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Week Ending October 19, 2018

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

Price Action: The November contract rose 8.9 cents (2.8%) to \$3.250 on an 18.5 cent range (\$3.340/\$3.155).

Price Outlook: Prices continued higher but were unable to post either a new high or low and thus had a rare inside week. Since 2000, only 92 weeks of the 981 weeks witnessed an inside week. Physical data turned bearish this week with storage changes now indicating more bearish temperature adjusted changes. See our daily publication for more details. There will not be another +1006 bcf injection this year with the +106 injection from May 11 the only one record for 2018. **For daily updated storage projections, subscribe to our joint publication with RBN Energy.** CFTC data indicated a (4,907) contract reduction in the managed money net long position as longs liquidated and shorts covered. The managed money short position is the smallest since August 21, 2007. Total open interest rose 3,381 to 4.033 million as of October 16. Aggregated CME futures open interest rose to 1.628 million as of October 19. The current weather forecast is now cooler than 8 of the last 10 years. Pipeline data indicates total flows to Cheniere's export facility were at 3.2 bcf. Cove Point is net exporting 0.4 bcf.

Weekly Storage: US working gas storage for the week ending October 12 indicated an injection of +81 bcf. Working gas inventories rose to 3,037 bcf. Current inventories fall (609) bcf (-16.7%) below last year and fall (596) bcf (-16.4%) below the 5-year average.

Storage Outlook: The EIA weekly implied flow was (6) bcf from our EIA storage estimate. This week's storage miss of 6 bcf is again above of tolerance. However, over the last 5 weeks the EIA has reported total injections of 401 bcf compared to our 400 bcf estimate and 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.**

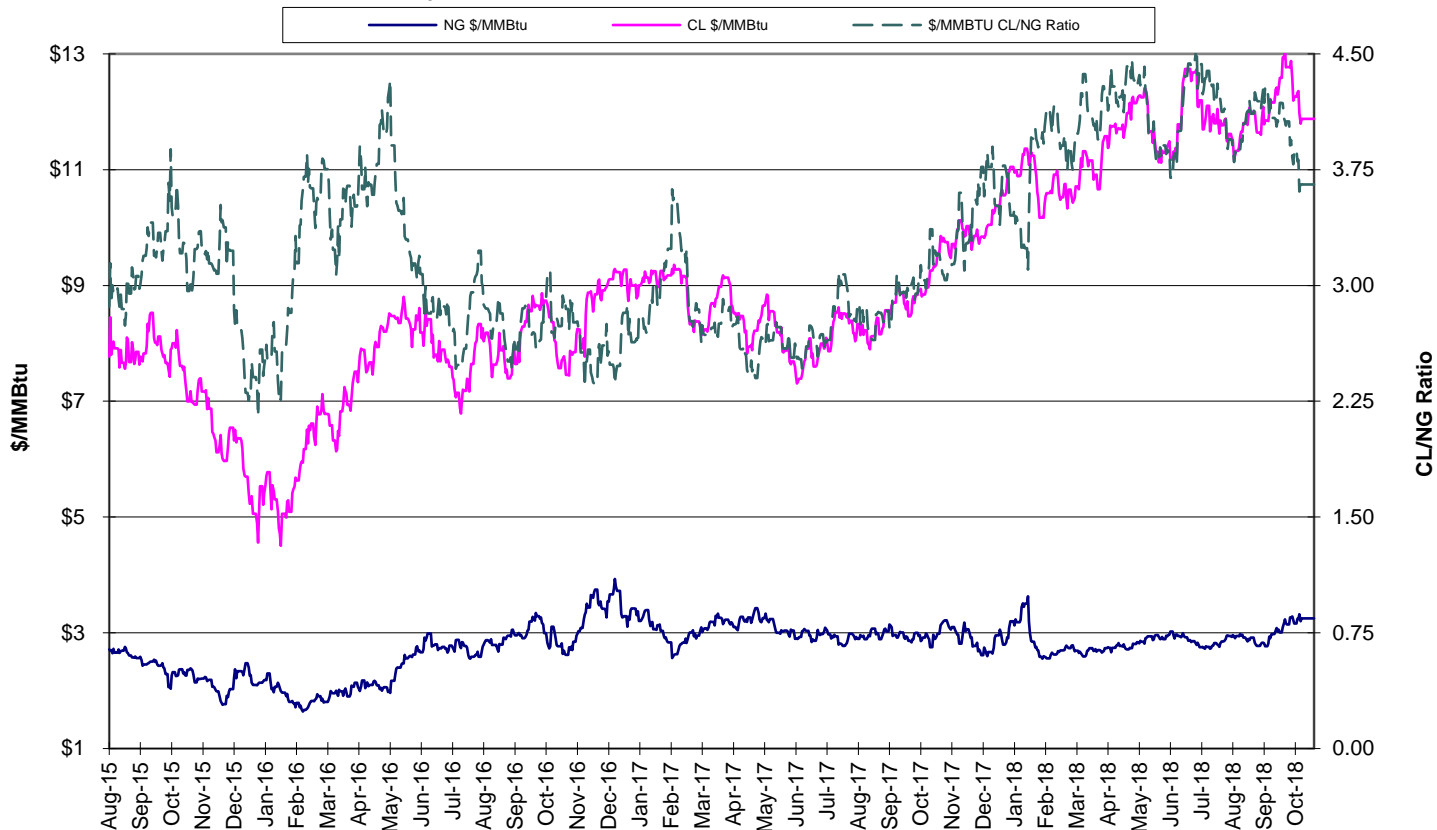
Supply Trends: Total supply rose 0.6 bcf/d to 82.6 bcf/d. US production rose. Canadian imports rose. LNG imports rose. LNG exports fell. Mexican exports fell. The US Baker Hughes rig count rose +4. Oil activity increased +4. Natural gas activity increased +1. The total US rig count now stands at 1,067. The Canadian rig count fell (4) to 191. Thus, the total North American rig count was unchanged at +0 to 1,258 and now exceeds last year by +143. **The higher efficiency US horizontal rig count fell (1) to 926 and rises +155 above last year.**

Demand Trends: Total demand rose +0.8 bcf/d to +70.2 bcf/d. Power demand rose. Industrial demand rose. Res/Comm demand fell. Electricity demand fell (4,278) gigawatt-hrs to 74,100 which trails last year by (800) (-1.1%) and exceeds the 5-year average by 2,294 (3.2%).

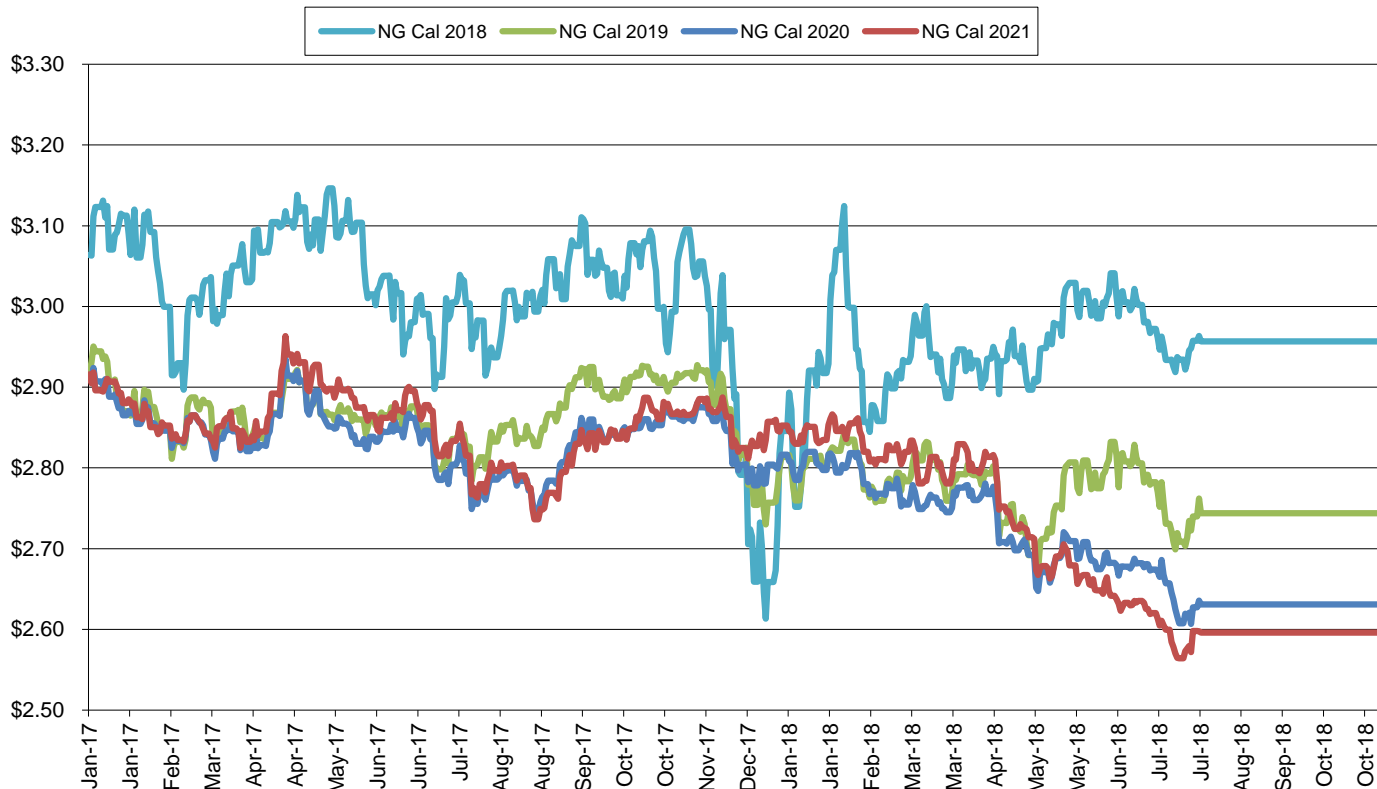
Nuclear Generation: Nuclear generation fell (5,035) MW in the reference week to 77,759 MW. This is (8,933) MW lower than last year and (4,855) MW lower than the 5-year average. **Recent output was at 78,851 MW.**

- The heating season has begun. With a forecast through November 2 the 2018/19 total cooling index is at (82) compared to (103) for 2017/18, (31) for 2016/17, (37) for 2015/16, (72) for 2014/15, (101) for 2013/14, (105) for 2012/13 and (101) for 2011/12.

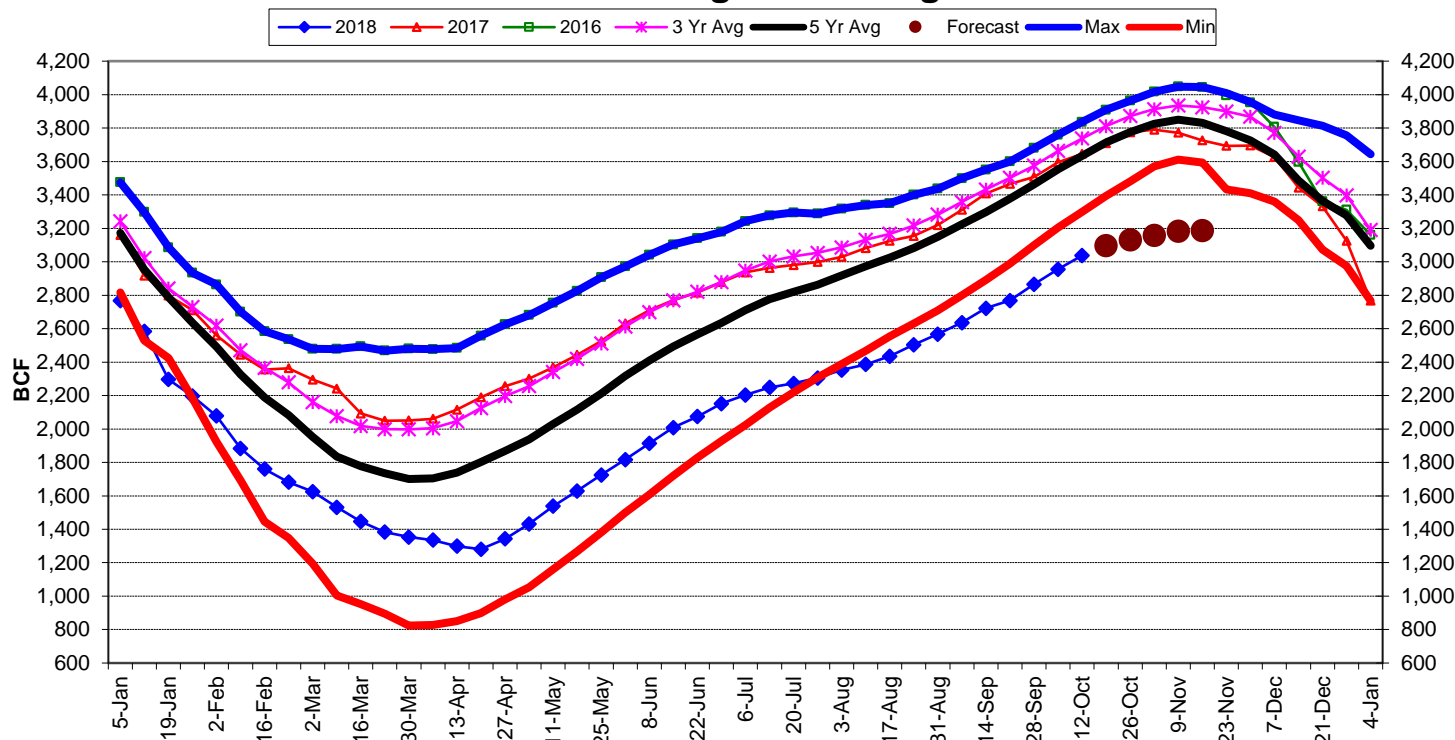
\$/MMBtu Ratio of NYMEX CL and NG



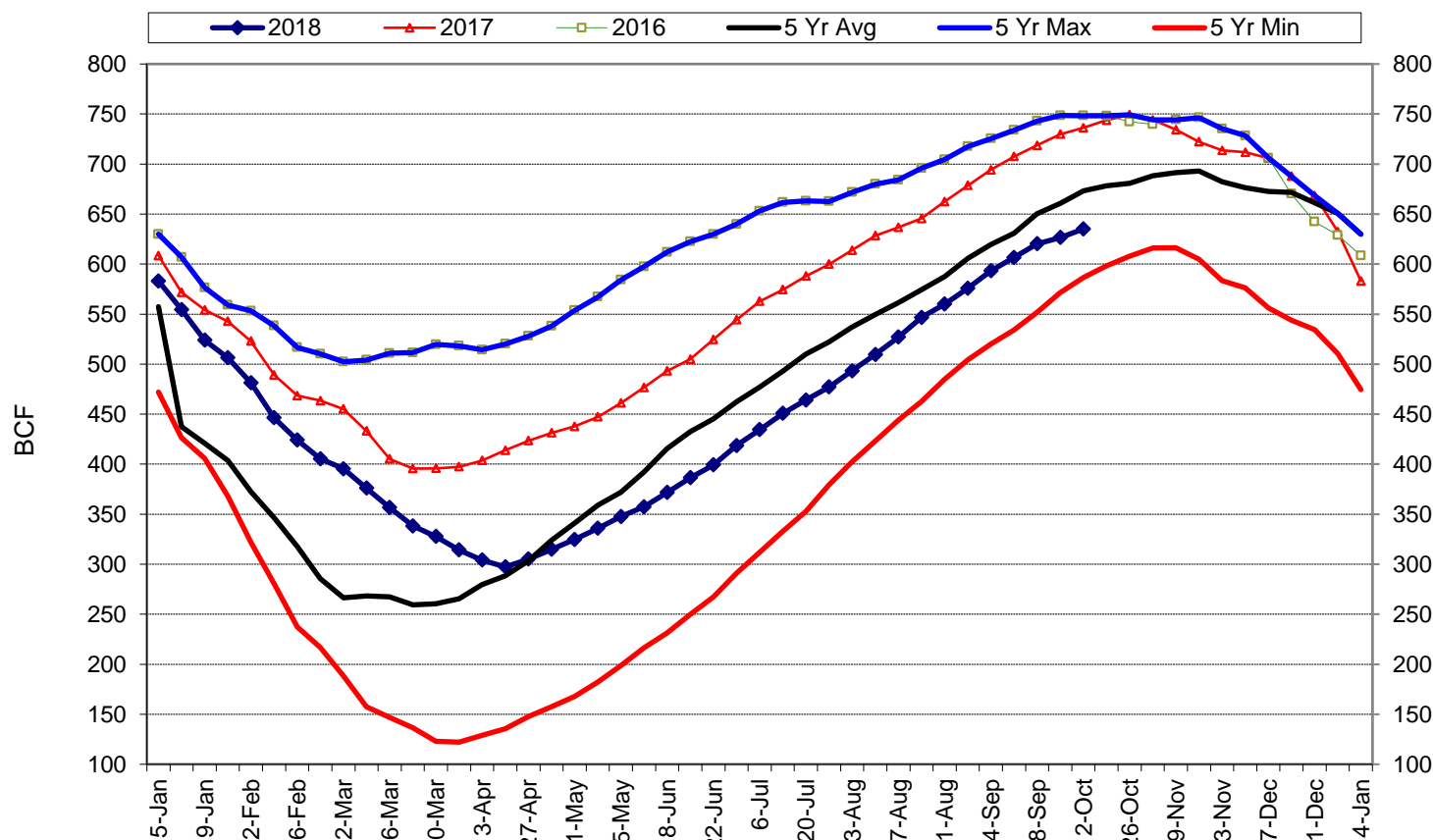
NYMEX Calendar Strips



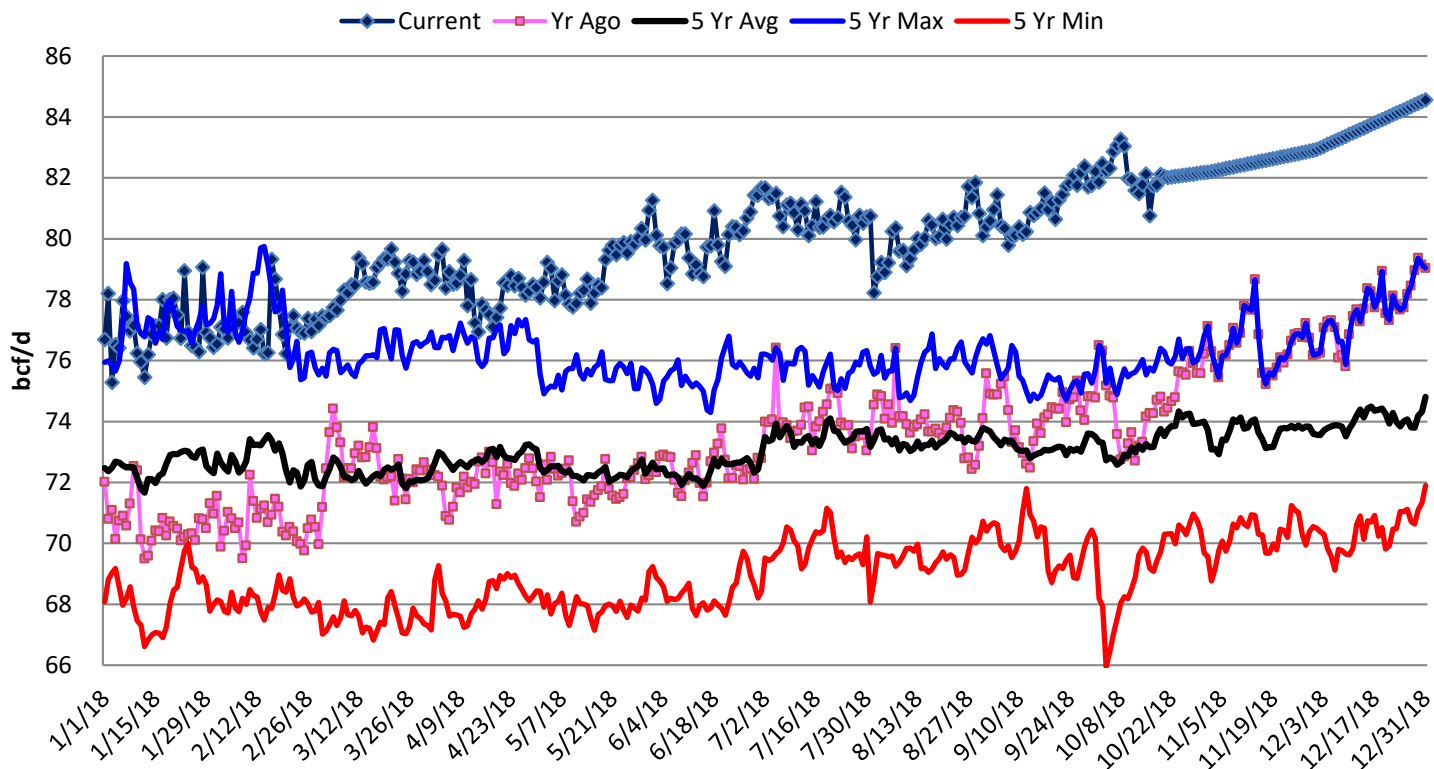
US Total Working Gas Storage - Source - EIA



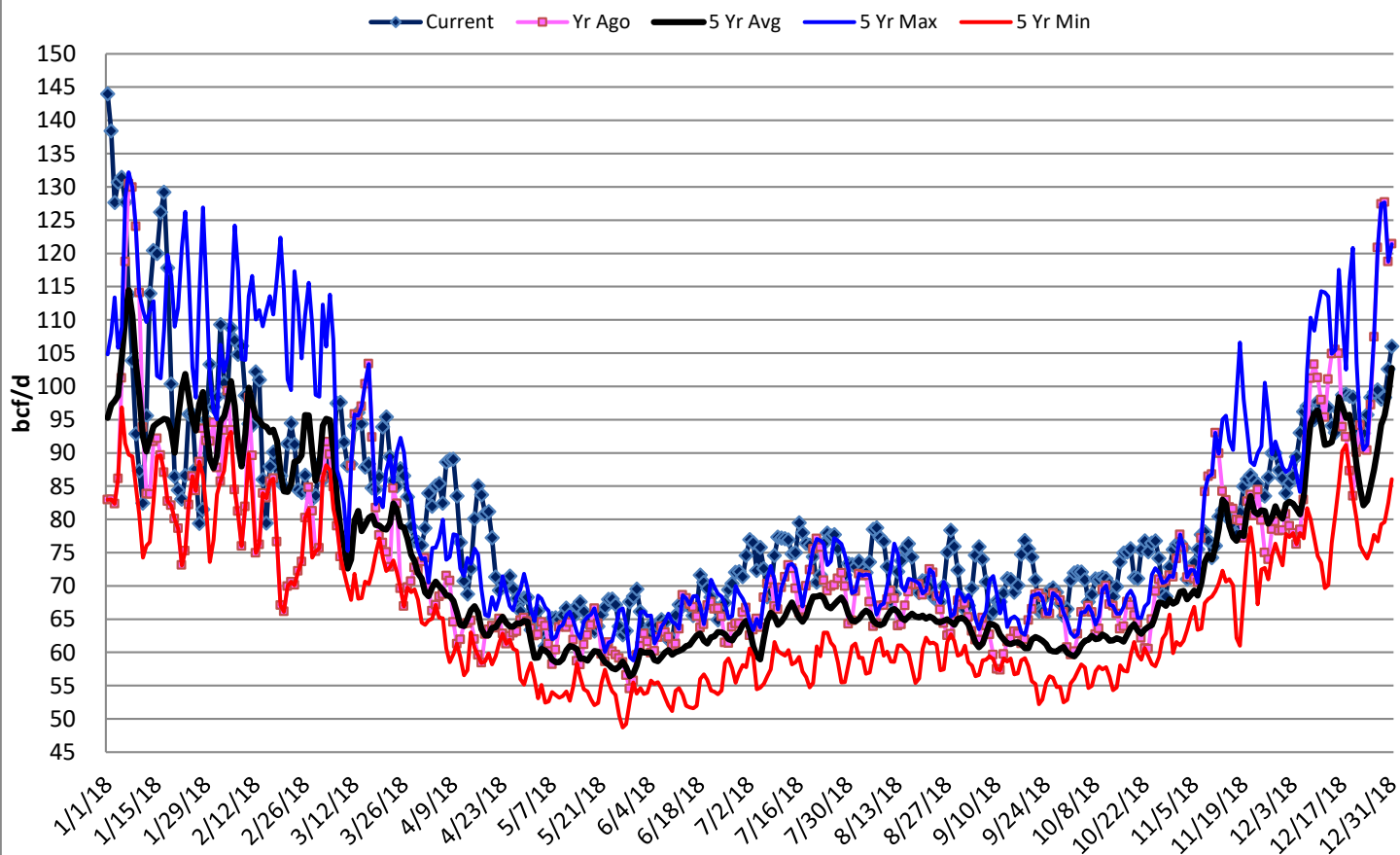
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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