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Week Ending November 2, 2018

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

Price Action: The December contract rose 5.9 cents (1.8%) to \$3.284 on a 18.5 cent range (\$3.318/\$3.313).

Price Outlook: Due largely to the November expiration, prices established both a new high and low. Of the 983 weeks since 2000, there have 112 instances where both a new high and low were established compared to only 92 where neither a new high or low was established. Physical data remains 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 (4,069)contract reduction in the managed money net long position as longs liquidated and shorts added Total open interest fell (253,607)to 3.799 million as of October 30. Aggregated CME futures open interest fell to 1.517 million as of November 02. This is the lowest open interest since July 30, 2018. The current weather forecast is now cooler than 7 of the last 10 years. Pipeline data indicates total flows to Cheniere's Sabine Pass export facility were at 3.3 bcf. This flow volume suggests feed gas is entering Train 5. Cove Point is net exporting 0.8 bcf.

Weekly Storage: US working gas storage for the week ending October 26 indicated an injection of +48 bcf. Working gas inventories rose to 3,143 bcf. Current inventories fall (632) bcf (-16.7%) below last year and fall (632) bcf (-16.7%) below the 5-year average.

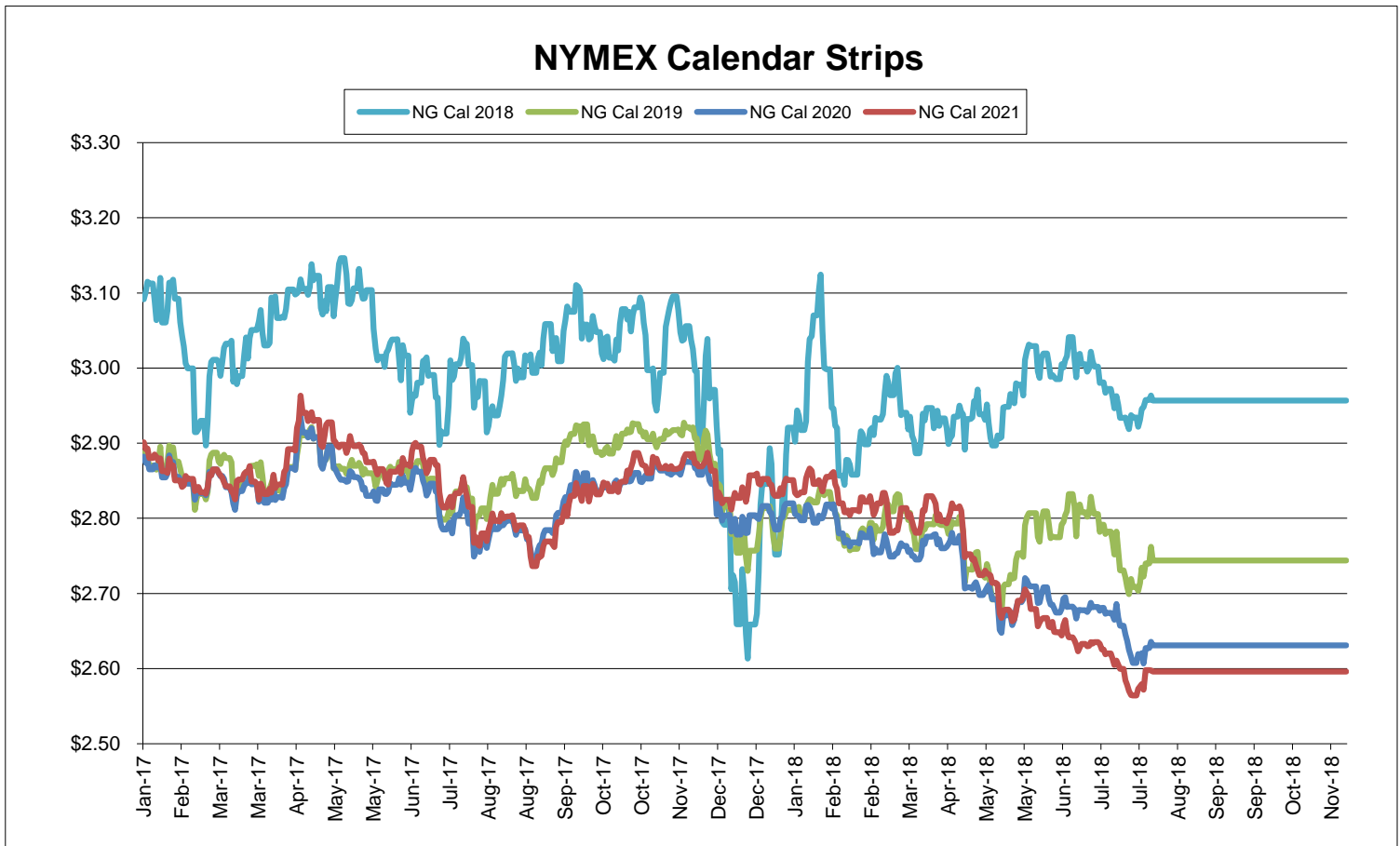
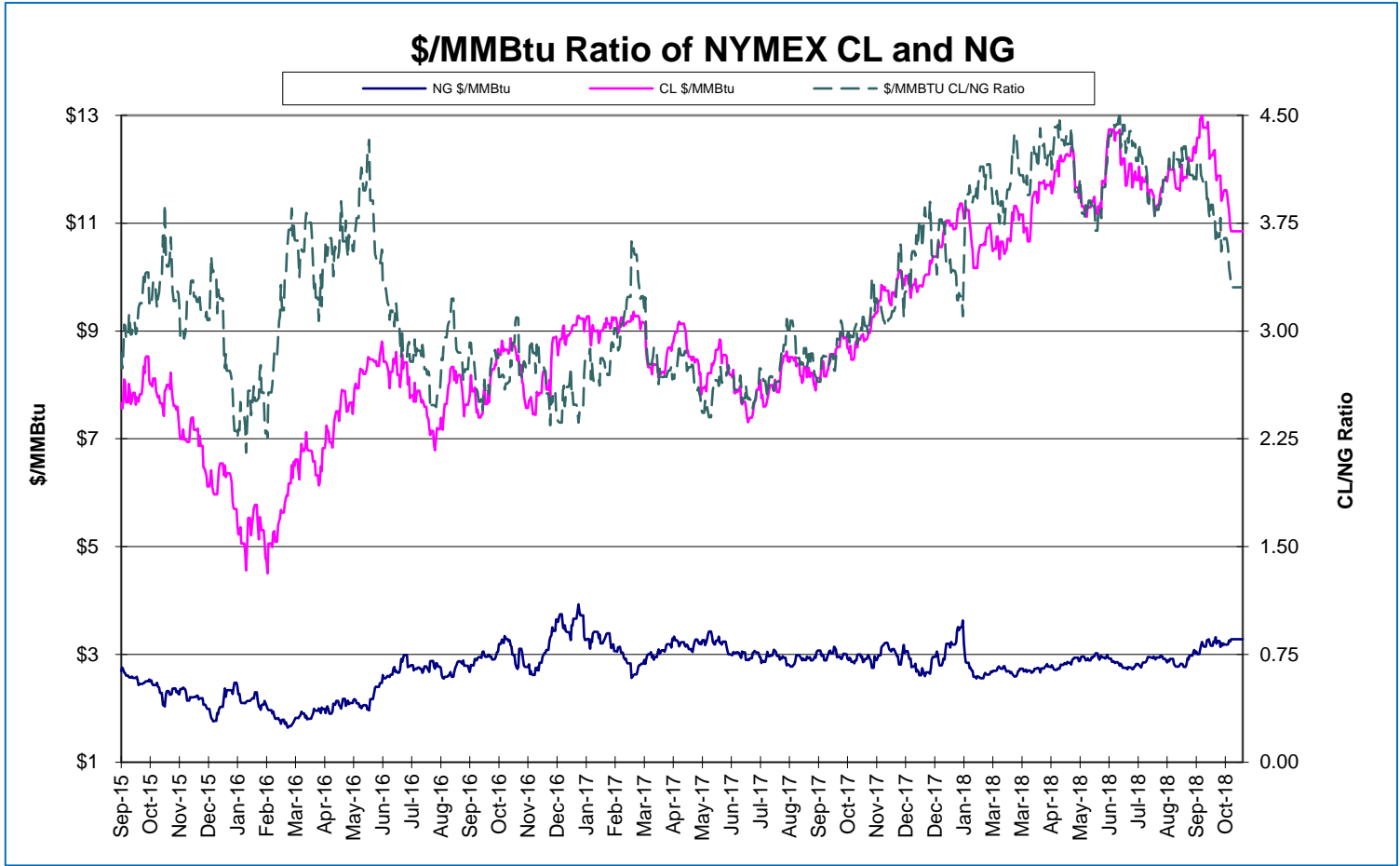
Storage Outlook: The EIA weekly implied flow was (2) bcf from our EIA storage estimate. This week's storage miss of 5 bcf is right at our tolerance. However, over the last 5 weeks the EIA has reported total injections of 378 bcf compared to our 378 bcf estimate and is very satisfying. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Our joint publication with RBN updates storage projections daily.

Supply Trends: Total supply rose 0.2 bcf/d to 81.4 bcf/d. US production rose. Canadian imports fell. LNG imports fell. LNG exports rose. Mexican exports rose. The US Baker Hughes rig count fell (1). Oil activity decreased (1). Natural gas activity was unchanged +0. The total US rig count now stands at 1,067 .The Canadian rig count fell (2) to 198. Thus, the total North American rig count fell (3) to 1,265 and now exceeds last year by +175. The higher efficiency US horizontal rig count rose +2 to 929 and rises +165 above last year.

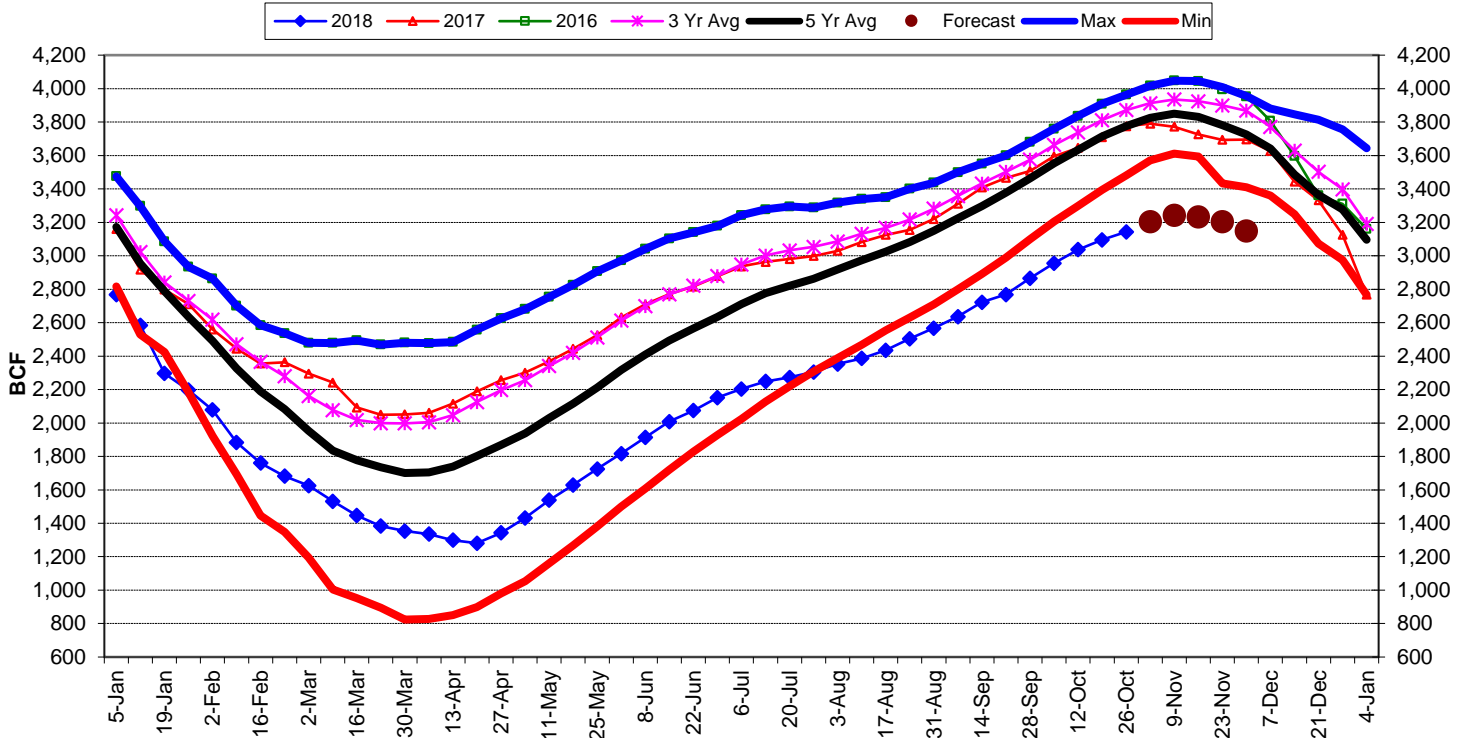
Demand Trends: Total demand rose +0.9 bcf/d to +73.7 bcf/d. Power demand fell. Industrial demand rose. Res/Comm demand rose. Electricity demand fell (829) gigawatt-hrs to 68,635 which exceeds last year by +1 (0.0%) and trails the 5-year average by (143)(-0.2%%).

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 78,906 MW.

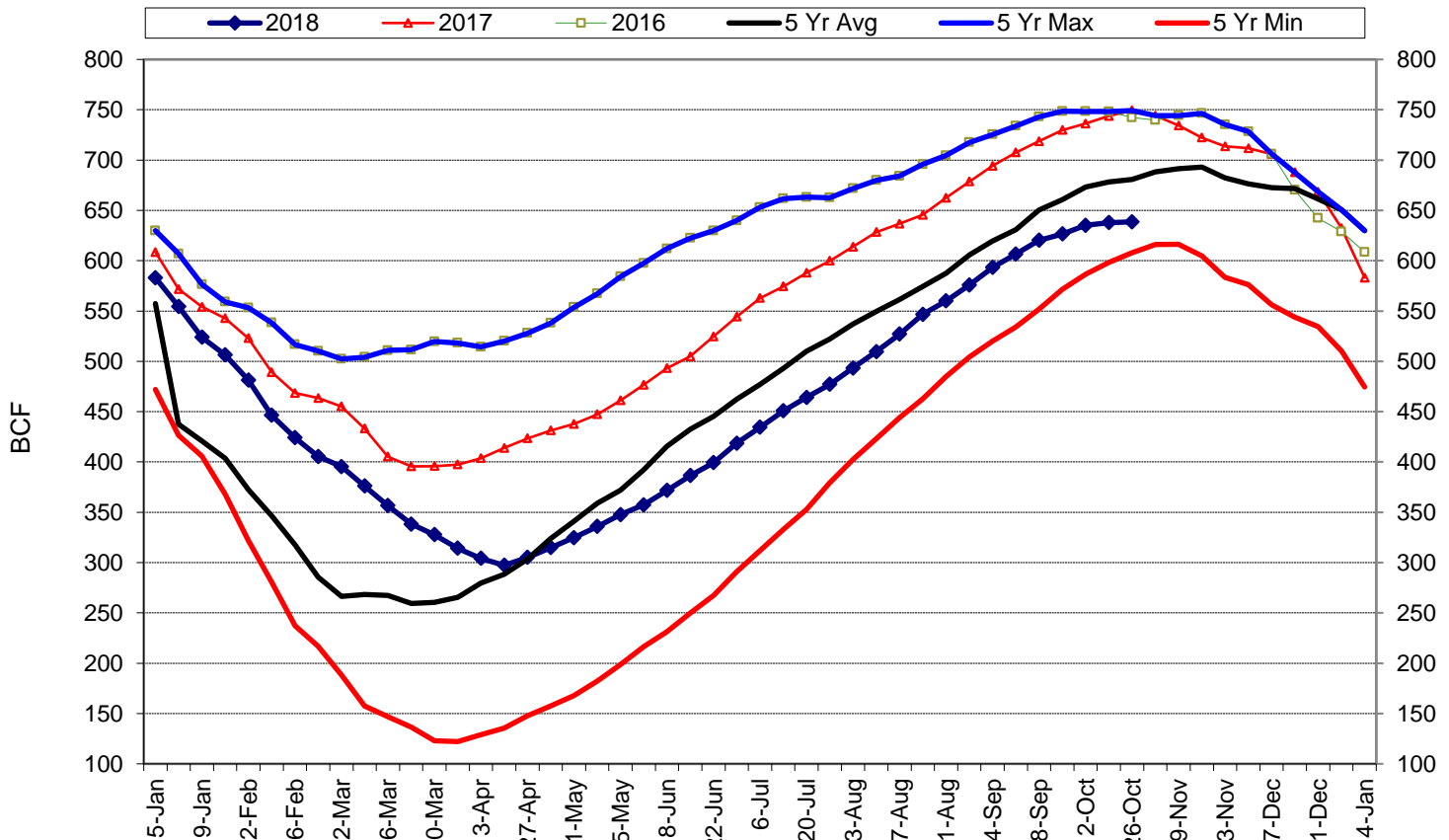
- The heating season has begun. With a forecast through November 16 the 2018/19 total cooling index is at (186) compared to (238) for 2017/18, (83) for 2016/17, (117) for 2015/16, (249) for 2014/15, (258) for 2013/14, (283) for 2012/13 and (237) for 2011/12.



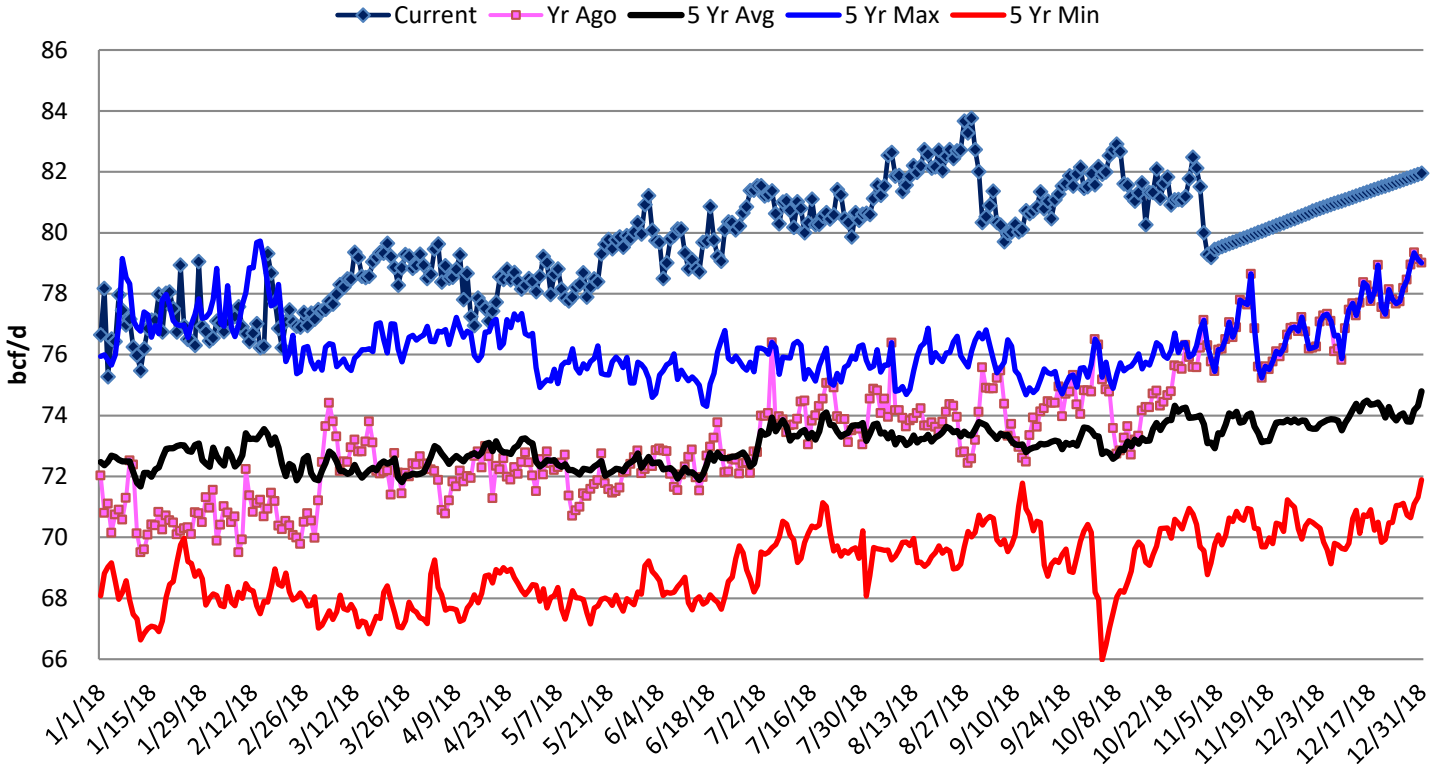
US Total Working Gas Storage - Source - EIA



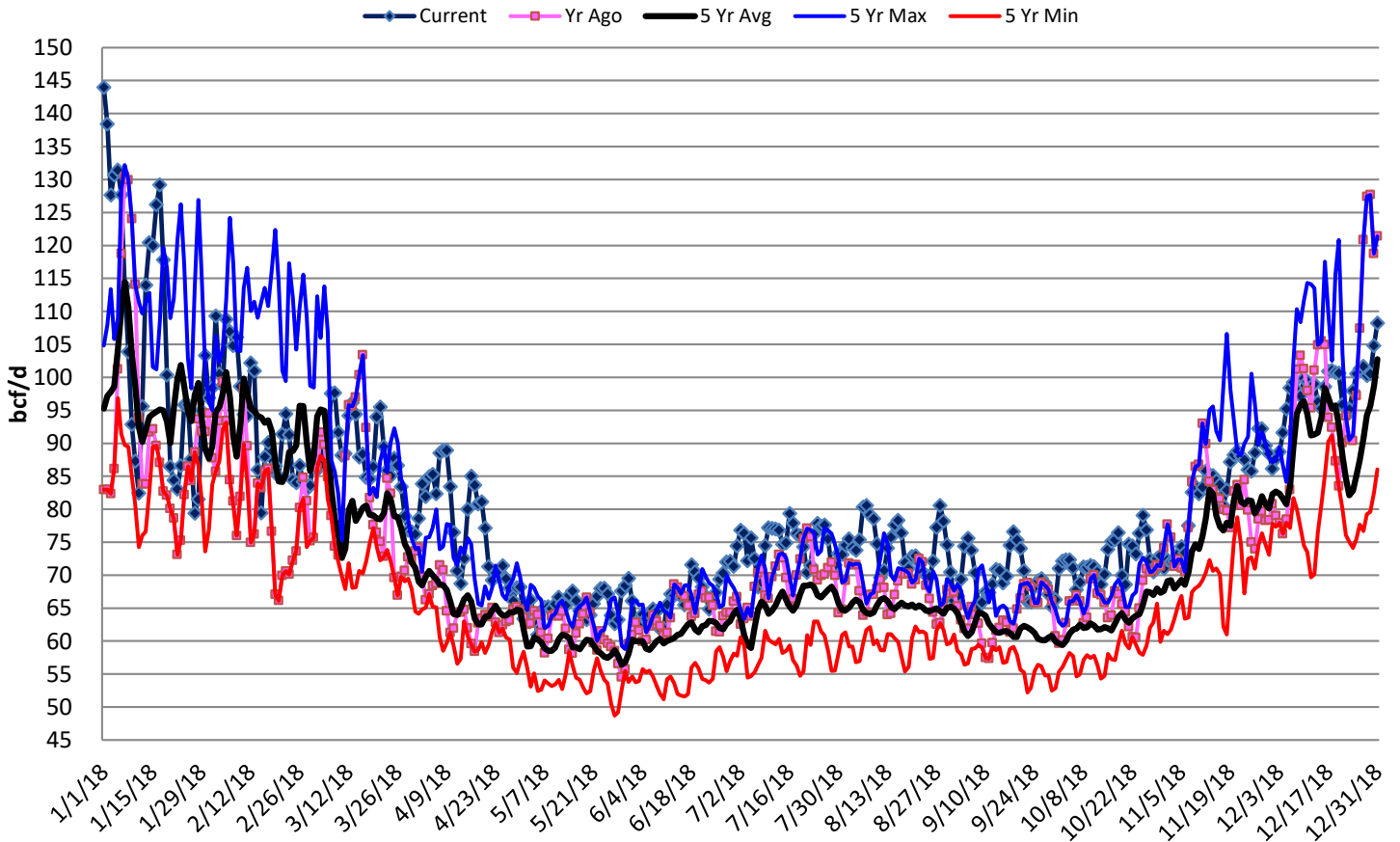
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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