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Week Ending September 28, 2018

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

Price Action: The now prompt November rose 3.4 cents (1.1%) to \$3.008 on a 16.1 cent range (\$3.111/\$2.950).

Price Outlook: Prices rose as a smaller than expected EIA storage injection helped to lift the market. Demand remains incredibly impressive. This month's EIA data noted record US production even as past production levels were revised even higher. However, with no change to previous storage levels, the higher production was also accompanied with revised record demand. For daily updated storage projections, subscribe to our joint publication with RBN Energy. CFTC data indicated a 38,636 contract increase in the managed money net long position as longs added and shorts covered. Total open interest rose 34,235 to 3.972 million as of September 25. Aggregated CME futures open interest fell to 1.623 million as of September 28. 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 2.9 bcf. Cove Point is net exporting 0.0 bcf.

Weekly Storage: US working gas storage for the week ending September 21 indicated an injection of +46 bcf. Working gas inventories rose to 2,768 bcf. Current inventories fall (698) bcf (-20.1%) below last year and fall (608) bcf (-18.0%) 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 336 bcf compared to our 323 bcf estimate and that is more tolerable. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Our joint publication with RBN updates storage projections daily.

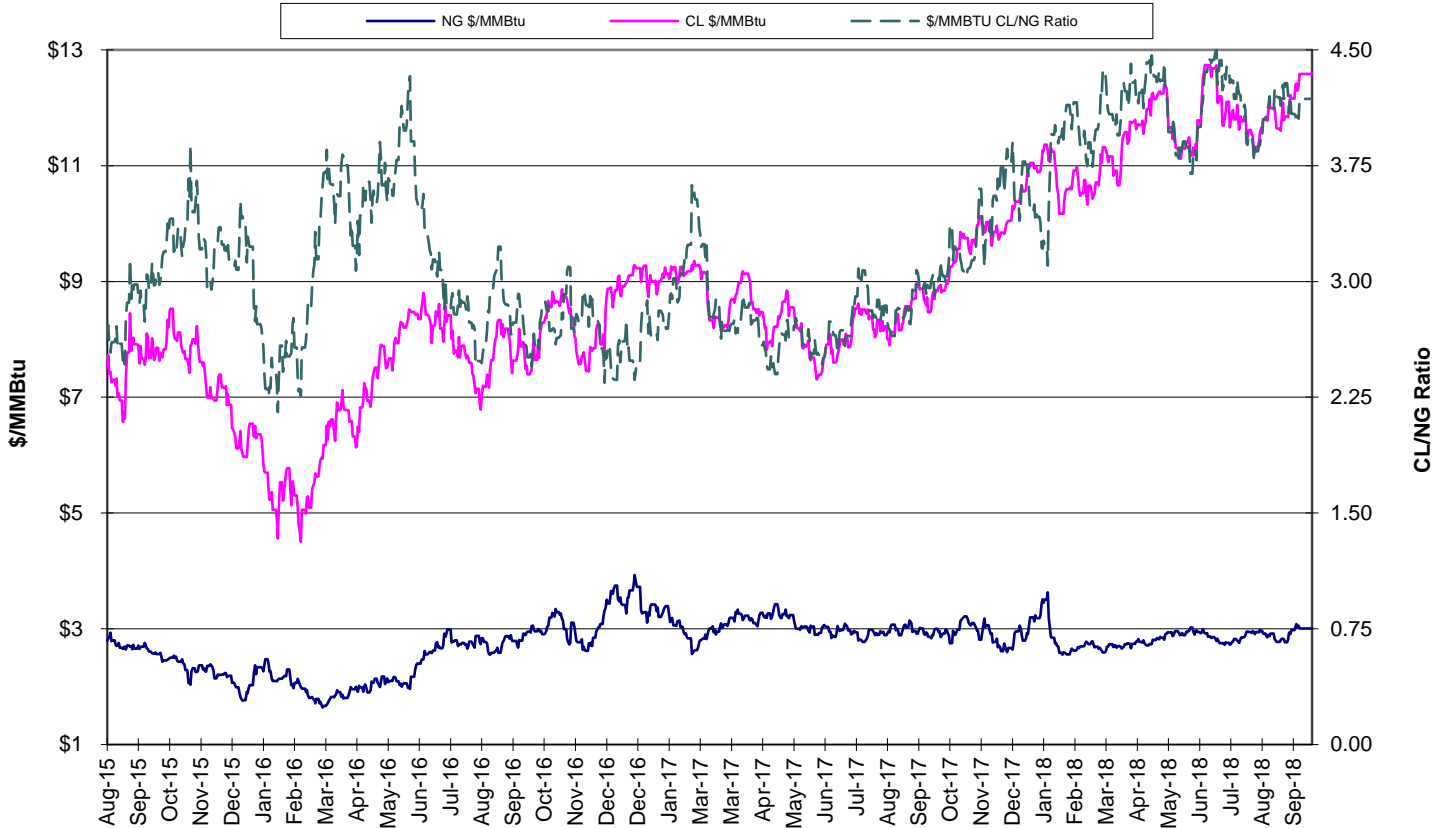
Supply Trends: Total supply rose 0.8 bcf/d to 81.1 bcf/d. US production rose. Canadian imports rose. LNG imports fell. LNG exports fell. Mexican exports rose. The US Baker Hughes rig count rose +1. Oil activity decreased (3). Natural gas activity increased +3. The total US rig count now stands at 1,054. The Canadian rig count fell (19) to 178. Thus, the total North American rig count fell (18) to 1,232 and now exceeds last year by +79. The higher efficiency US horizontal rig count rose +3 to 922 and rises +128 above last year.

Demand Trends: Total demand rose +4.9 bcf/d to +73.1 bcf/d. Power demand rose. Industrial demand rose. Res/Comm demand fell. Electricity demand rose +3,982 gigawatt-hrs to 83,579 which exceeds last year by +1,596 (1.9%) and exceeds the 5-year average by 5,629 (7.2%).

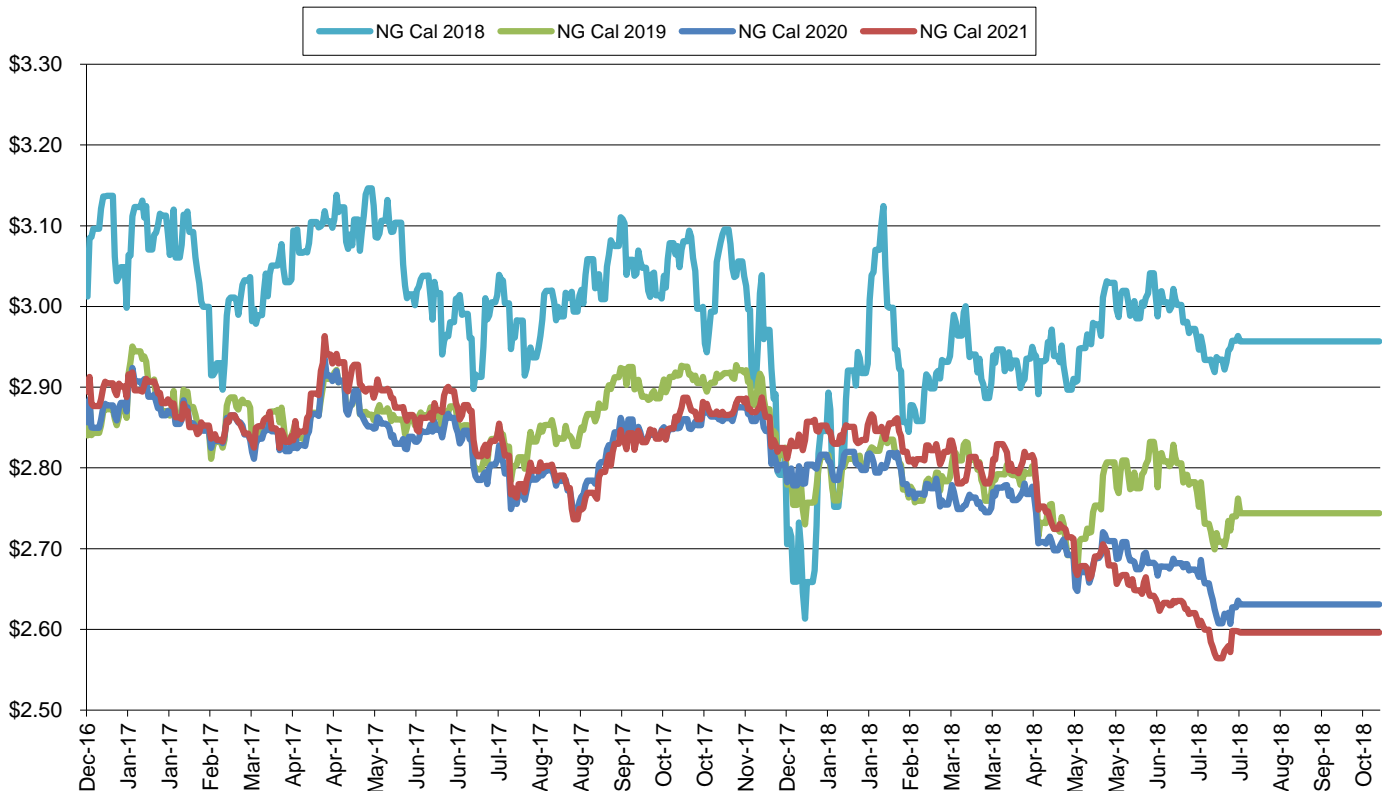
Nuclear Generation: Nuclear generation fell (7,343) MW in the reference week to 85,308 MW. This is (6,806) MW lower than last year and (4,178) MW lower than the 5-year average. Recent output was at 83,335 MW.

- The cooling season is now entering its final stretch. With a forecast through October 12 the 2018 total cooling index is at 5,606 compared to 4,781 for 2017, 5,483 for 2016, 4,384 for 2015, 3,451 for 2014, 4,811 for 2013, 7,205 for 2012 and 6,706 for 2011.

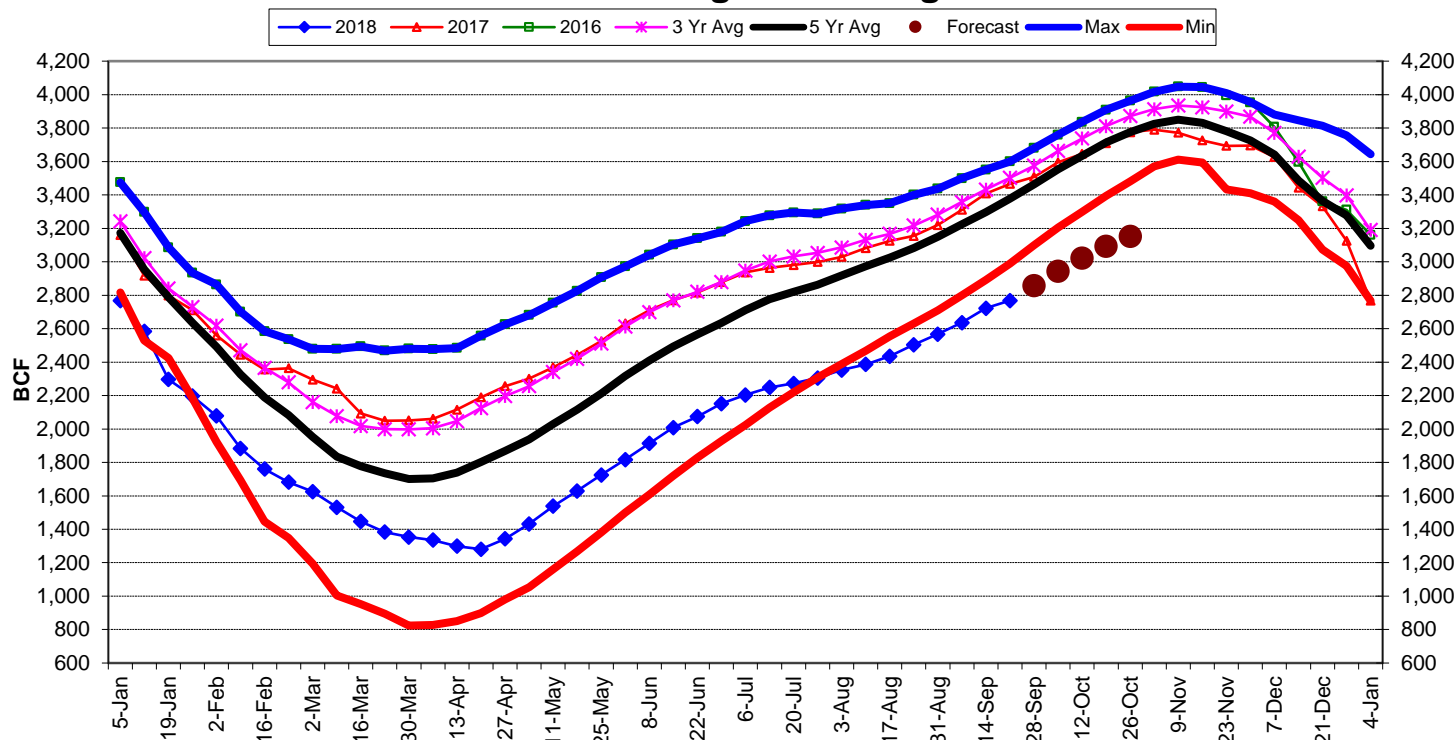
\$/MMBtu Ratio of NYMEX CL and NG



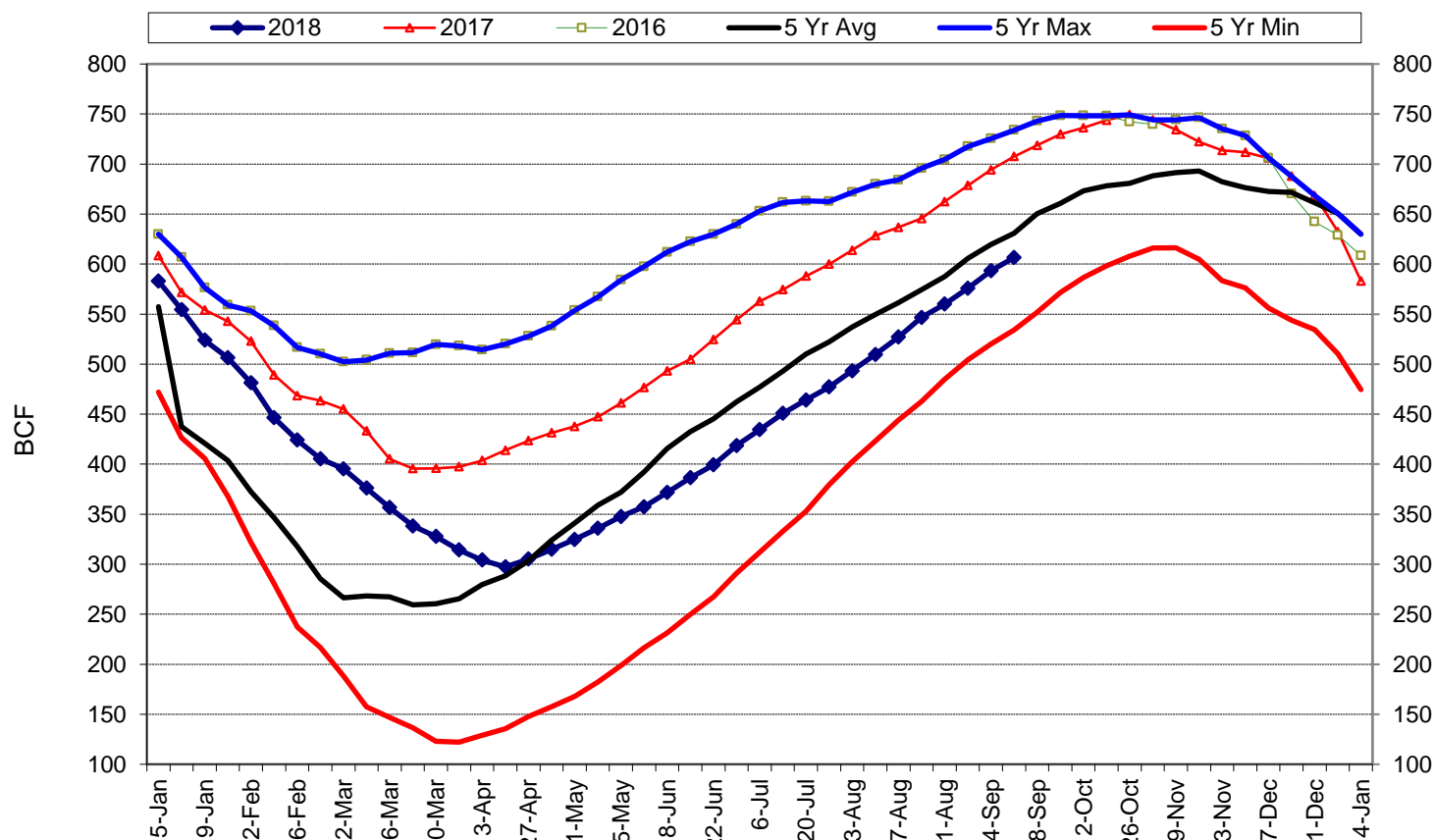
NYMEX Calendar Strips



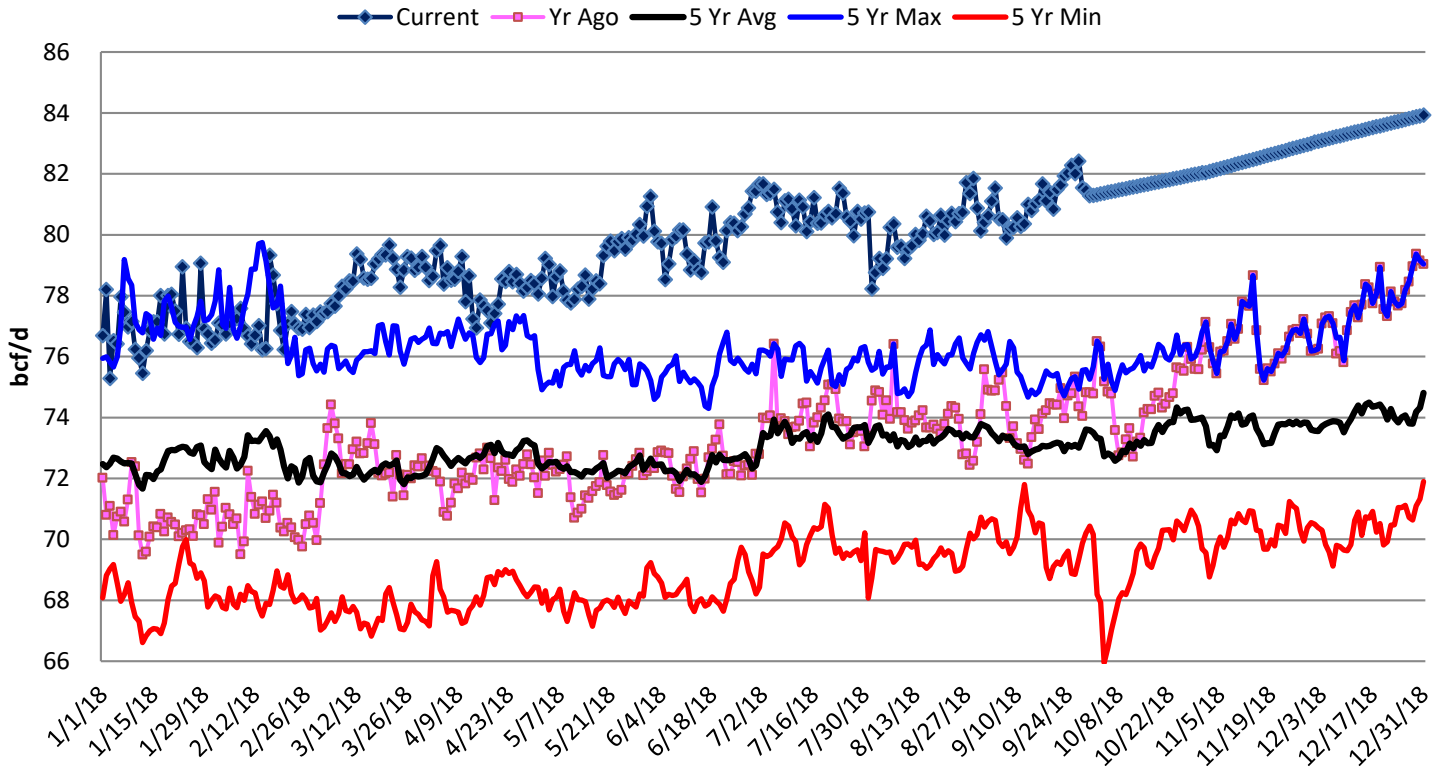
US Total Working Gas Storage - Source - EIA



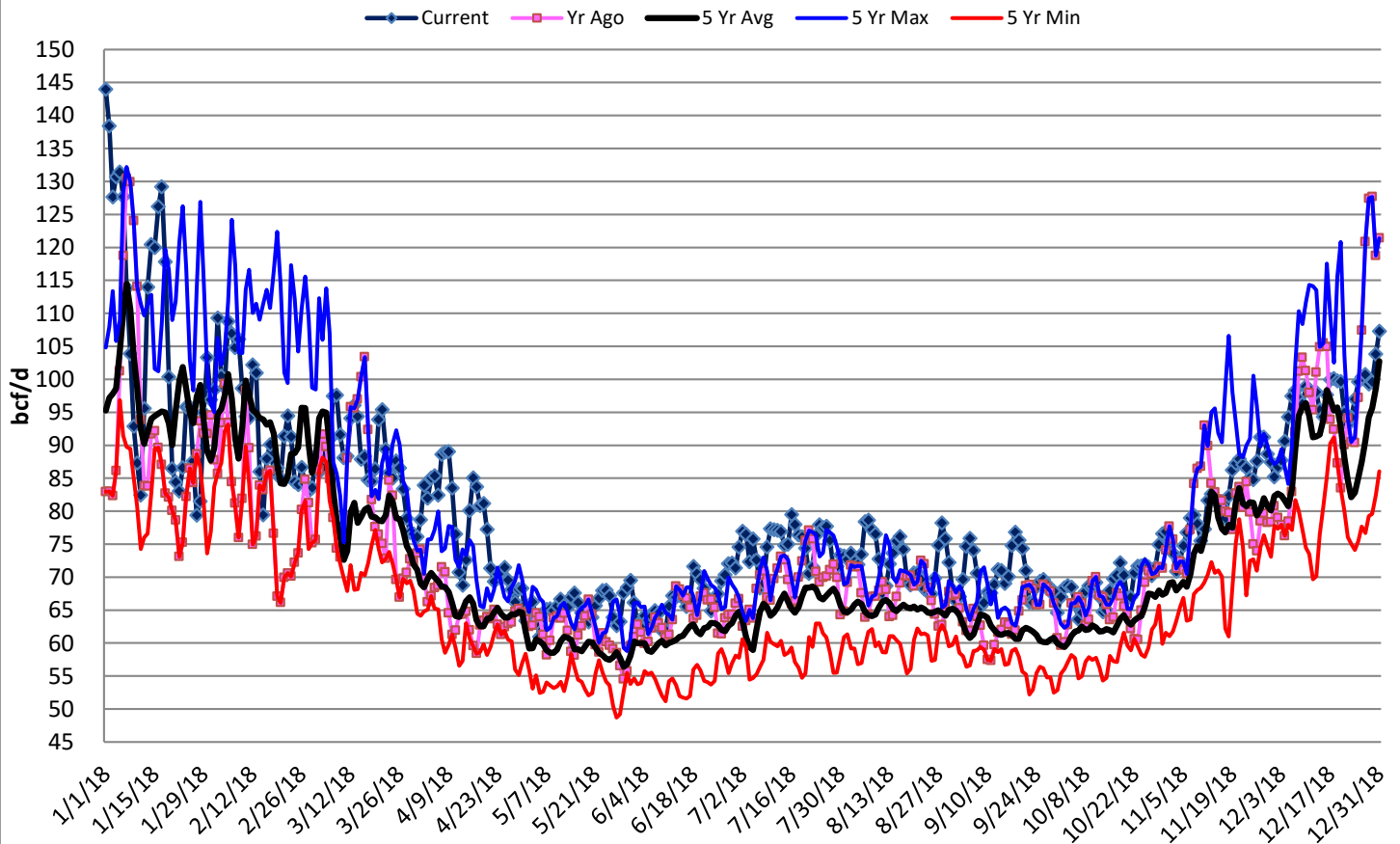
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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