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Week Ending December 14, 2018

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

Price Action: The January contract fell 66.1 cents (14.7%) to \$3.827 on a 87.9 cent range (\$4.666/\$3.787).

Price Outlook: Continuing the extreme volatility witnessed in recent weeks, this week posted both a new high and high. With weather forecasts still fluctuating and meaningfully impacting end of season storage projections, the volatility is likely to continue until the end of winter comes into view. For daily updated storage projections, subscribe to our joint publication with RBN Energy. CFTC data indicated a (10,161) contract reduction in the managed money net long position as longs liquidated and shorts added. Total open interest rose 11,432 to 3.745 million as of December 11. Aggregated CME futures open interest rose to 1.290 million as of December 14. With December 31 on a Monday and liquidity already low, if more traders take a 4-day weekend price moves on that day may be extreme. 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 2.9 bcf. Cove Point is net exporting 0.8 bcf.

Weekly Storage: US working gas storage for the week ending December 7 indicated a withdrawal of (77) bcf. Working gas inventories fell to 2,914 bcf. Current inventories fall (712) bcf (-19.6%) below last year and fall (727) bcf (-20.0%) 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 is back within our tolerance. Over the last 5 weeks, the EIA has reported a total withdrawal of (294) bcf compared to our (295) bcf estimate. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Our joint publication with RBN updates storage projections daily.

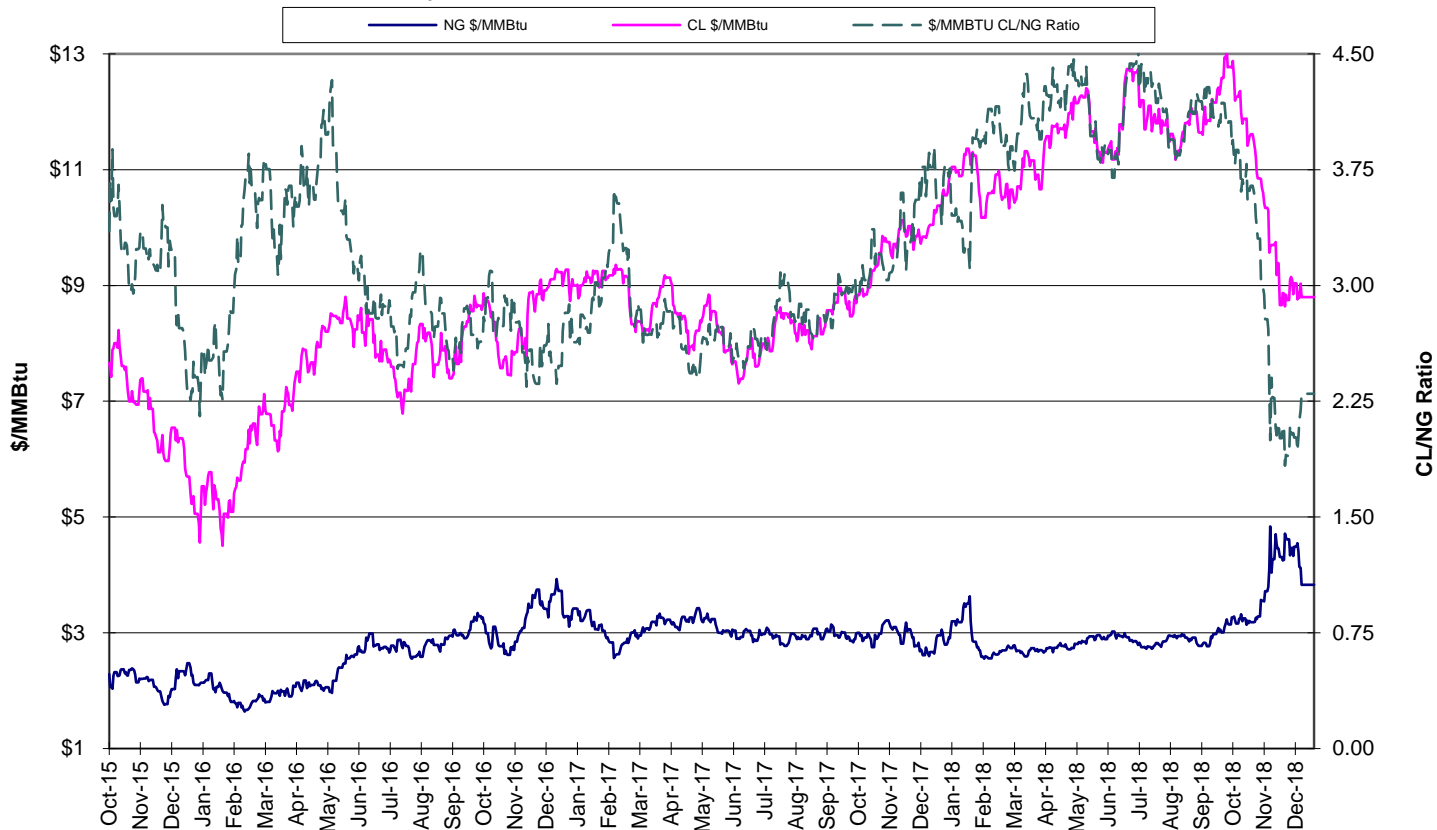
Supply Trends: Total supply rose 0.3 bcf/d to 81.6 bcf/d. US production rose. Canadian imports rose. LNG imports fell. LNG exports rose. Mexican exports fell. The US Baker Hughes rig count fell (4). Oil activity decreased (4). Natural gas activity was unchanged +0. The total US rig count now stands at 1,071. The Canadian rig count fell (12) to 174. Thus, the total North American rig count fell (16) to 1,245 and now exceeds last year by +77. The higher efficiency US horizontal rig count fell (6) to 927 and rises +126 above last year.

Demand Trends: Total demand rose +2.0 bcf/d to +92.6 bcf/d. Power demand rose. Industrial demand rose. Res/Comm demand rose. Electricity demand rose +3,109 gigawatt-hrs to 79,147 which exceeds last year by +1,481 (1.9%) and exceeds the 5-year average by 3,017 (4.0%).

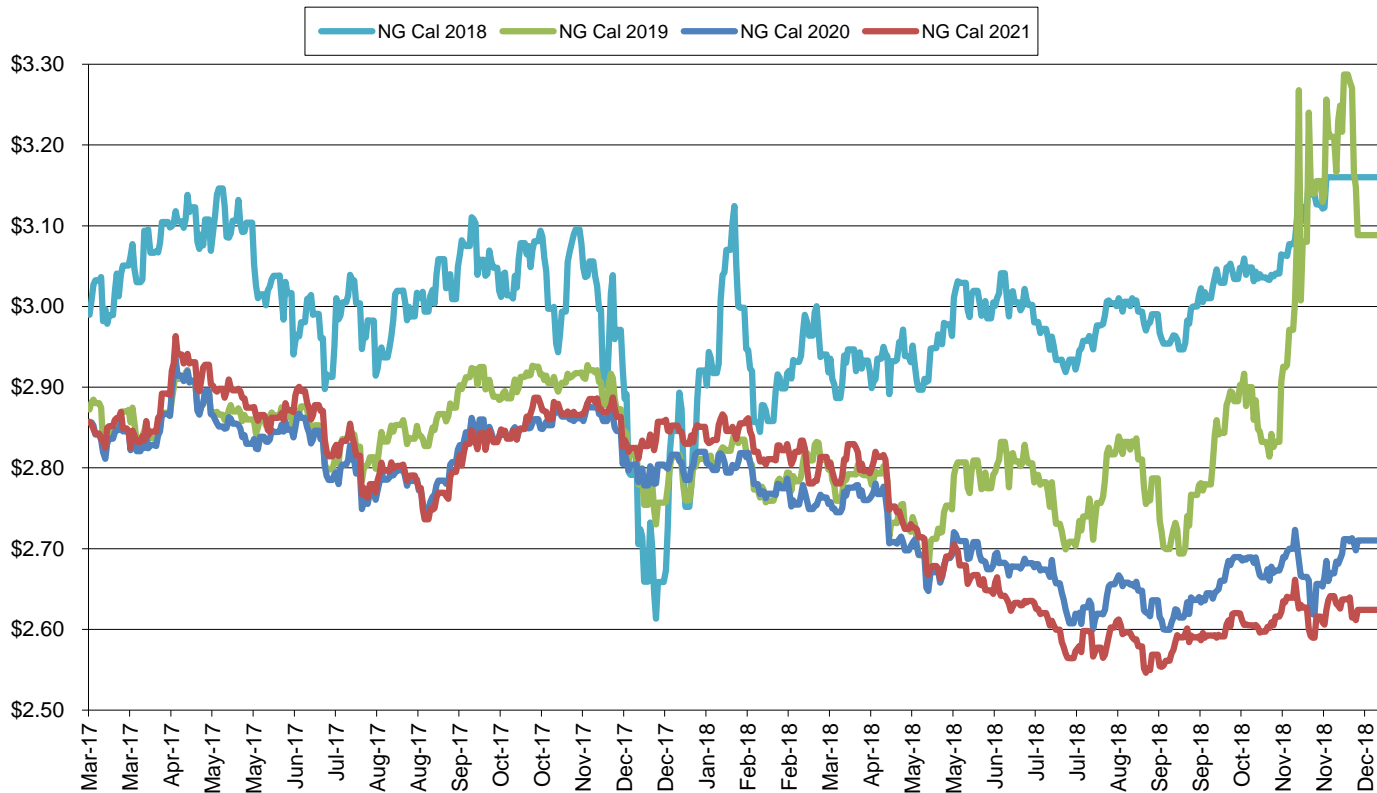
Nuclear Generation: Nuclear generation rose 390 MW in the reference week to 89,654 MW. This is (4,042) MW lower than last year and (1,676) MW lower than the 5-year average. Recent output was at 91,527 MW.

- The heating season has begun. With a forecast through December 28 the 2018/19 total cooling index is at (1,102) compared to (998) for 2017/18, (804) for 2016/17, (683) for 2015/16, (961) for 2014/15, (1,132) for 2013/14, (932) for 2012/13 and (938) for 2011/12.

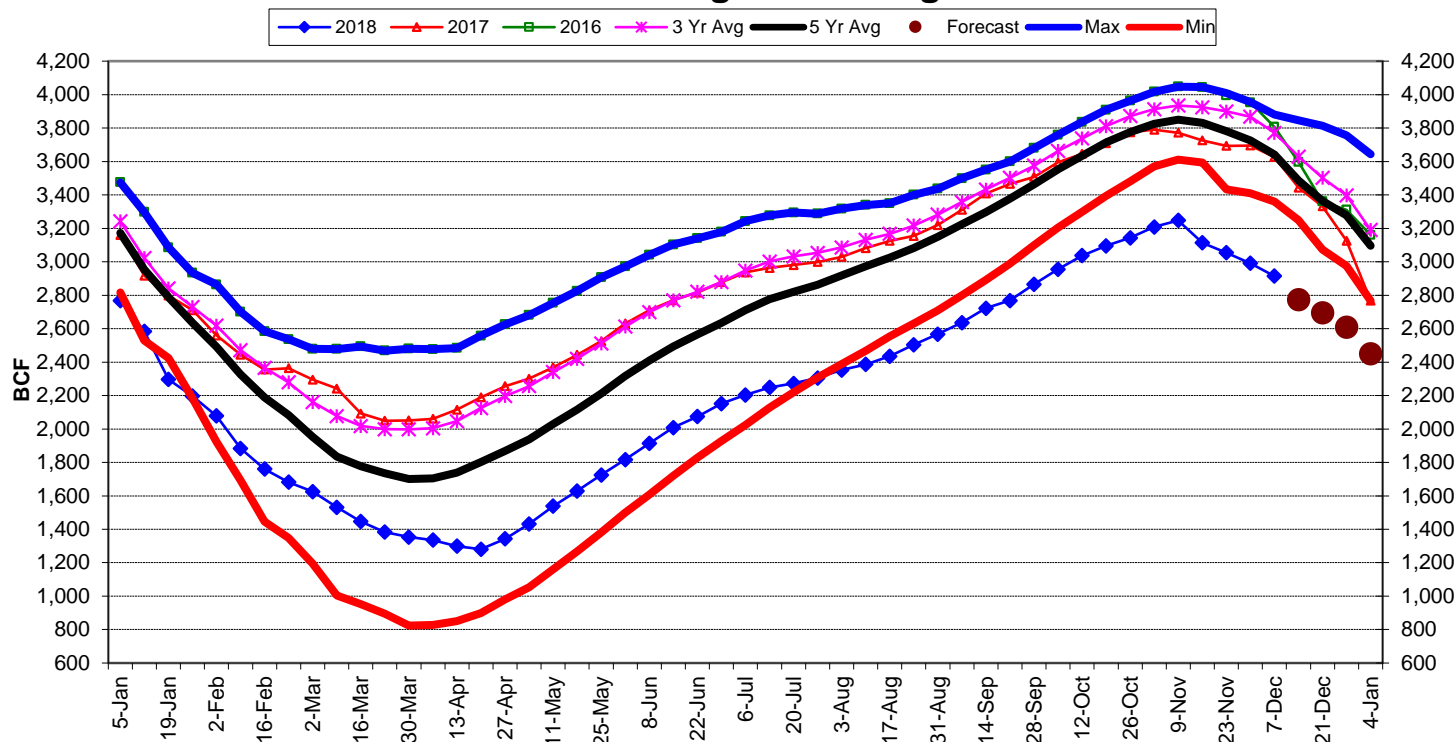
\$/MMBtu Ratio of NYMEX CL and NG



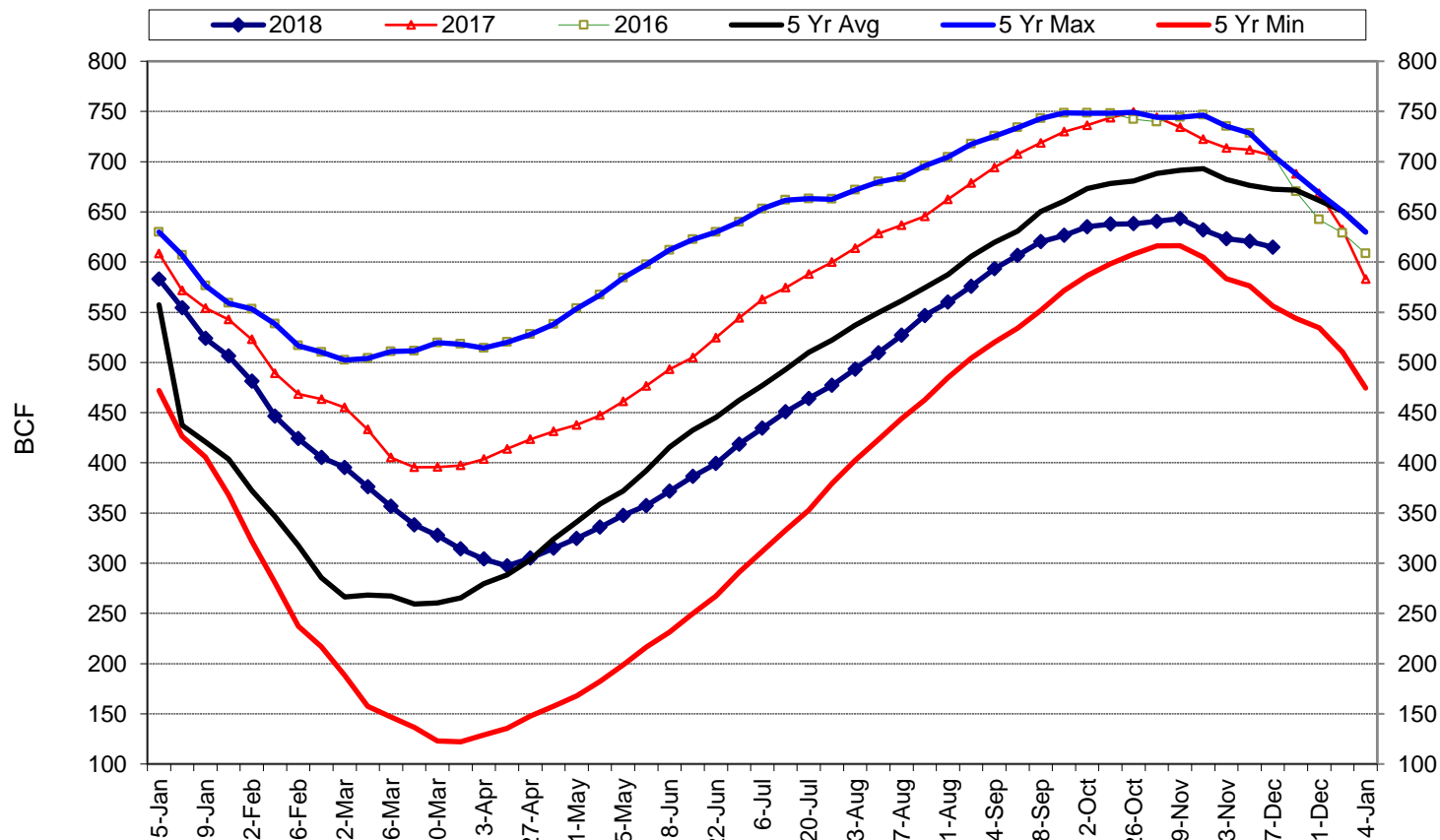
NYMEX Calendar Strips



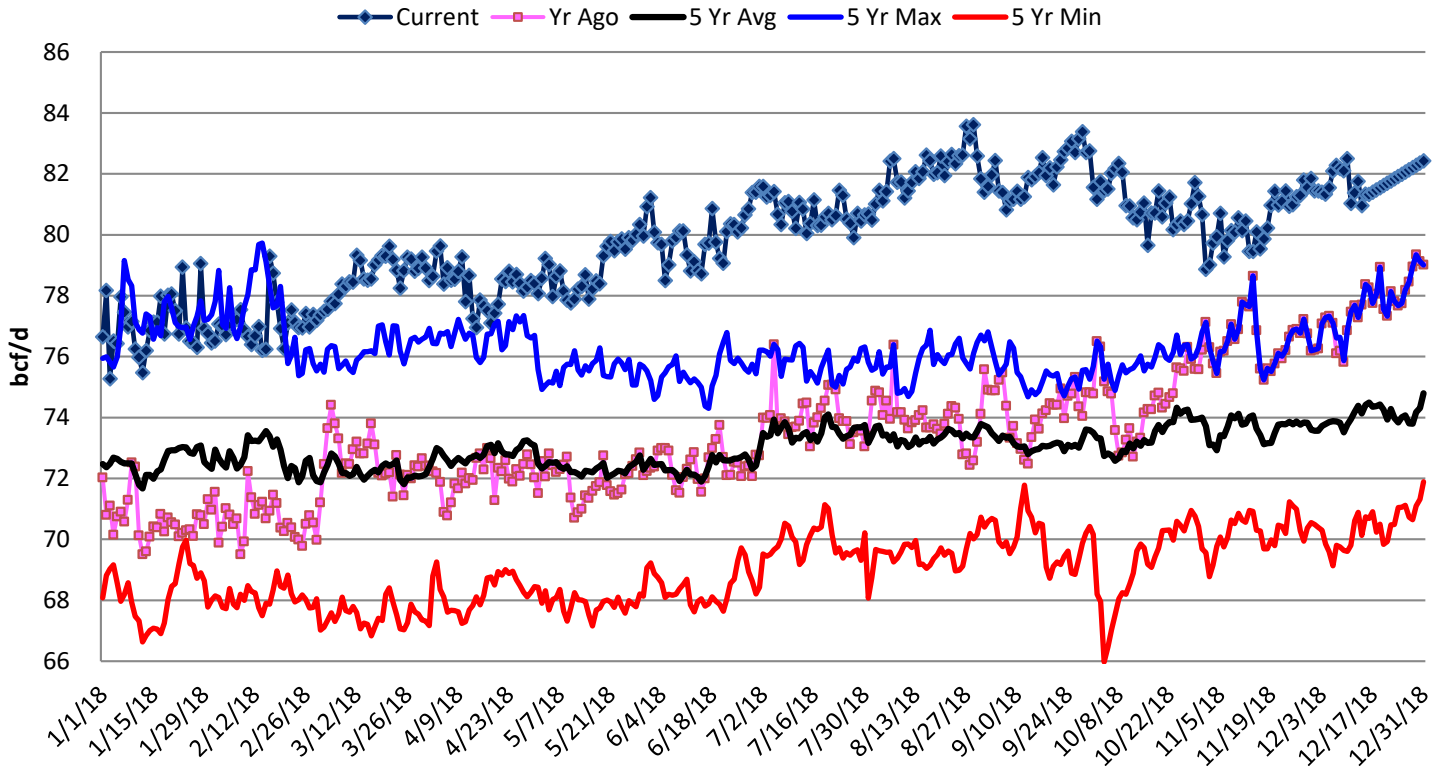
US Total Working Gas Storage - Source - EIA



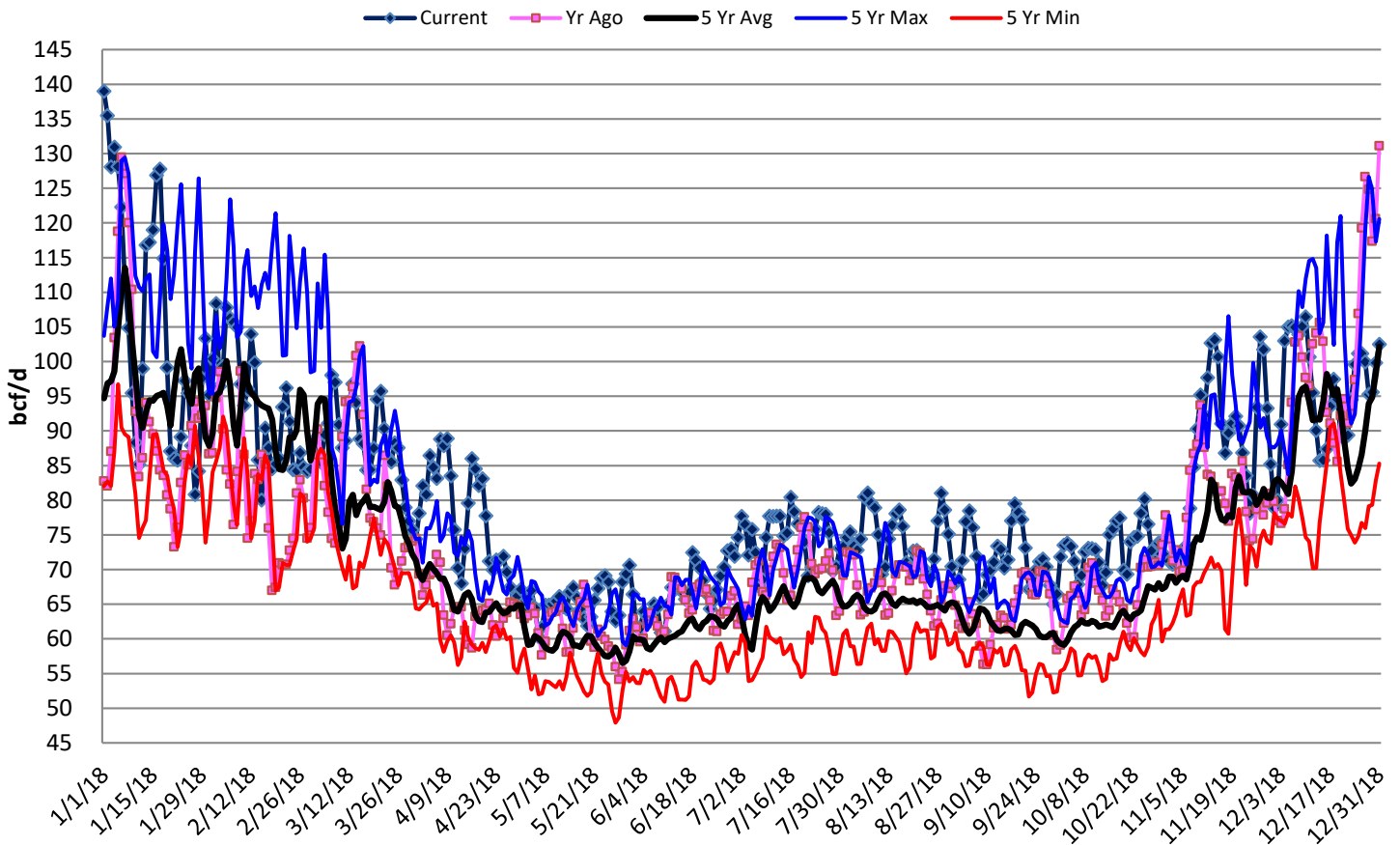
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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