

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

Week Ending November 9, 2018

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

Price Action: The December contract rose 43.5 cents (13.2%) to \$3.719 on a 38.7 cent range (\$3.824/\$3.437).

Price Outlook: The market gapped higher on a massively bullish weather update indicating well below normal temperatures in the week ending November 16. Demand ended the week near 90 bcf and will head even higher if the weather forecasts prove accurate, possibly reaching 100 bcf next week. From these price levels, the market is increasingly vulnerable to pullbacks on moderating temperature forecasts. However, as long as forecasts in general remain below normal, prices are headed higher. For daily updated storage projections, subscribe to our joint publication with RBN Energy. CFTC data indicated a 12,851 contract increase in the managed money net long position as longs added and shorts covered. This is the largest net long position since February 13. This is the largest long position since June 12. Total open interest rose 103,989 to 3.903 million as of November 06. Aggregated CME futures open interest rose to 1.521 million as of November 09. The current weather forecast is now cooler than 9 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 November 2 indicated an injection of +65 bcf. Working gas inventories rose to 3,208 bcf. Current inventories fall (582) bcf (-15.4%) below last year and fall (617) bcf (-16.1%) 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 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.

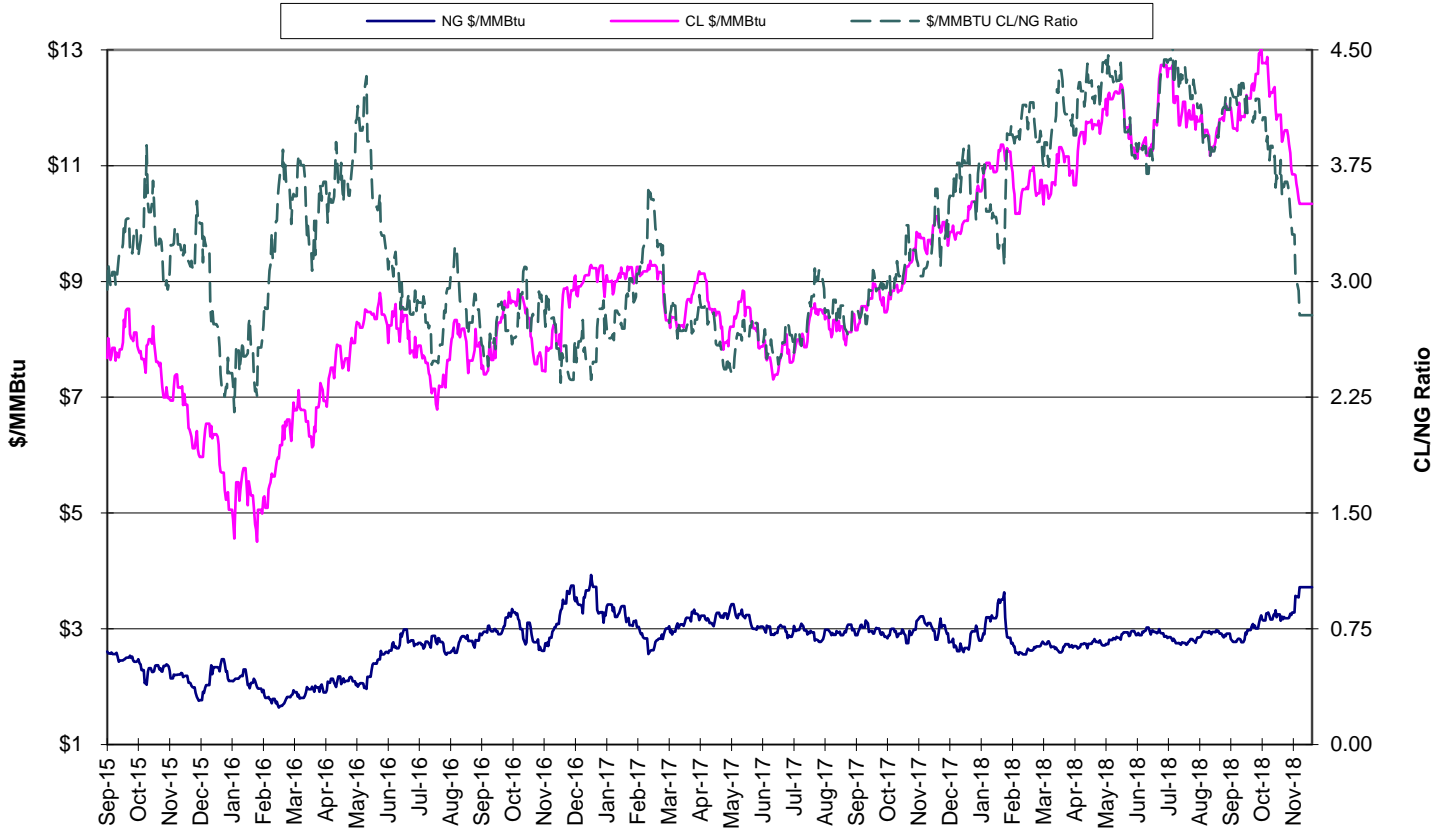
Supply Trends: Total supply rose 0.1 bcf/d to 81.5 bcf/d. US production rose. Canadian imports fell. LNG imports rose. LNG exports rose. Mexican exports fell. The US Baker Hughes rig count rose +14. Oil activity increased +12. Natural gas activity increased +2. The total US rig count now stands at 1,081. The Canadian rig count fell (2) to 196. Thus, the total North American rig count rose +12 to 1,277 and now exceeds last year by +167. The higher efficiency US horizontal rig count rose +6 to 935 and rises +159 above last year.

Demand Trends: Total demand fell (1.1) bcf/d to +72.6 bcf/d. Power demand fell. Industrial demand fell. Res/Comm demand fell. Electricity demand rose +117 gigawatt-hrs to 68,752 which trails last year by (1,301) (-1.9%) and trails the 5-year average by (516)(-0.7%).

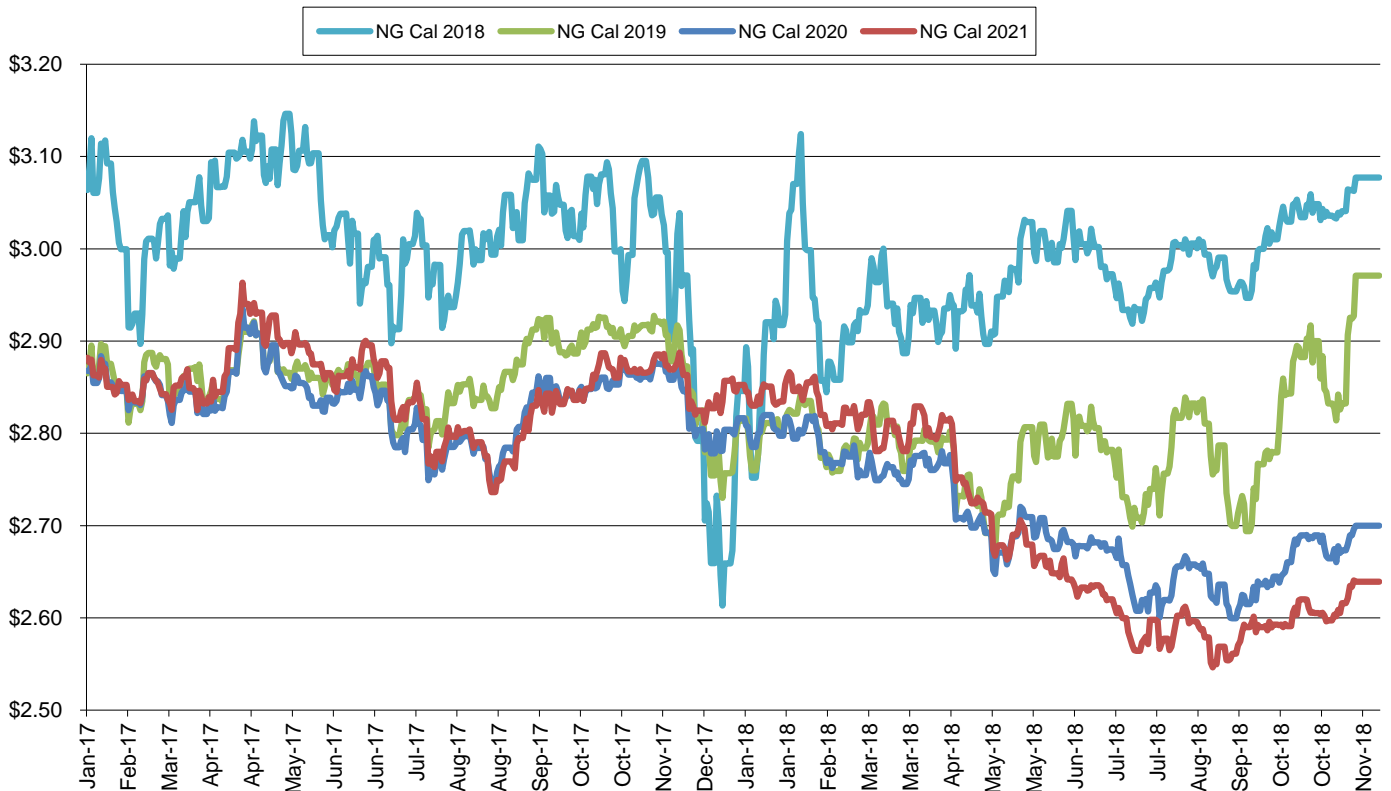
Nuclear Generation: Nuclear generation fell (646)MW in the reference week to 75,812 MW. This is (8,368) MW lower than last year and (5,257) MW lower than the 5-year average. Recent output was at 81,543 MW.

- The heating season has begun. With a forecast through November 23 the 2018/19 total cooling index is at (378) compared to (340) for 2017/18, (177) for 2016/17, (218) for 2015/16, (387) for 2014/15, (347) for 2013/14, (362) for 2012/13 and (315) for 2011/12.

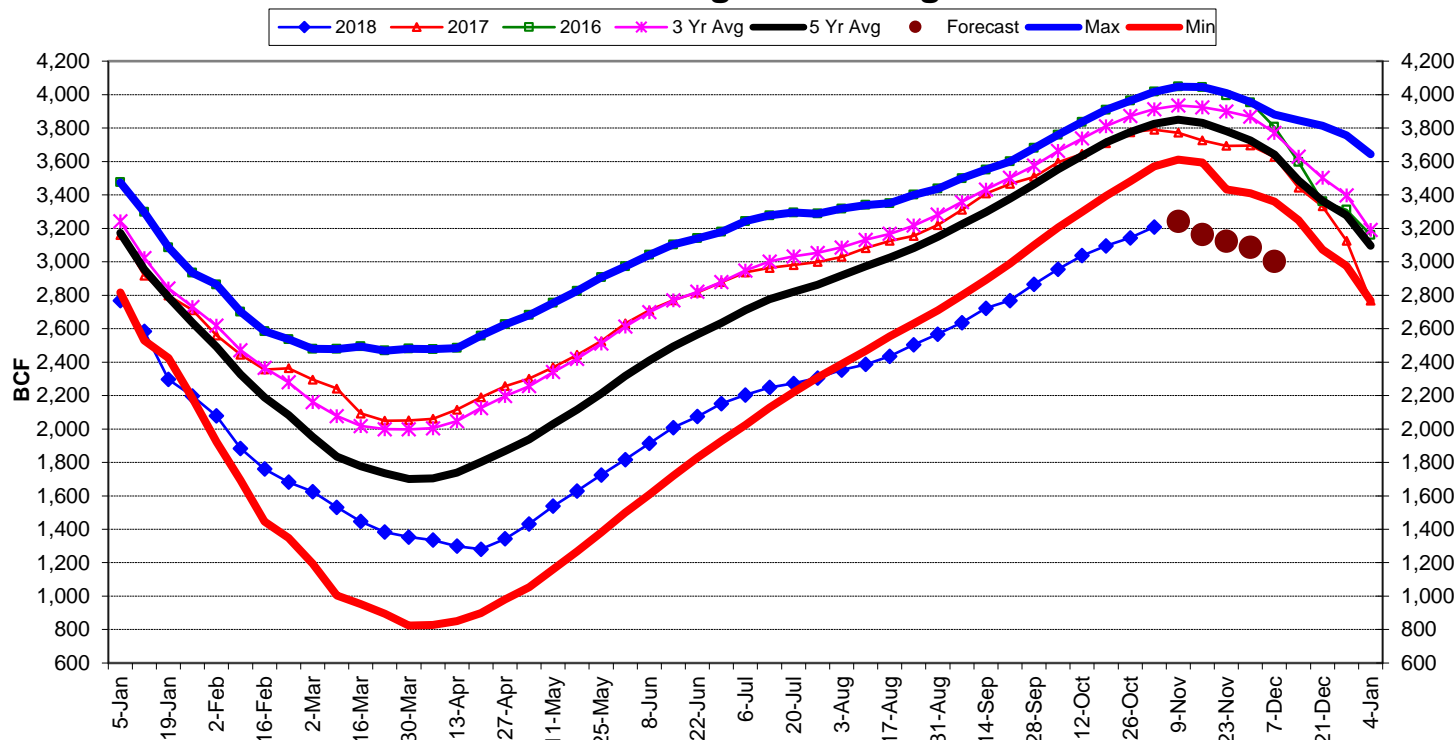
\$/MMBtu Ratio of NYMEX CL and NG



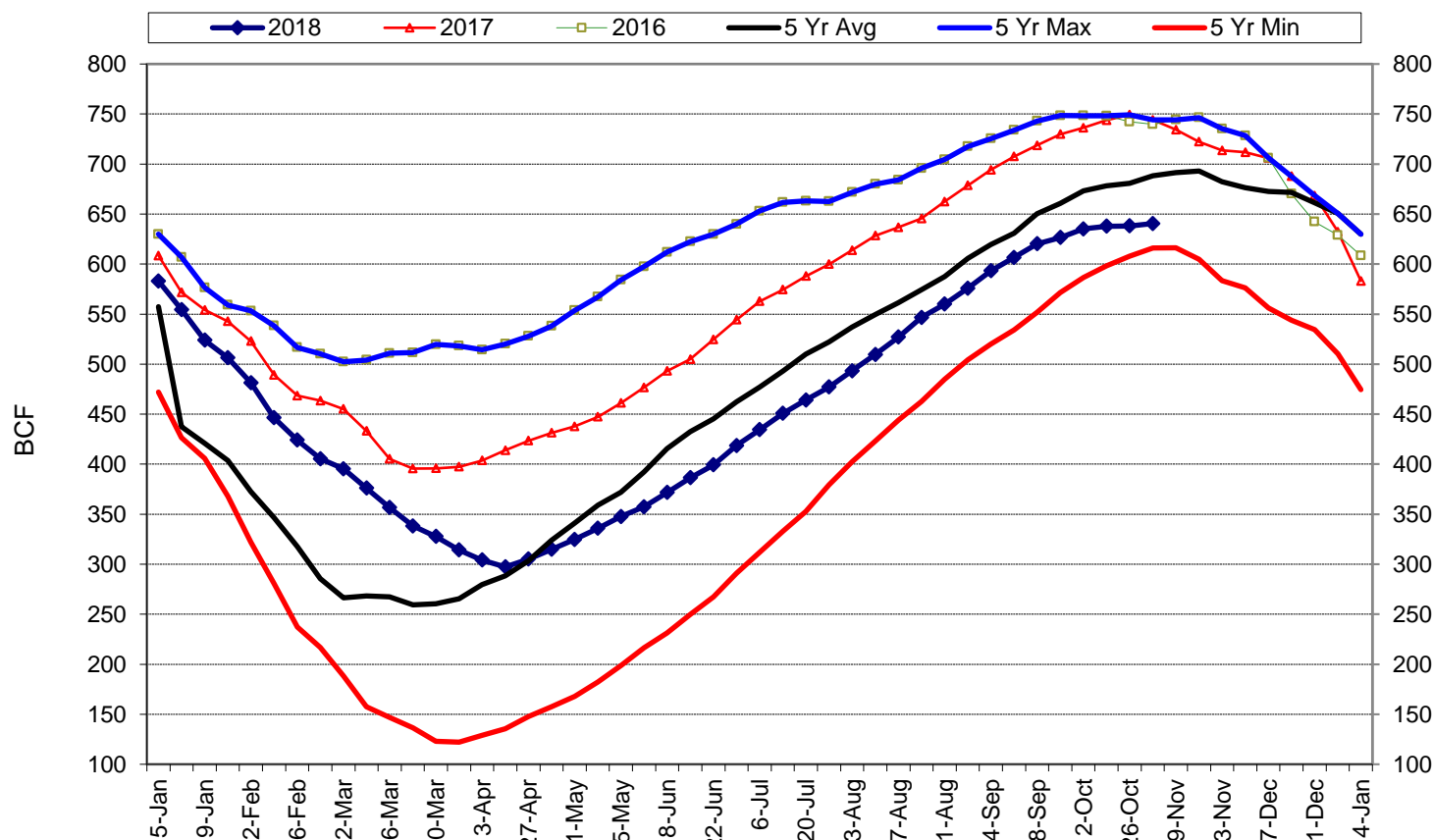
NYMEX Calendar Strips



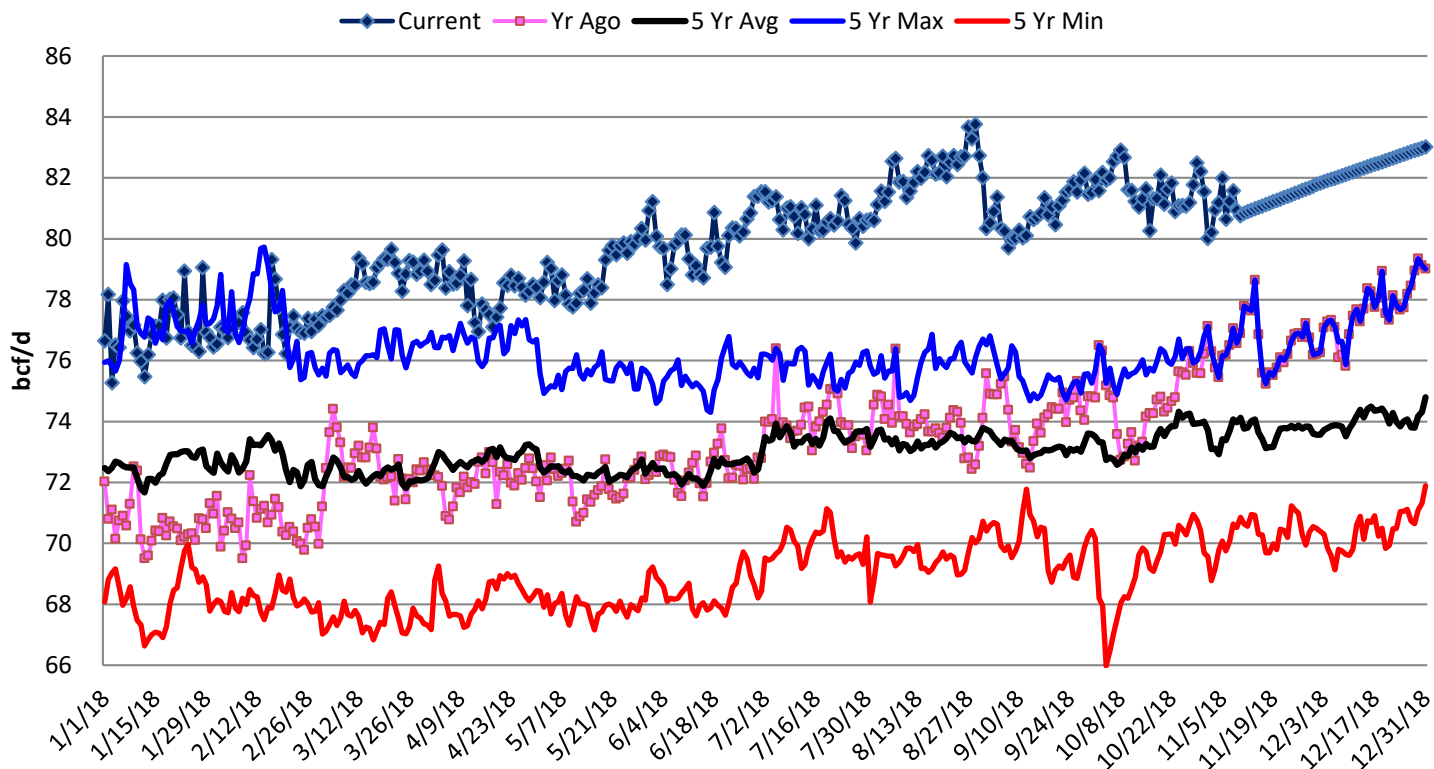
US Total Working Gas Storage - Source - EIA



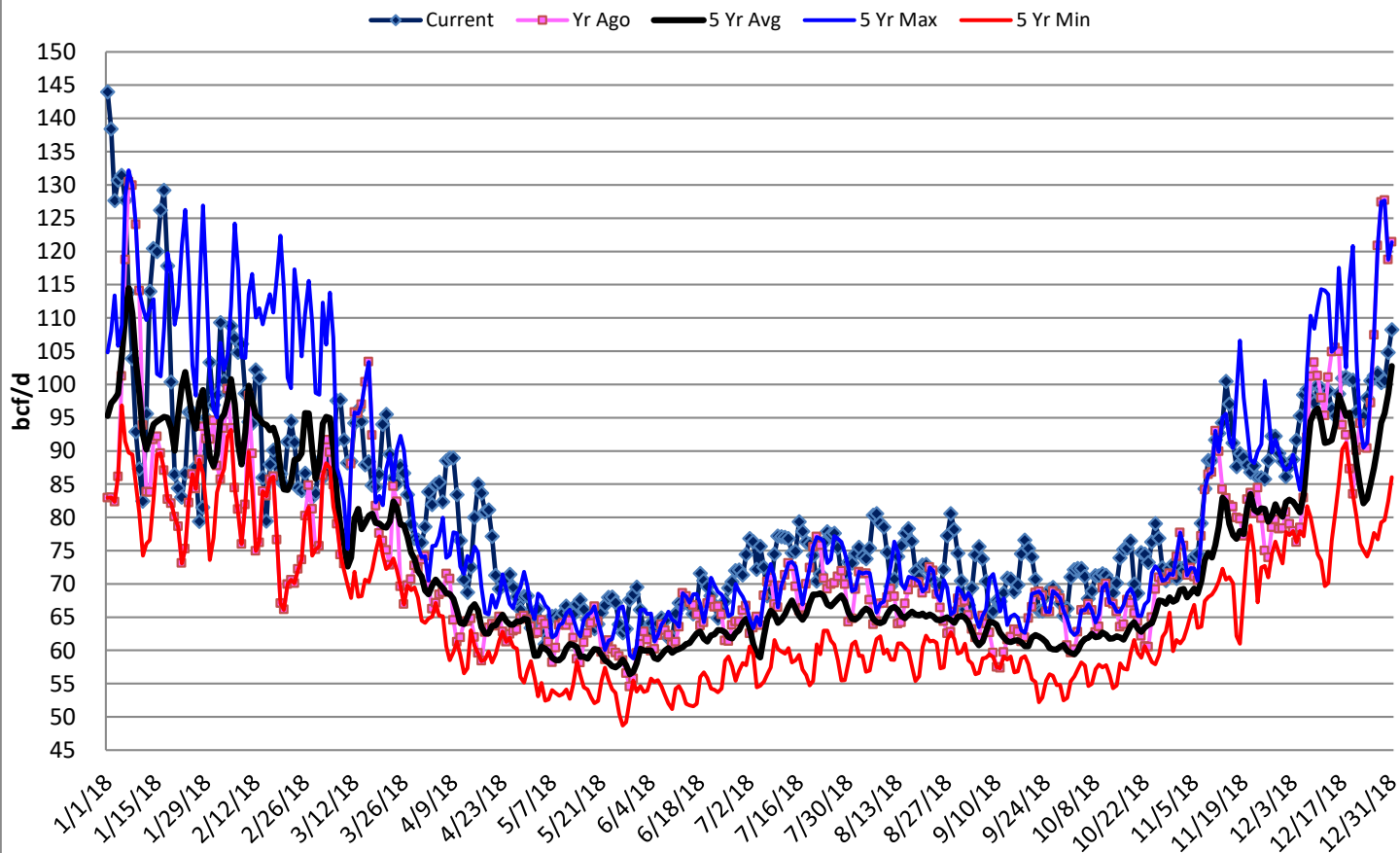
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any commodity, futures contract, equity, bond or option contract on any other financial asset. IAF Advisors does not provide investment, financial, tax, or other advice, nor does it operate as a broker-dealer. IAF Advisors does not recommend the purchase or sale of any particular security or securities. Although any statements of fact in this report have been obtained from and are based upon sources that IAF Advisors believes to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. IAF Advisors, its officers and/or employees, may at any time have a long and/or short position in any commodity, futures contract, equity, bond or option contract on any other financial asset mentioned in this report. All opinions and estimates included in this report constitute IAF Advisors judgment as of the date of this report and are subject to change without notice. There is always a risk of loss in futures trading.

© 2018 IAF Advisors