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Week Ending September 7, 2018

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

Price Action: The October contract fell 14.0 cents (4.8%) to \$2.776 on a 14.5 cent range (\$2.904/\$2.759).

Price Outlook: Weather forecasts are beginning to moderate and summer cooling demand is rapidly coming to a close. However, the storage deficit remains daunting and although US production is set to rise, impending nuclear maintenance may keep power burn elevated and the storage deficit to the 5-year looks to remain very high for the next two weeks. For daily updated storage projections, subscribe to our joint publication with RBN Energy. CFTC data indicated a (21,987) contract reduction in the managed money net long position as longs liquidated and shorts added. This is the lowest long position since January 5, 2016. Total open interest rose 57,630 to 3.830 million as of September 04. Aggregated CME futures open interest rose to 1.657 million as of September 07, a new record. 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 August 31 indicated an injection of +63 bcf. Working gas inventories rose to 2,568 bcf. Current inventories fall (652) bcf (-20.2%) below last year and fall (581) bcf (-18.4%) below the 5-year average.

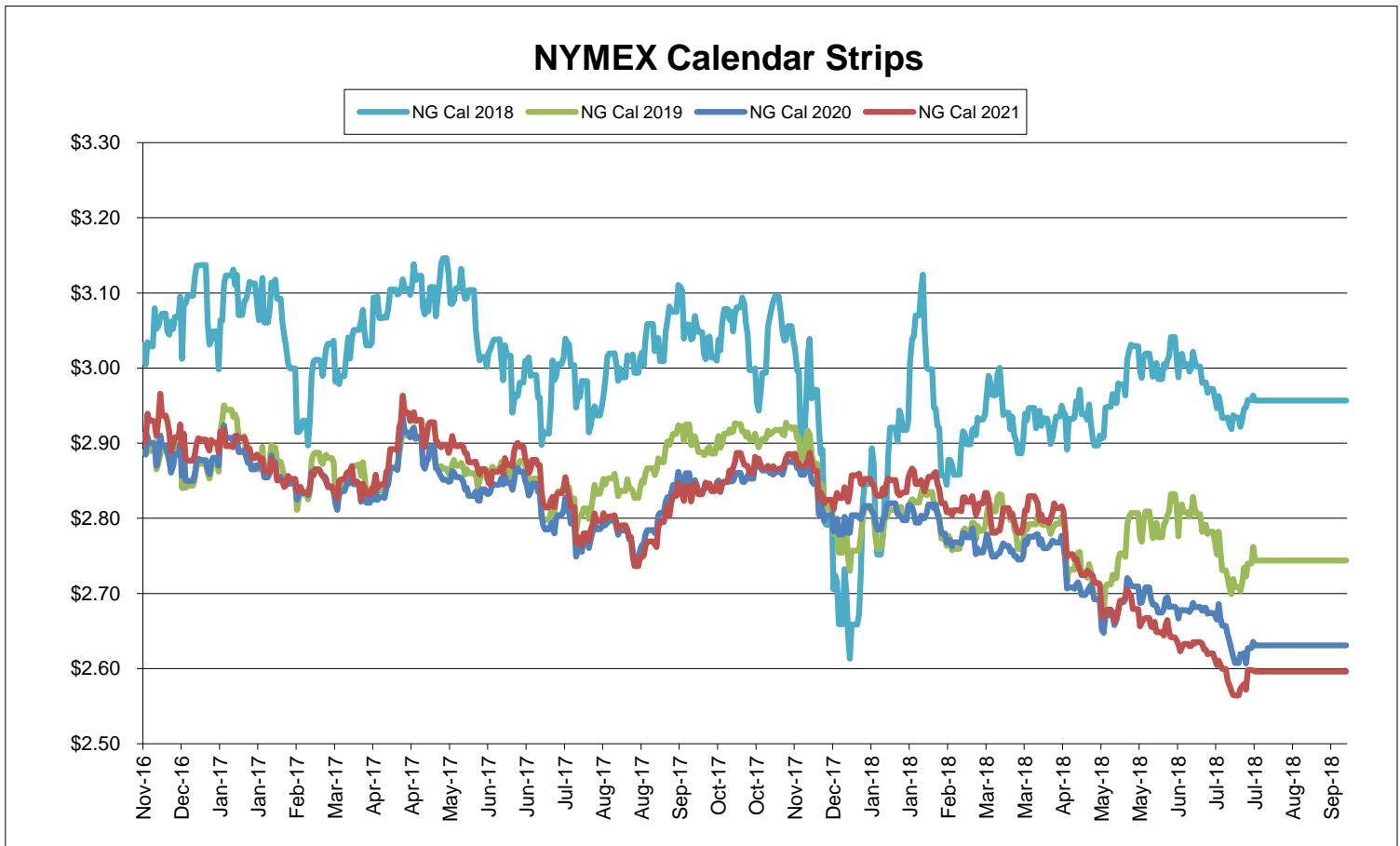
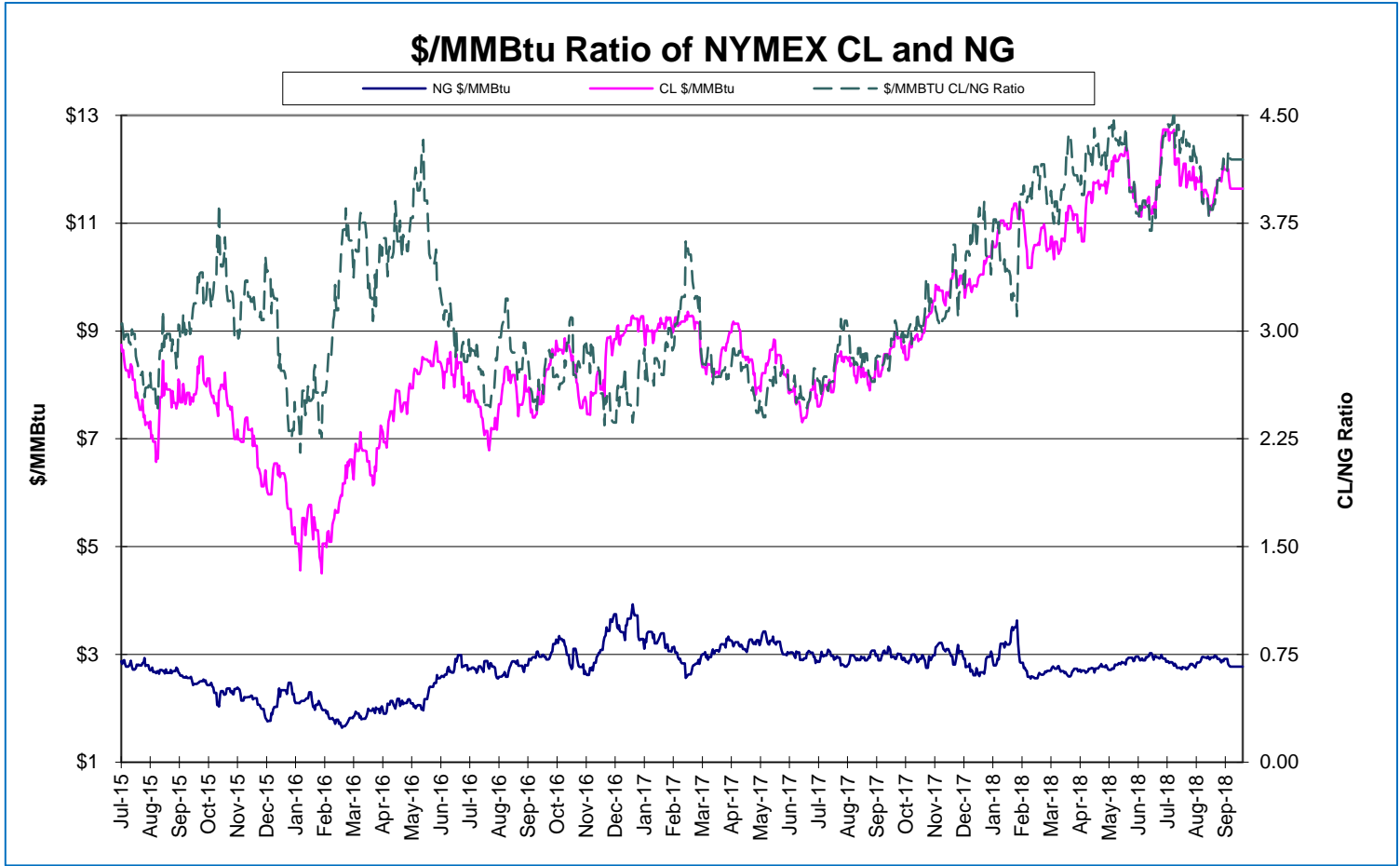
Storage Outlook: The EIA weekly implied flow was 2 bcf from our EIA storage estimate. Although our weekly storage error has been somewhat disappointing, over the last 5 weeks the EIA has reported total injections of 232 bcf compared to our 233 bcf estimate and that is more than acceptable. The forecasts 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 0.7 bcf/d to 80.5 bcf/d. US production rose. Canadian imports rose. LNG imports rose. LNG exports rose. Mexican exports fell. The US Baker Hughes rig count was unchanged +0. Oil activity decreased (2). Natural gas activity increased +2. The total US rig count now stands at 1,048. The Canadian rig count fell (24) to 204. Thus, the total North American rig count fell (24) to 1,252 and now exceeds last year by +106. The higher efficiency US horizontal rig count rose +1 to 918 and rises +125 above last year.

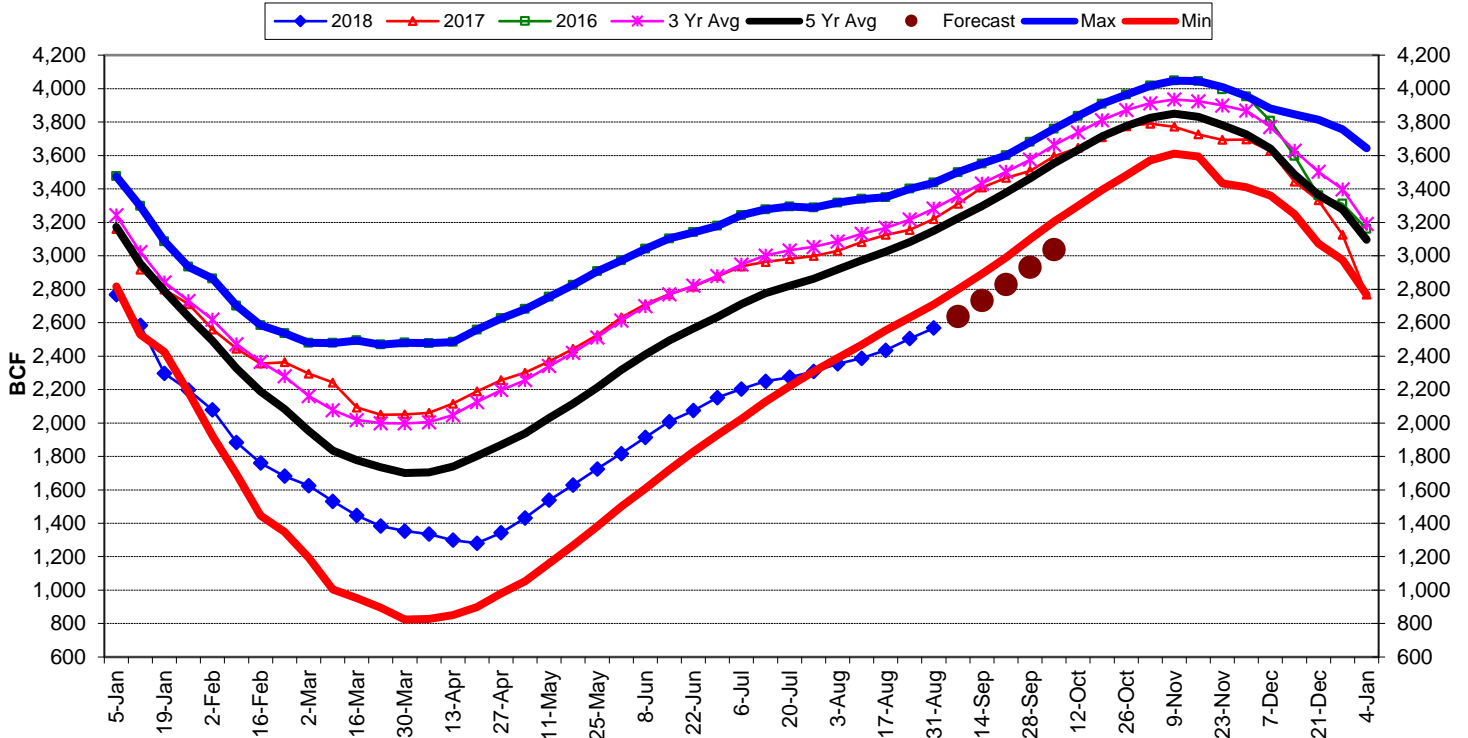
Demand Trends: Total demand rose +2.1 bcf/d to +72.1 bcf/d. Power demand rose. Industrial demand fell. Res/Comm demand rose. Electricity demand rose +4,347 gigawatt-hrs to 89,856 which exceeds last year by +12,756 (16.5%) and exceeds the 5-year average by 4,846 (5.7%).

Nuclear Generation: Nuclear generation fell (1,012)MW in the reference week to 94,056 MW. This is (980) MW lower than last year and (1,324) MW lower than the 5-year average. Recent output was at 94,888 MW.

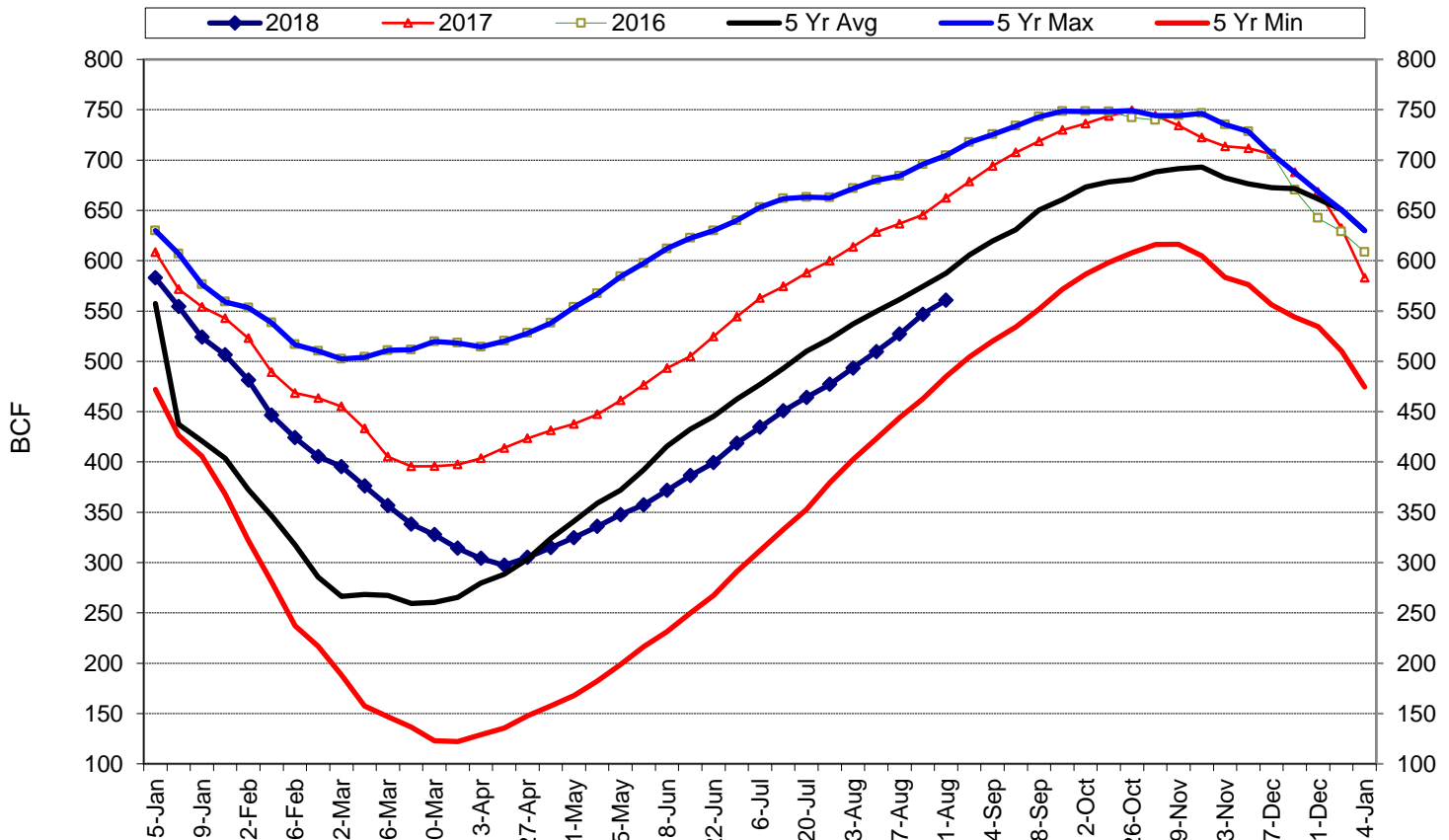
- The cooling season is now entering its final stretch. With a forecast through September 21 the 2018 total cooling index is at 5,367 compared to 4,638 for 2017, 5,391 for 2016, 4,230 for 2015, 3,351 for 2014, 4,793 for 2013, 7,110 for 2012 and 6,577 for 2011.



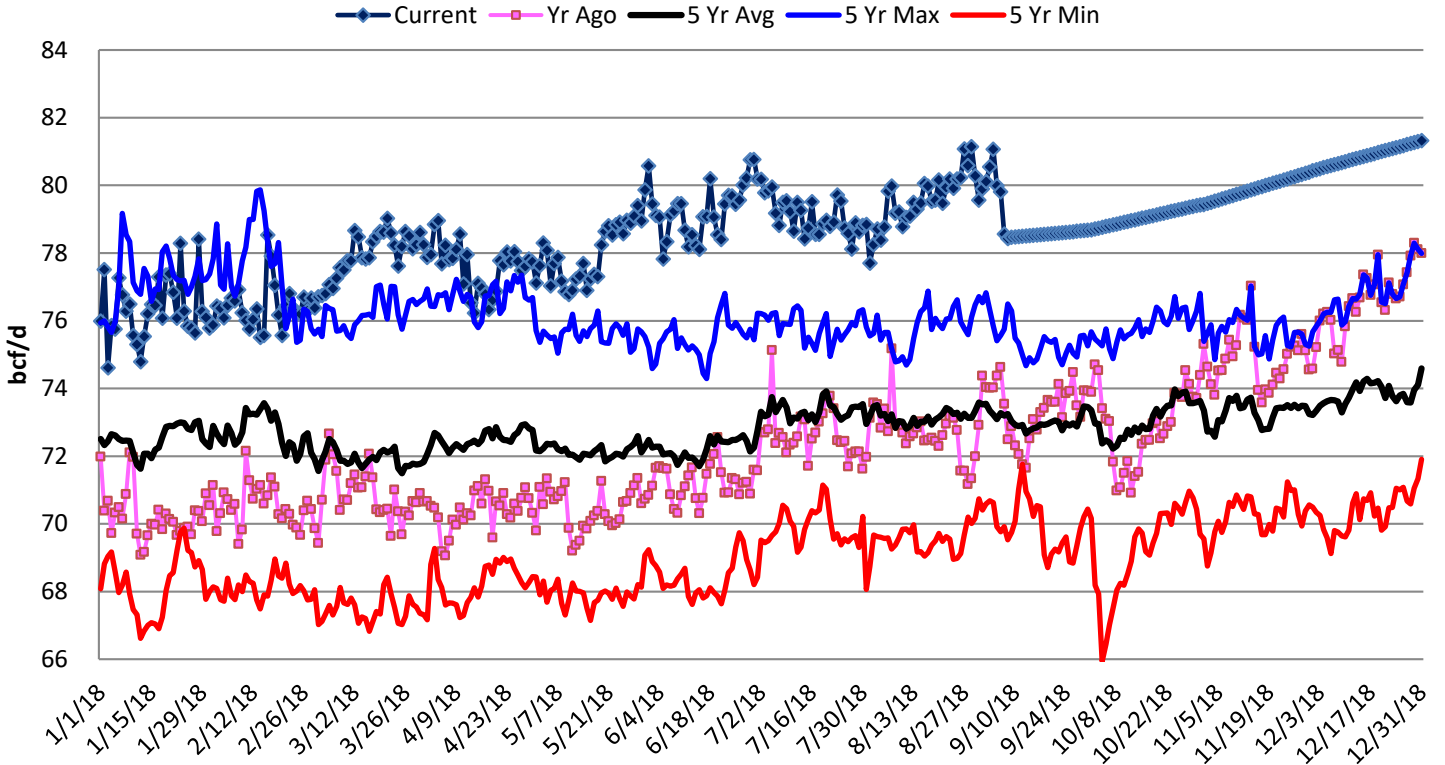
US Total Working Gas Storage - Source - EIA



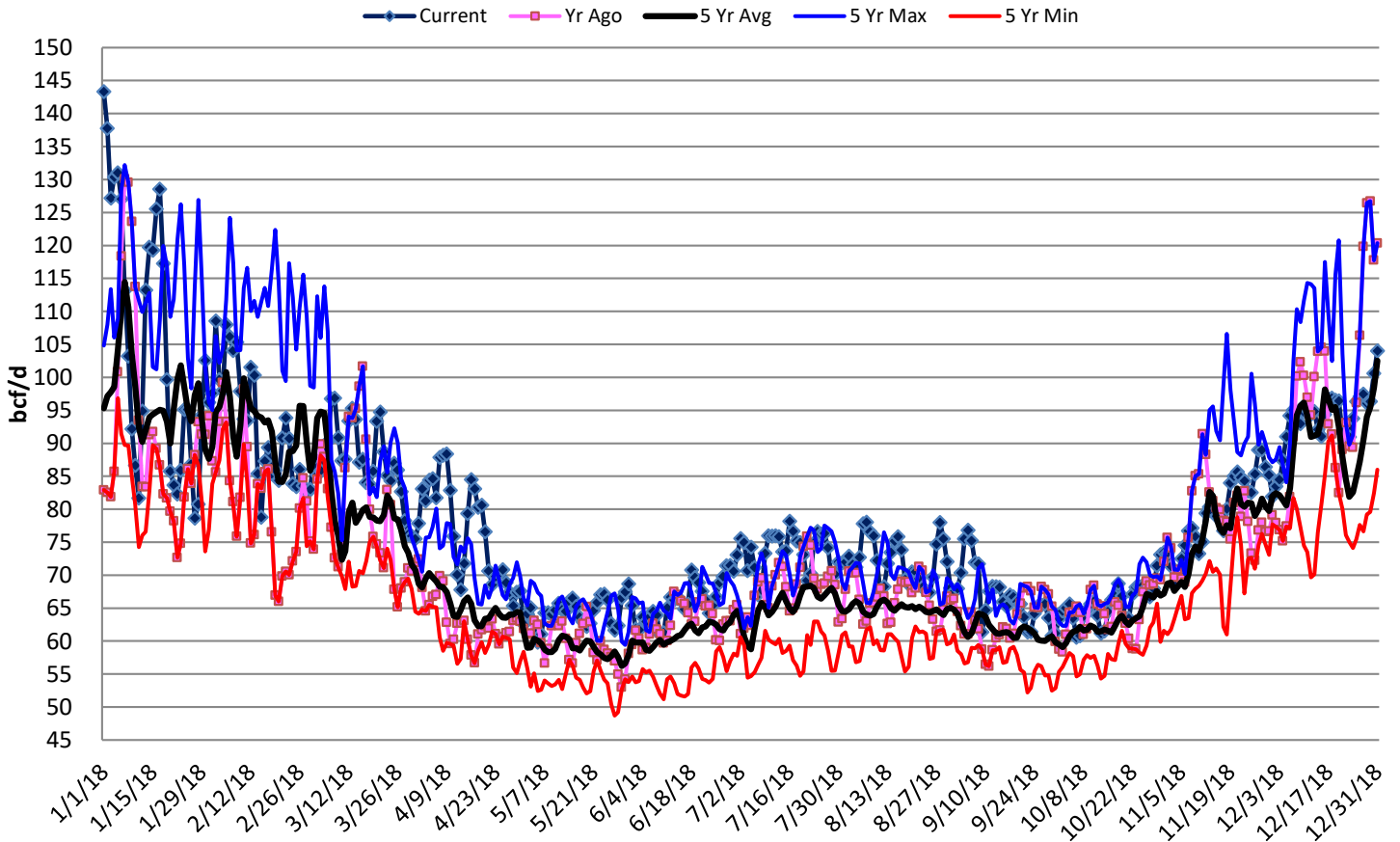
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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