

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

Week Ending October 26, 2018

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

Price Action: The November contract fell 6.5 cents (2.0%) to \$3.185 on a 14.8 cent range (\$3.250/\$3.102).

Price Outlook: Prices slid and established a new weekly after last week's rare inside week. The market moved lower as weather forecasts moderated and the EIA reported a much larger than expected weekly storage change. Physical data has also turned bearish as the non-linear impact moderate temperatures reduced demand at the same time pipeline data suggested US production reached a new record level. However, pipeline data also indicated flows to US LNG export facilities reached a new record as well, partially mitigating rising US production. **For daily updated storage projections, subscribe to our joint publication with RBN Energy.** CFTC data indicated a (3,257) contract reduction in the managed money net long position as longs added and shorts added Total open interest rose 19,575 to 4.053 million as of October 23. **Aggregated CME futures open interest fell to 1.568 million as of October 26. This is the lowest open interest since August 10, 2018** The current weather forecast is now warmer than 7 of the last 10 years. Pipeline data indicates total flows to Cheniere's Sabine Pass export facility were at 3.5 bcf. This flow volume suggests feed gas is entering Train 5. Cove Point is net exporting 0.7 bcf.

Weekly Storage: US working gas storage for the week ending October 19 indicated an injection of +63 bcf. Working gas inventories rose to 3,095 bcf. Current inventories fall (615) bcf (-16.6%) below last year and fall (618) bcf (-16.6%) below the 5-year average.

Storage Outlook: The EIA weekly implied flow was 5 bcf from our EIA storage estimate. This week's storage miss of 5 bcf is right at our tolerance. **However, over the last 5 weeks the EIA has reported total injections of 378 bcf compared to our 378 bcf estimate and is very satisfying.** The forecasts use a 10-year rolling temperature profile past the 15-day forecast. **Our joint publication with RBN updates storage projections daily.**

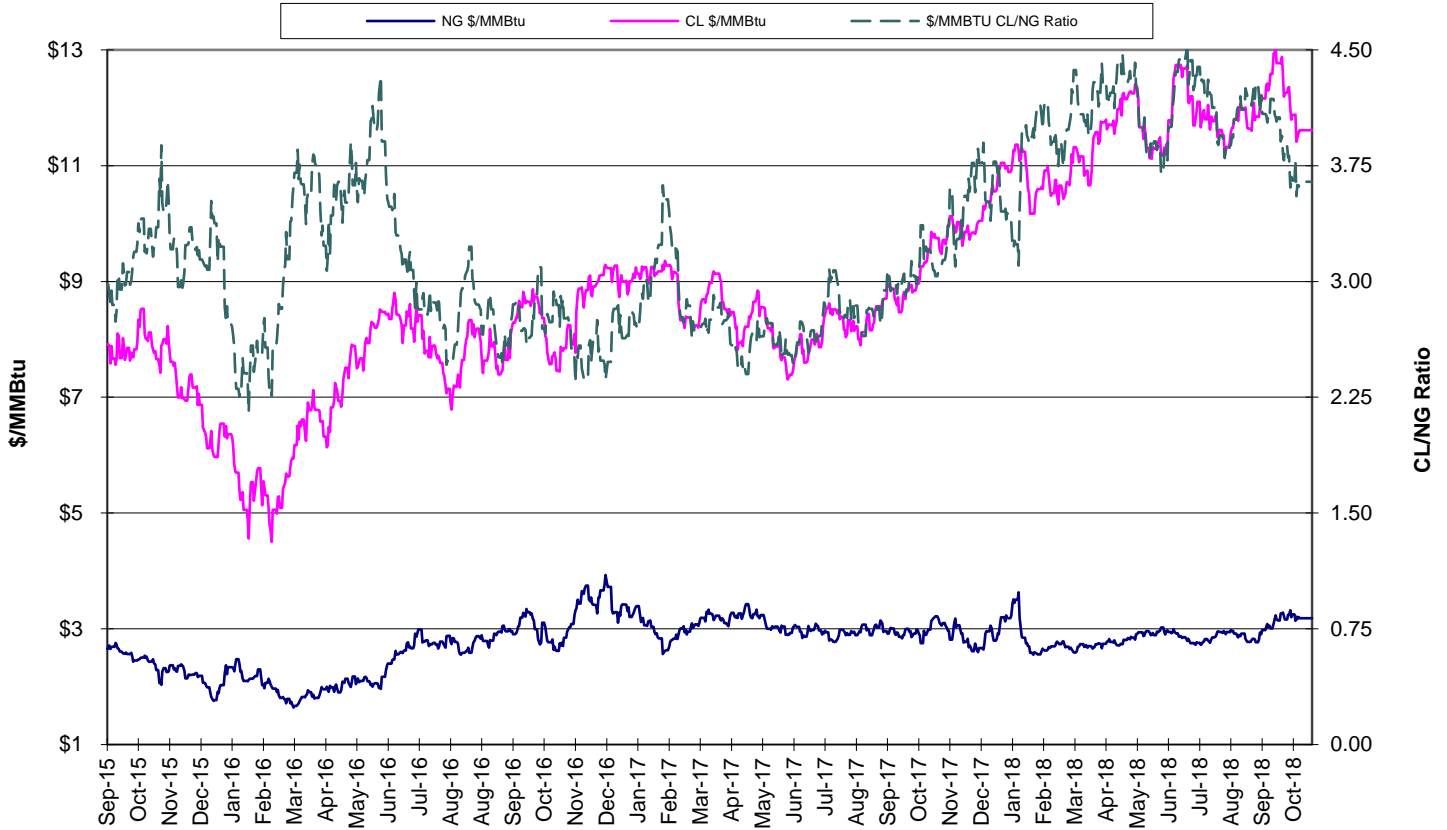
Supply Trends: Total supply fell (1.2) bcf/d to 81.3 bcf/d. US production fell. Canadian imports fell. LNG imports fell. LNG exports rose. Mexican exports fell. The US Baker Hughes rig count rose +1. Oil activity increased +2. Natural gas activity decreased (1). The total US rig count now stands at 1,068. The Canadian rig count rose +9 to 200. Thus, the total North American rig count rose +10 to 1,268 and now exceeds last year by +168. **The higher efficiency US horizontal rig count rose +1 to 927 and rises +158 above last year.**

Demand Trends: Total demand rose +2.4 bcf/d to +72.7 bcf/d. Power demand fell. Industrial demand fell. Res/Comm demand rose. Electricity demand fell (4,636) gigawatt-hrs to 69,464 which trails last year by (187) (-0.3%) and trails the 5-year average by (640) (-0.9%).

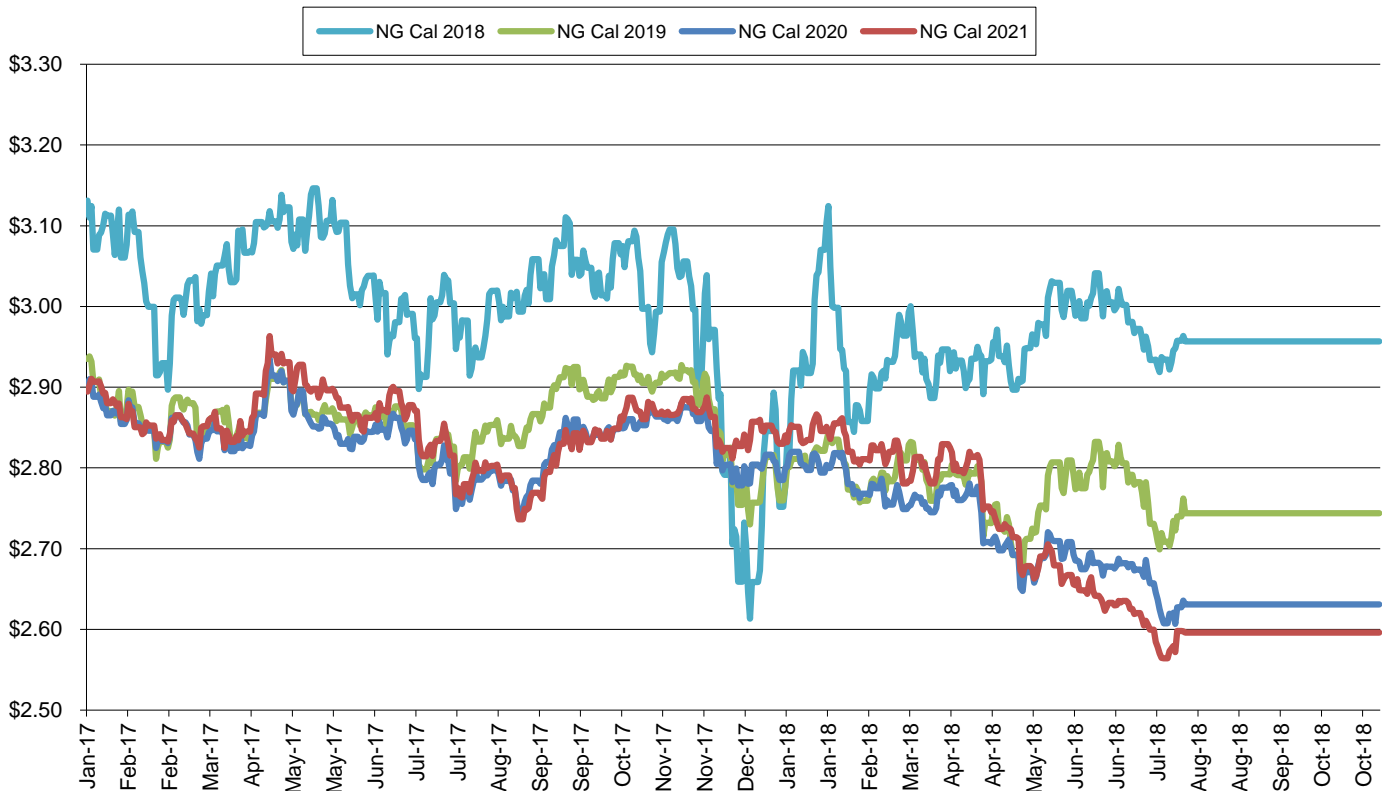
Nuclear Generation: Nuclear generation fell (665) MW in the reference week to 76,458 MW. This is (9,003) MW lower than last year and (3,531) MW lower than the 5-year average. **Recent output was at 75,871 MW.**

- The heating season has begun. With a forecast through November 9 the 2018/19 total cooling index is at (109) compared to (155) for 2017/18, (37) for 2016/17, (76) for 2015/16, (125) for 2014/15, (167) for 2013/14, (186) for 2012/13 and (162) for 2011/12.

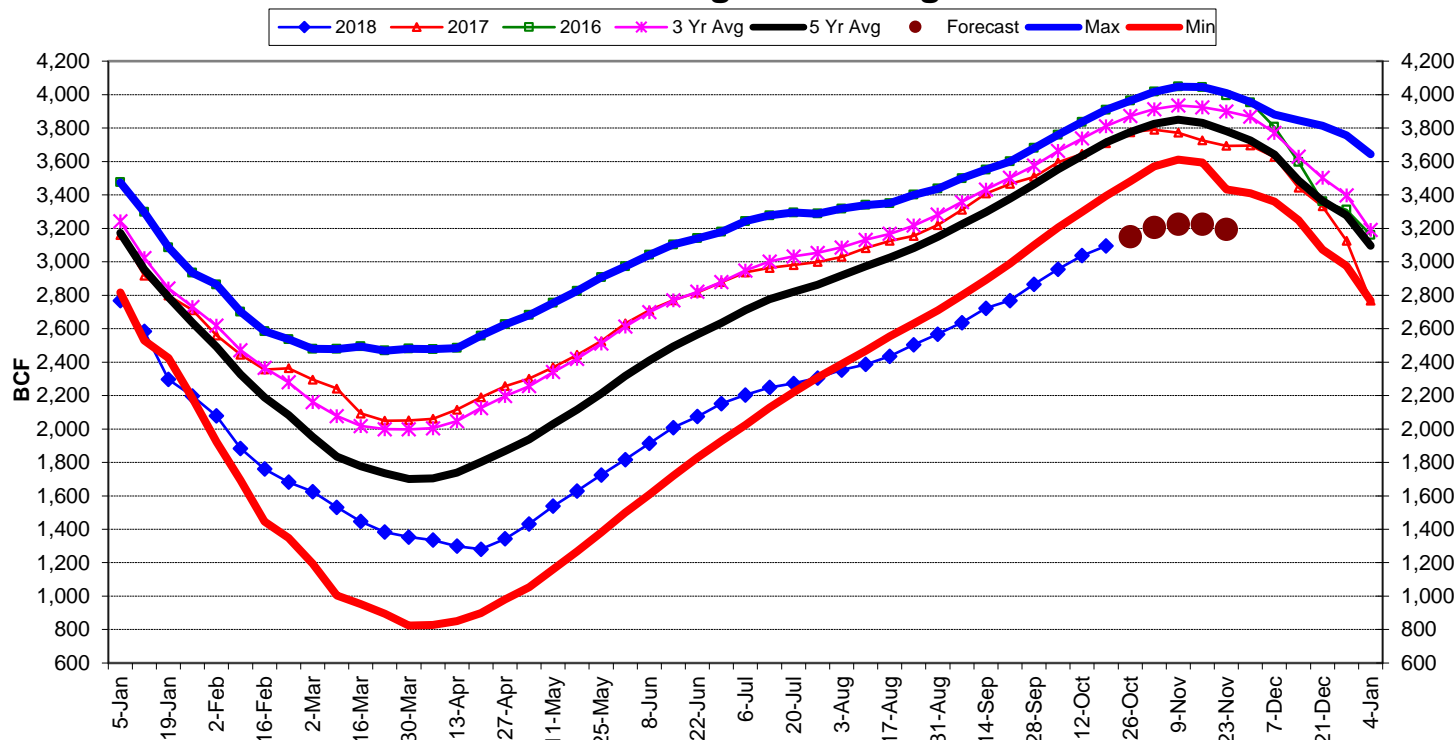
\$/MMBtu Ratio of NYMEX CL and NG



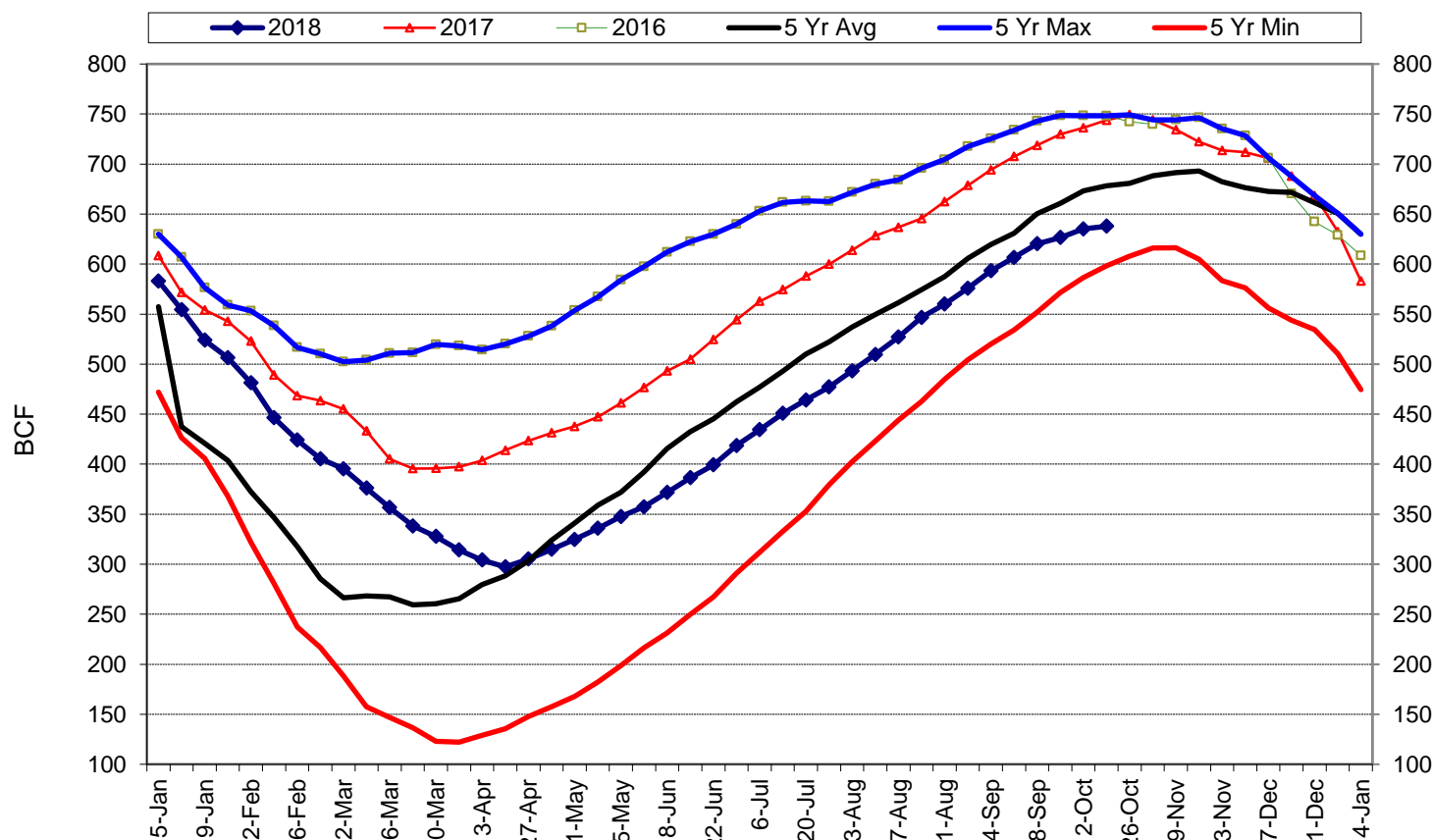
NYMEX Calendar Strips



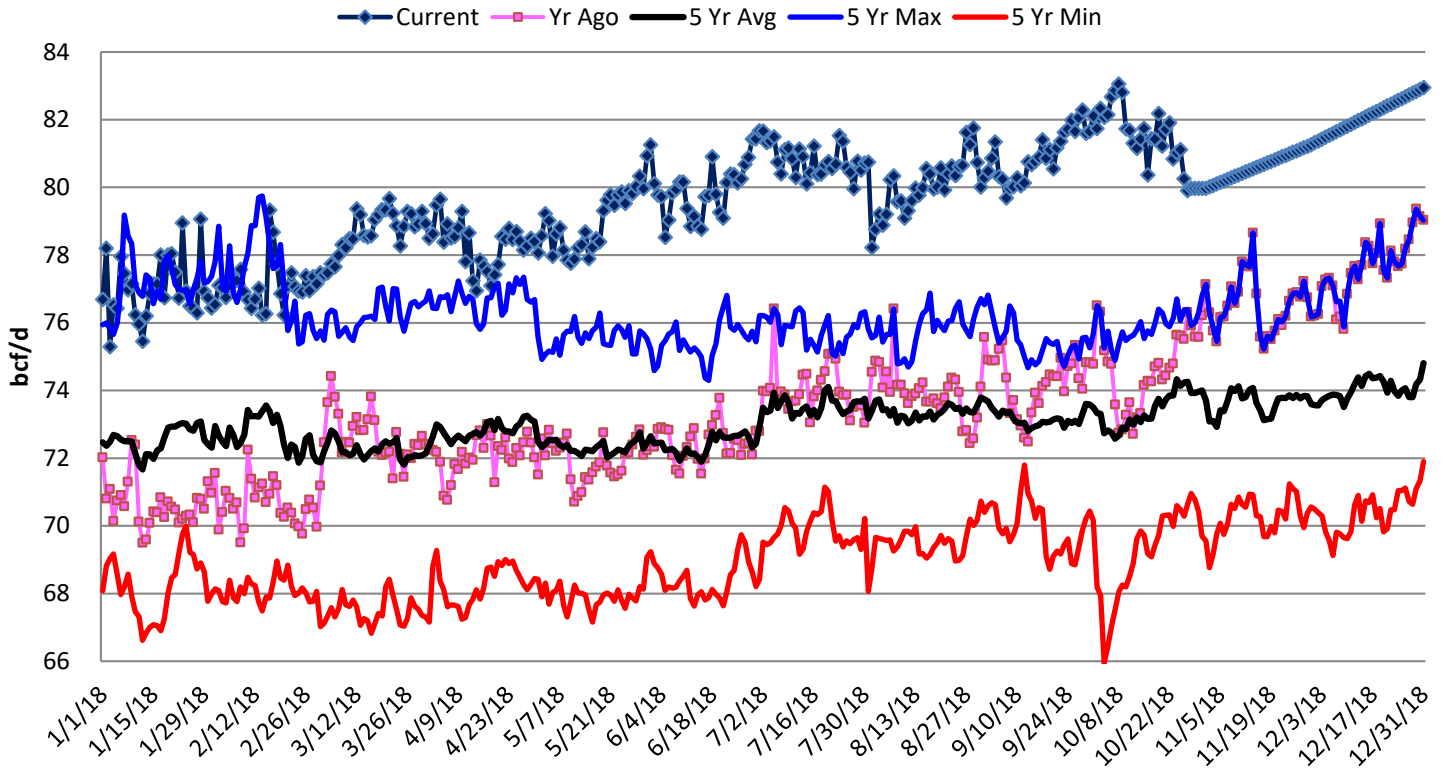
US Total Working Gas Storage - Source - EIA



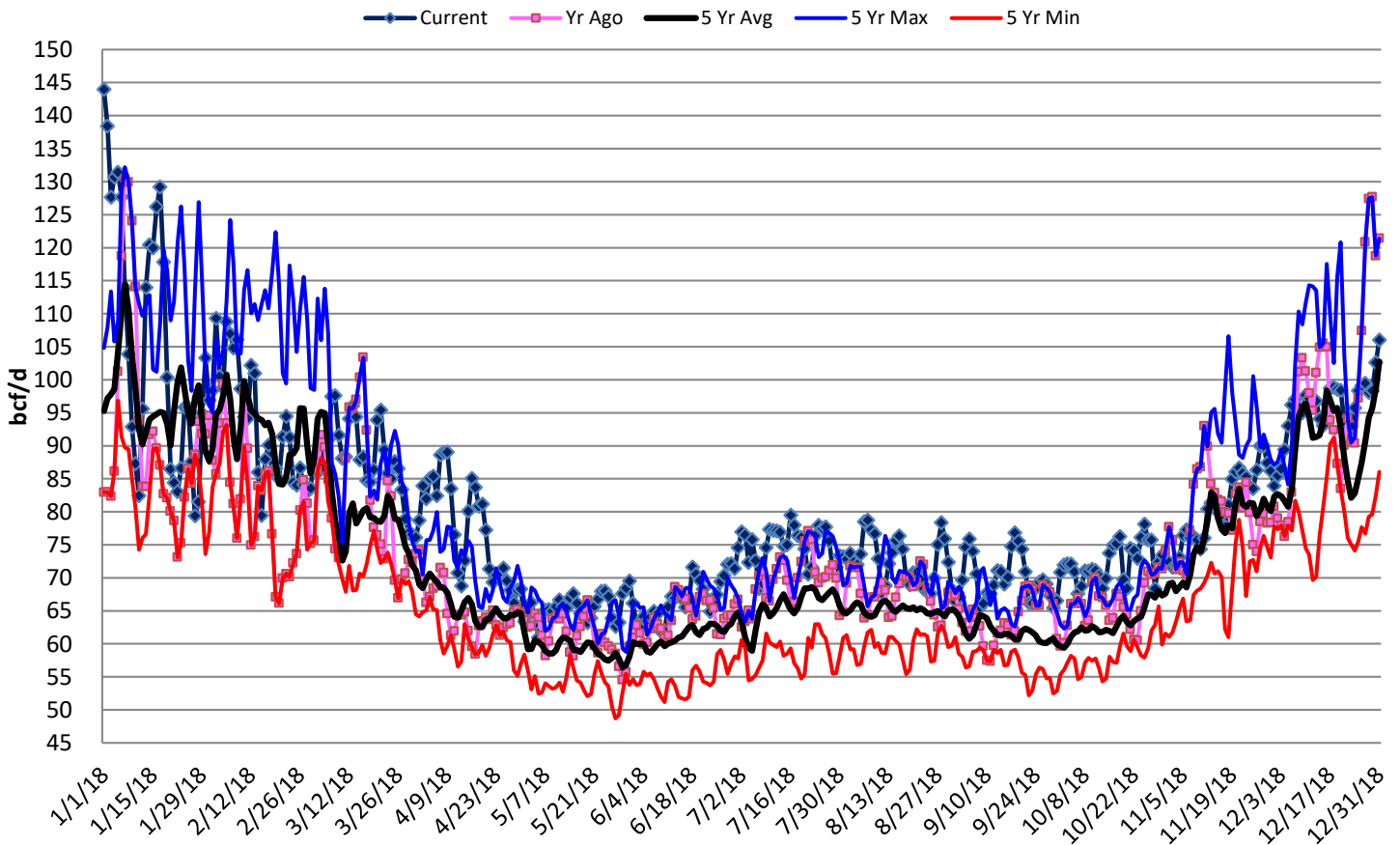
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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