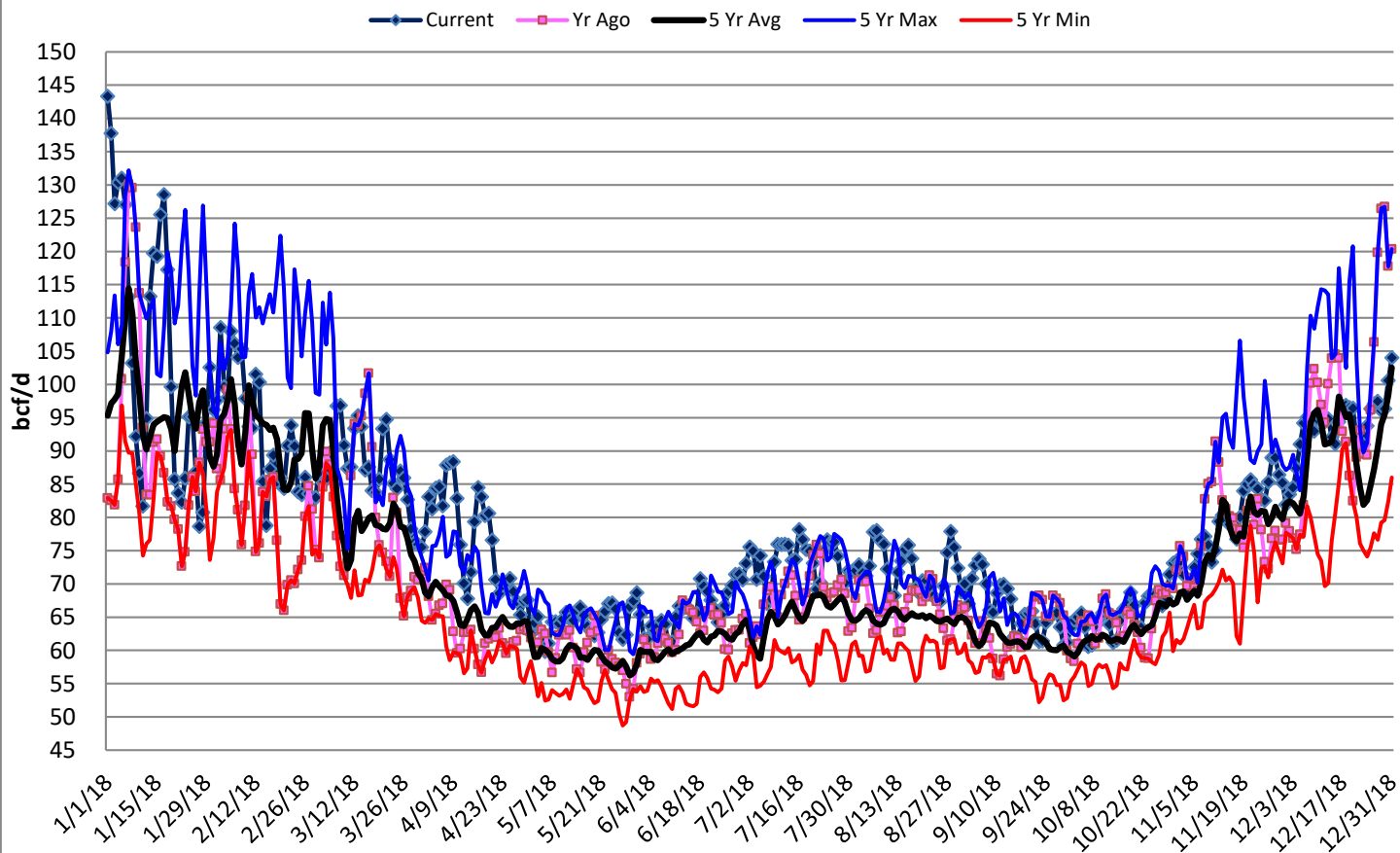
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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