

Kyle Cooper, (713) 248-3009, Kyle.Cooper@iafadvisors.com

Week Ending October 5, 2018

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

Price Action: The November contract rose 13.5 cents (4.5%) to \$3.143 on a 26.0 cent range (\$3.261/\$3.001).

Price Outlook: Prices continued higher and established a new weekly high for the 3rd consecutive week. New pipeline projects are commencing operation and pipeline data will be closely scrutinized for new flows across the grid. The next two weeks represent a chance for +100 bcf injections, but current data suggest a triple digit injection will occur. For daily updated storage projections, subscribe to our joint publication with RBN Energy. CFTC data indicated a 66,626 contract increase in the managed money net long position as longs added and shorts covered. The managed money net long position has increased +105,262 contracts over the last two weeks. Total open interest fell (48,427) to 3.923 million as of October 02. Aggregated CME futures open interest rose to 1.683 million as of October 05 and established a new record of 1.700 million on October 4. The current weather forecast is now warmer than 6 of the last 10 years. Pipeline data indicates total flows to Cheniere's export facility were at 3.0 bcf. Cove Point is net exporting 0.0 bcf.

Weekly Storage: US working gas storage for the week ending September 28 indicated an injection of +98 bcf. Working gas inventories rose to 2,866 bcf. Current inventories fall (642) bcf (-18.3%) below last year and fall (596) bcf (-17.2%) 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 362 bcf compared to our 349 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.

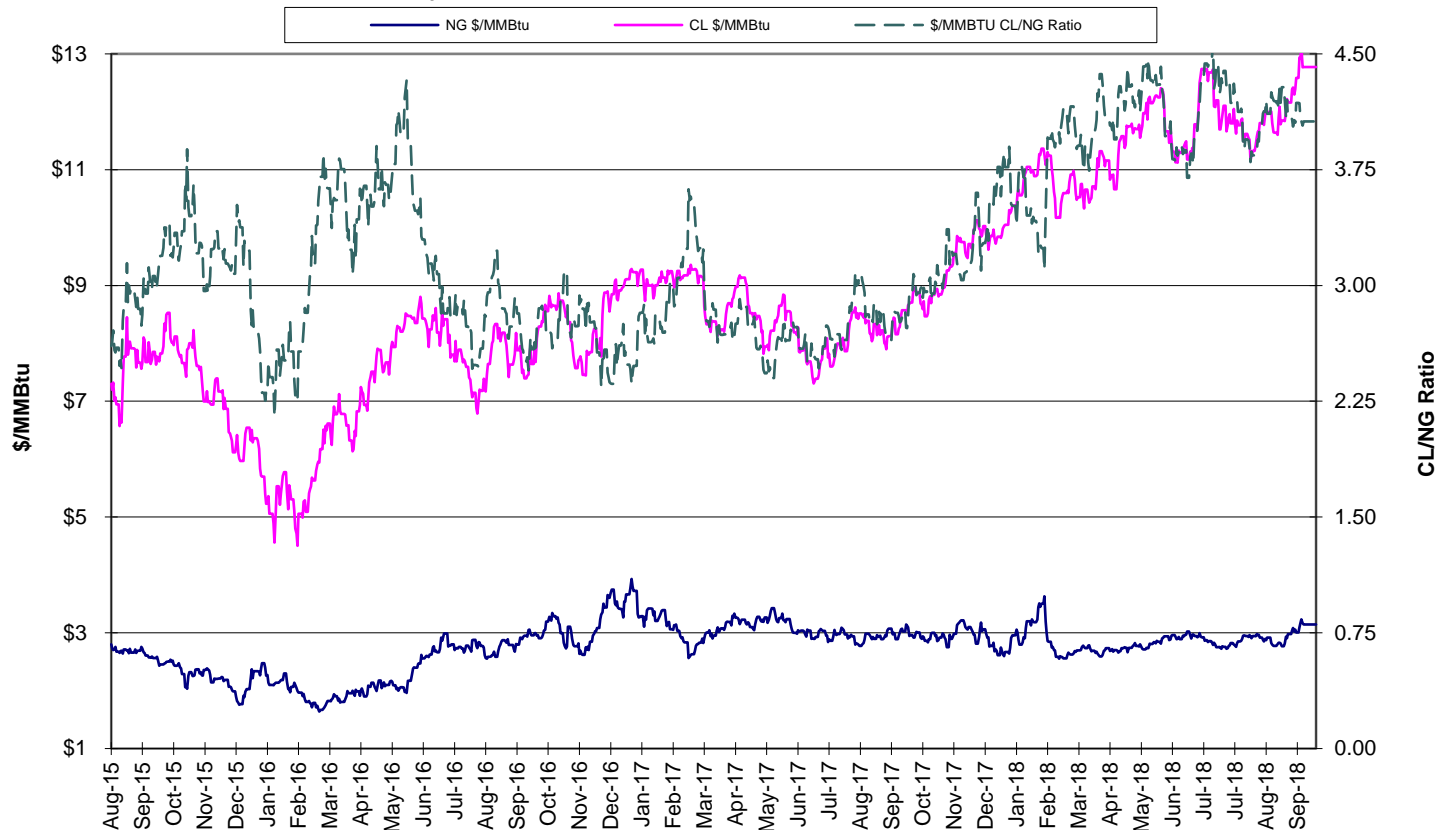
Supply Trends: Total supply rose 0.8 bcf/d to 82.0 bcf/d. US production rose. Canadian imports rose. LNG imports rose. LNG exports fell. Mexican exports fell. The US Baker Hughes rig count fell (2). Oil activity decreased (2). Natural gas activity was unchanged +0. The total US rig count now stands at 1,052. The Canadian rig count rose +4 to 182. Thus, the total North American rig count rose +2 to 1,234 and now exceeds last year by +89. The higher efficiency US horizontal rig count fell (3) to 919 and rises +127 above last year.

Demand Trends: Total demand fell (4.5) bcf/d to +68.6 bcf/d. Power demand fell. Industrial demand fell. Res/Comm demand rose. Electricity demand fell (8,328) gigawatt-hrs to 75,251 which trails last year by (3,439) (-4.4%) and exceeds the 5-year average by 1,345 (1.8%).

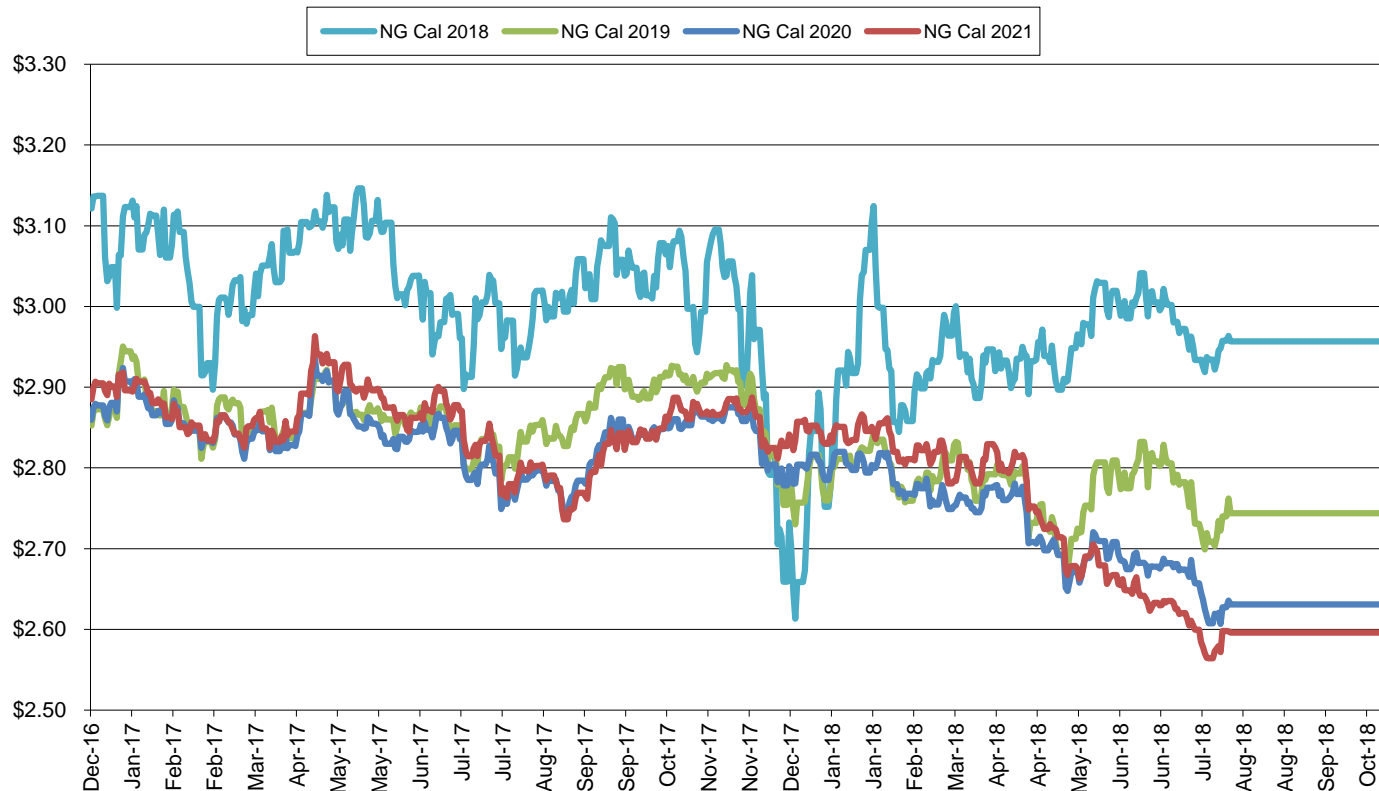
Nuclear Generation: Nuclear generation fell (2,089) MW in the reference week to 83,219 MW. This is (7,473) MW lower than last year and (5,060) MW lower than the 5-year average. Recent output was at 82,508 MW.

- The cooling season is now entering its final stretch. With a forecast through October 19 the 2018 total cooling index is at 5,625 compared to 4,789 for 2017, 5,485 for 2016, 4,402 for 2015, 3,451 for 2014, 4,811 for 2013, 7,212 for 2012 and 6,709 for 2011.

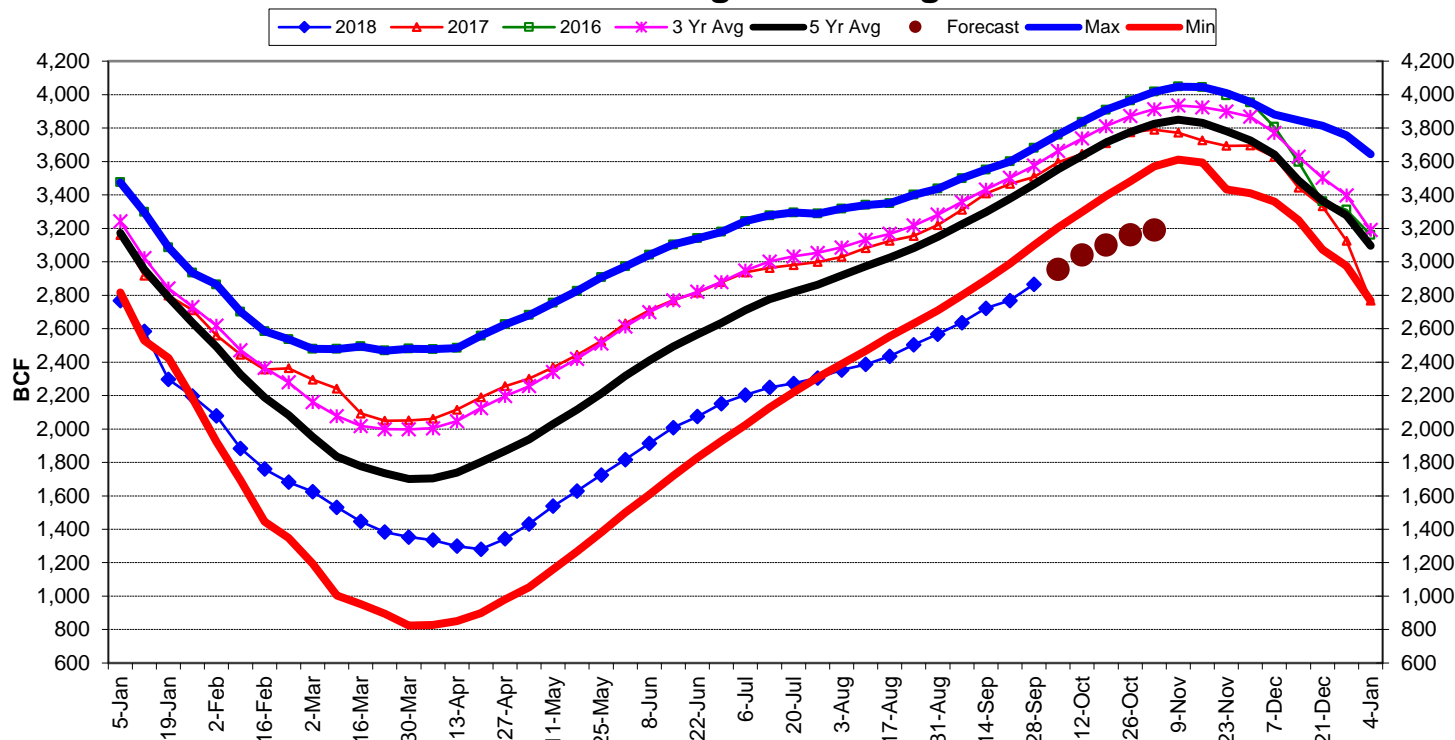
\$/MMBtu Ratio of NYMEX CL and NG



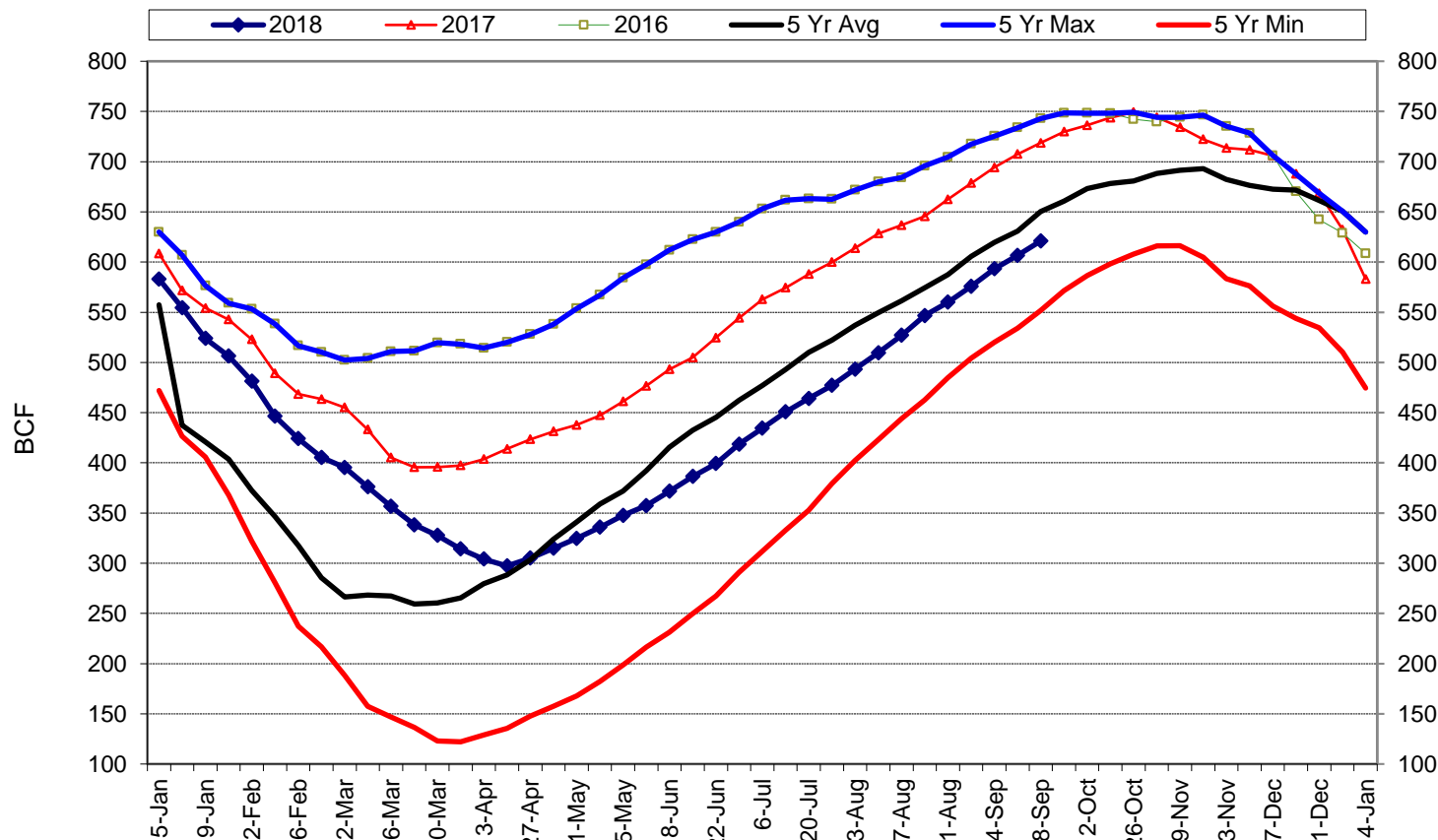
NYMEX Calendar Strips



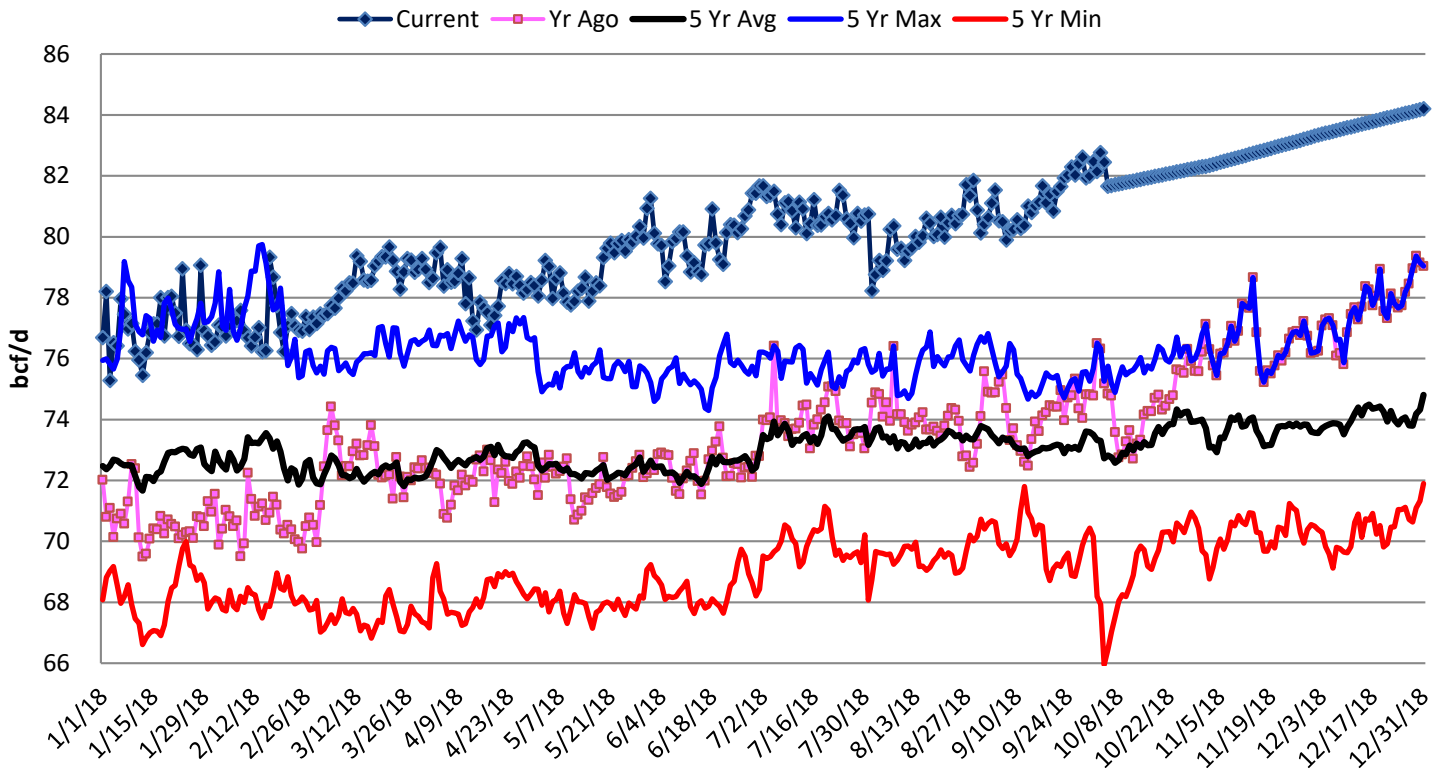
US Total Working Gas Storage - Source - EIA



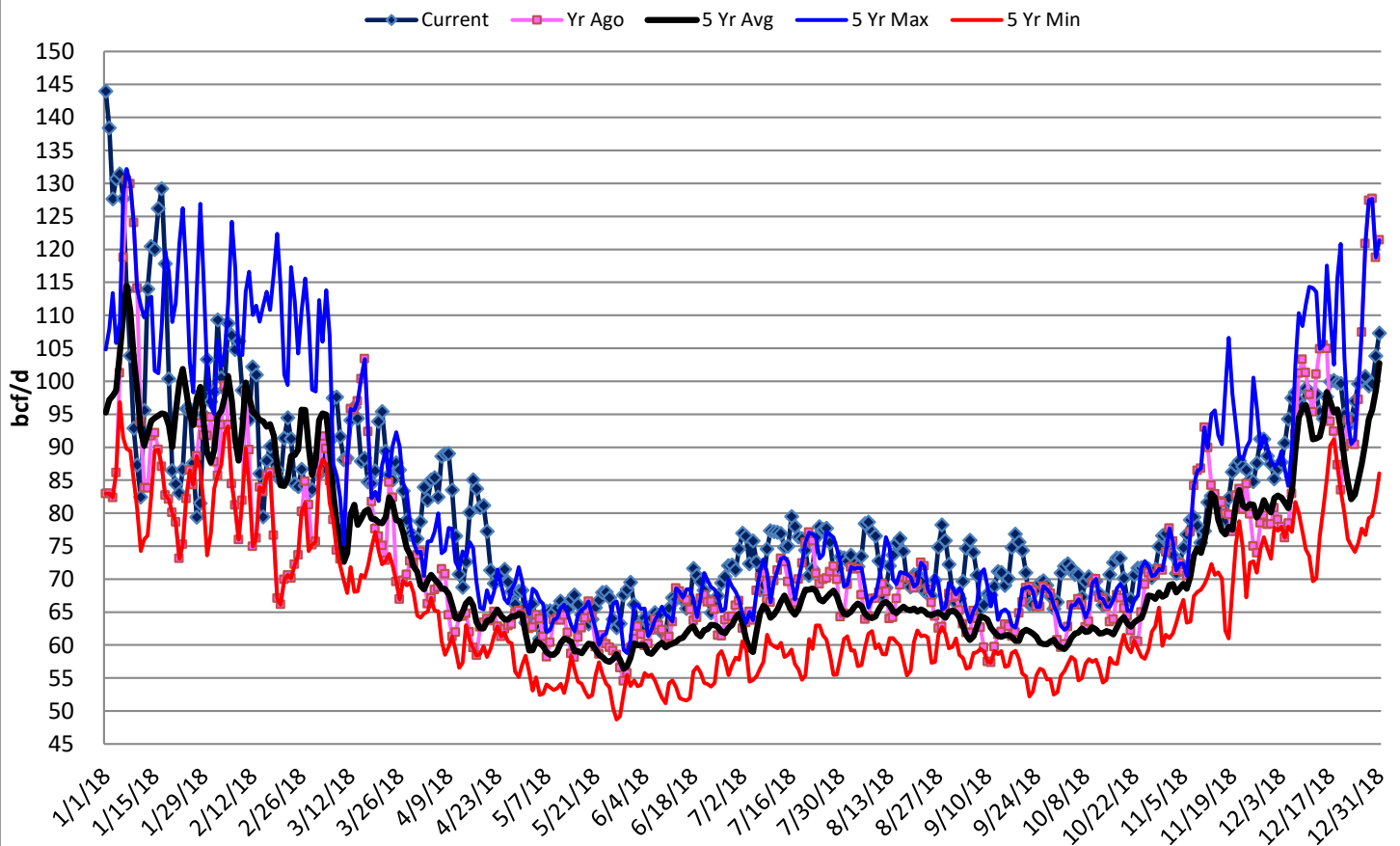
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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