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Week Ending December 28, 2018

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

Price Action: The February contract fell 44.7 cents (11.9%) to \$3.3.303 on a 52.1 cent range (\$3.773/\$3.252).

Price Outlook: This week's 52.1 cent range remains elevated as the market contemplates the near-term bearish weather forecast against the bulls hope that January may turn cold as some models suggest. While the winter is far from over, each day that passes with above normal temperatures significantly reduces upside price potential as the fears of storage shortages wanes. For daily updated storage projections, subscribe to our joint publication with RBN Energy. CFTC data was not updated. 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 8 of the last 10 years. Pipeline data indicates total flows to Cheniere's Sabine Pass export facility were at 4.1 bcf. Cove Point is net exporting 0.7 bcf. Corpus Christi is exporting 0.327 bcf. Cameron is exporting 0.01 bcf.

Weekly Storage: US working gas storage for the week ending December 21 indicated a withdrawal of (48) bcf. Working gas inventories fell to 2,725 bcf. Current inventories fall (607) bcf (-18.2%) below last year and fall (640) bcf (-19.0%) below the 5-year average.

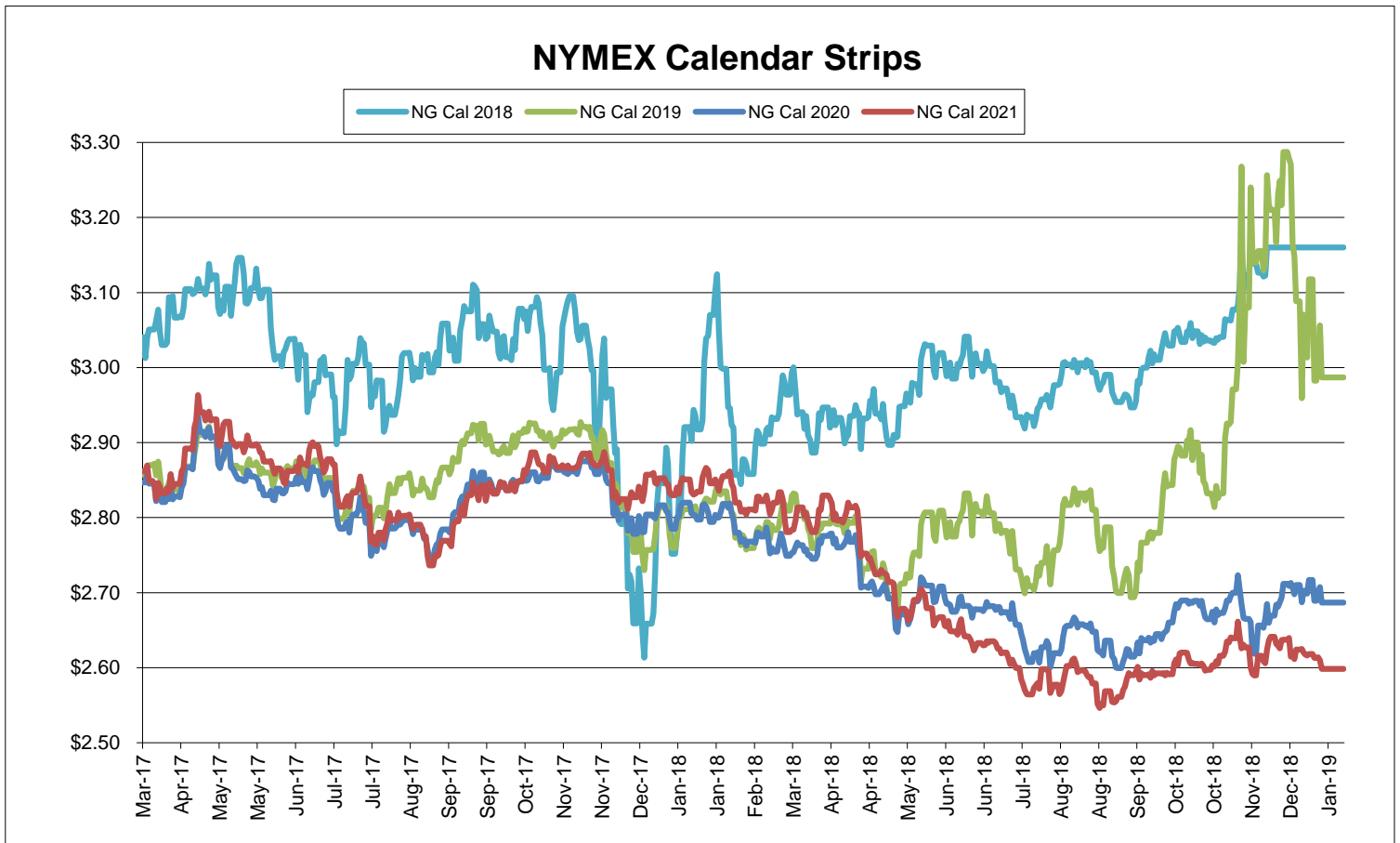
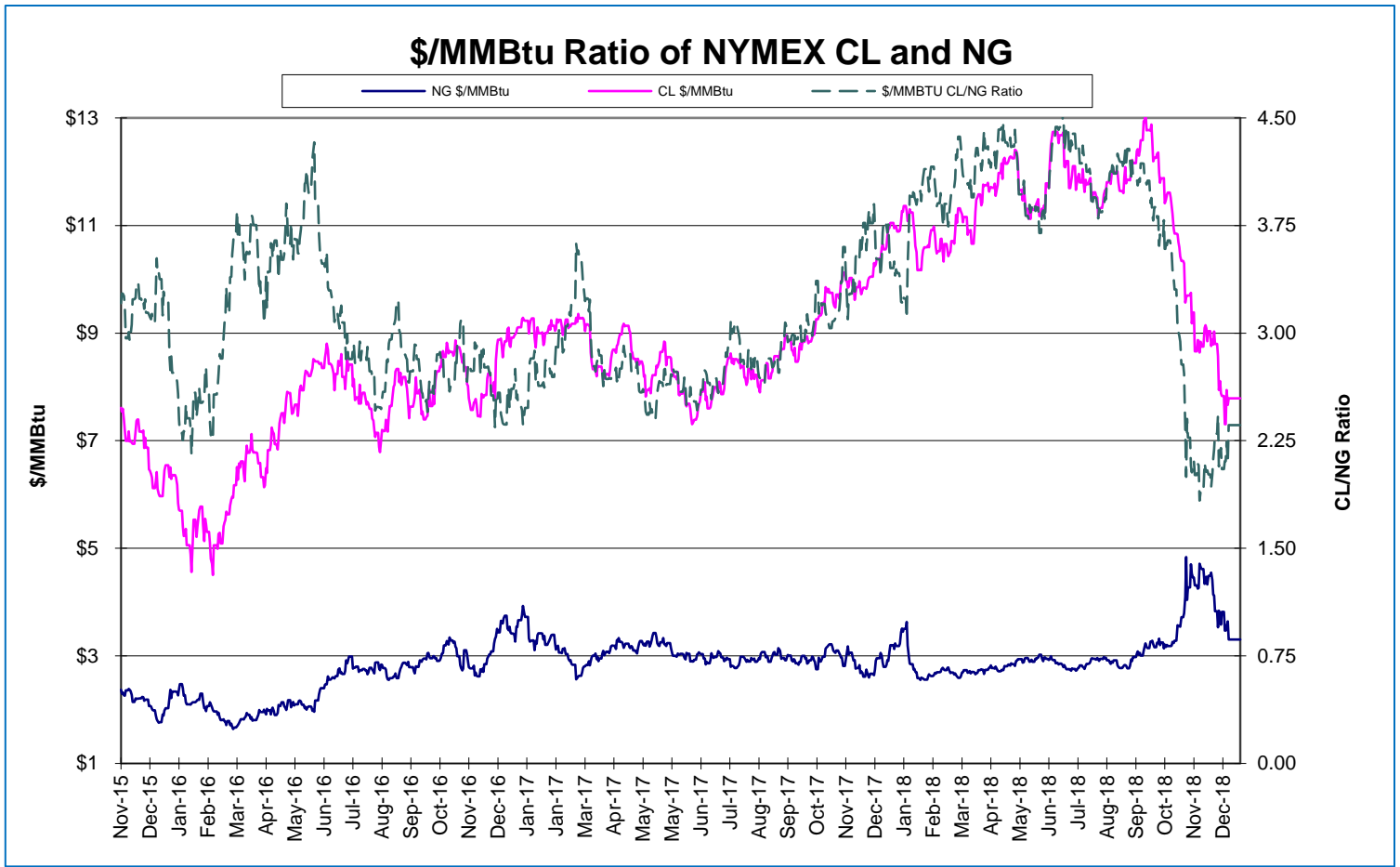
Storage Outlook: The EIA weekly implied flow was (3) bcf from our EIA storage estimate. This week's storage miss is back within our tolerance. Over the last 5 weeks, the EIA has reported a total withdrawal of (294) bcf compared to our (295) bcf estimate. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Our joint publication with RBN updates storage projections daily.

Supply Trends: Total supply fell (0.3) bcf/d to 81.0 bcf/d. US production fell. Canadian imports fell. LNG imports fell. LNG exports fell. Mexican exports rose. The US Baker Hughes rig count rose +3. Oil activity increased +2. Natural gas activity increased +1. The total US rig count now stands at 1,083. The Canadian rig count fell (61) to 70. Thus, the total North American rig count fell (58) to 1,153 and now exceeds last year by +88. The higher efficiency US horizontal rig count rose +5 to 945 and rises +149 above last year.

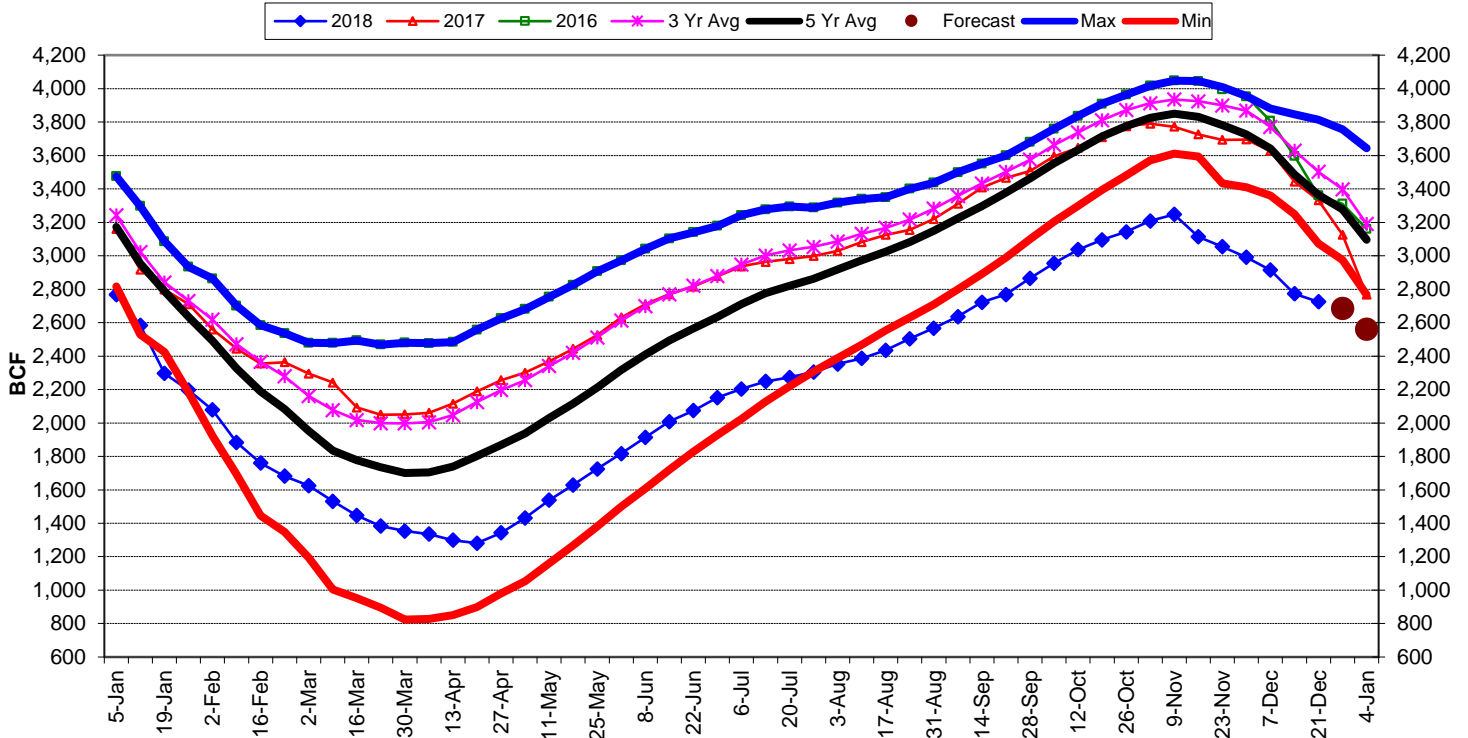
Demand Trends: Total demand fell (14.3) bcf/d to +87.1 bcf/d. Power demand fell. Industrial demand fell. Res/Comm demand fell. Electricity demand fell (3,693) gigawatt-hrs to 76,247 which trails last year by (146) (-0.2%) and trails the 5-year average by (662)(-0.9%).

Nuclear Generation: Nuclear generation rose 1,799 MW in the reference week to 93,393 MW. This is (3,510) MW lower than last year and (1,624) MW lower than the 5-year average. Recent output was at 93,857 MW.

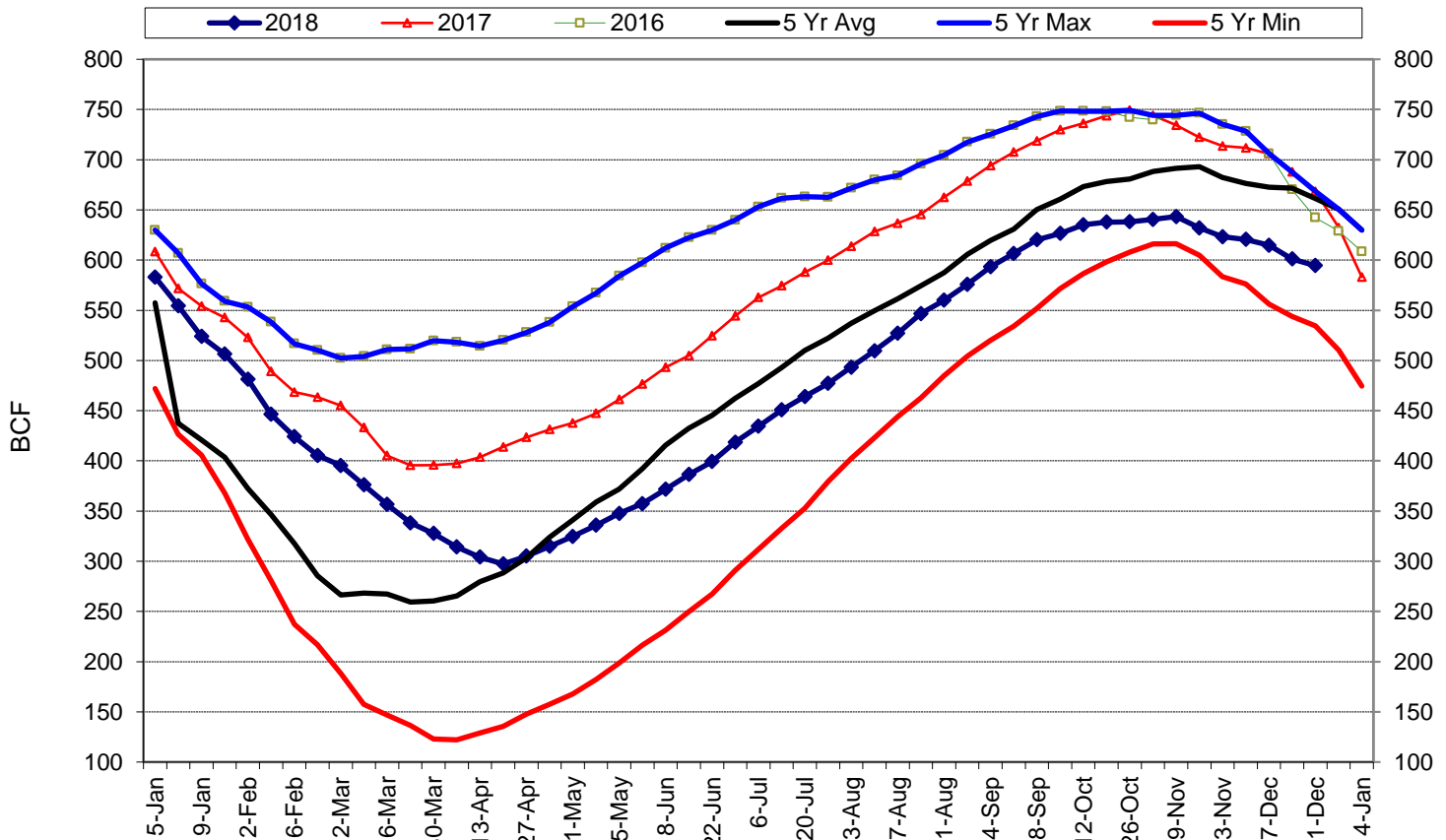
- The heating season has begun. With a forecast through January 11 the 2018/19 total cooling index is at (1,400) compared to (1,185) for 2017/18, (1,114) for 2016/17, (987) for 2015/16, (1,300) for 2014/15, (1,475) for 2013/14, (1,256) for 2012/13 and (1,235) for 2011/12.



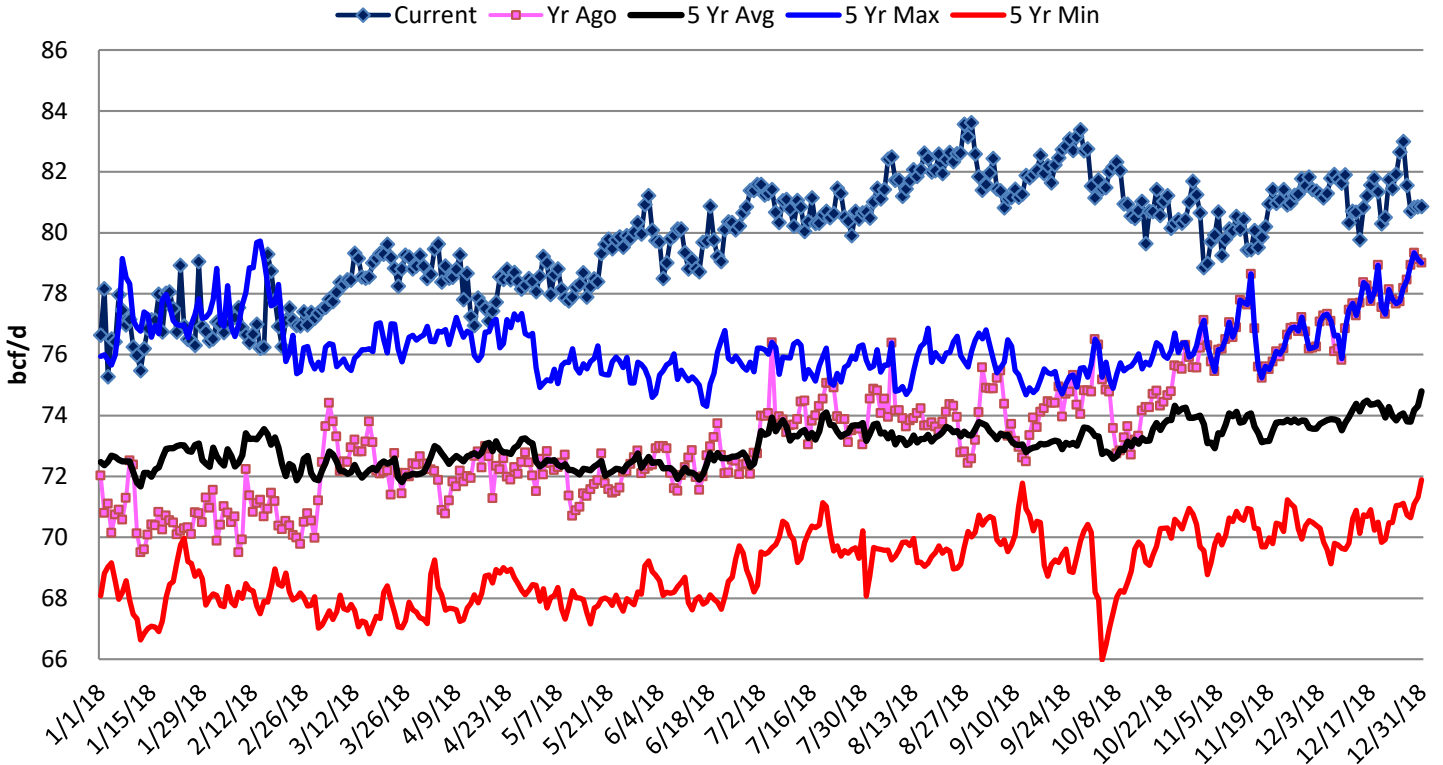
US Total Working Gas Storage - Source - EIA



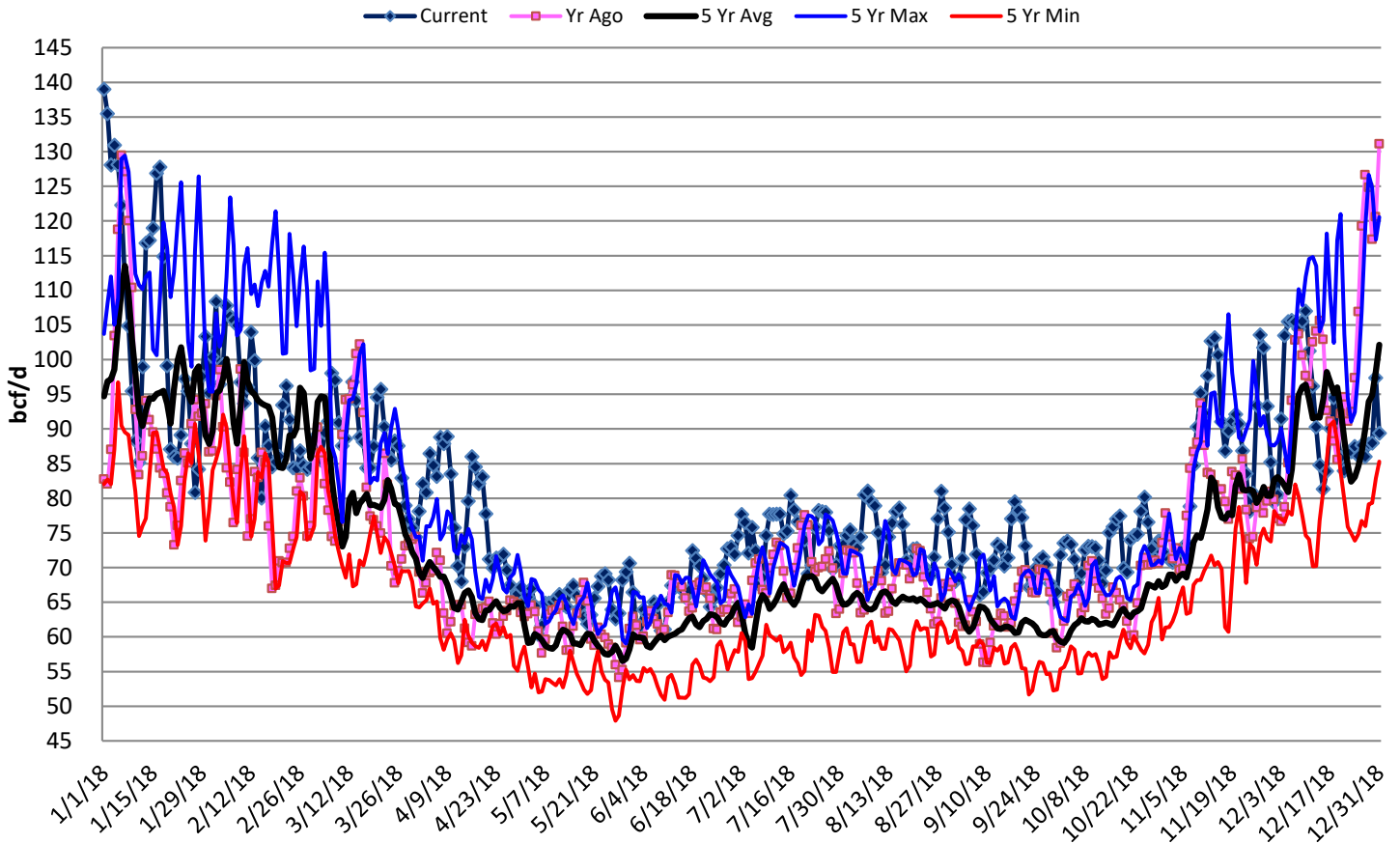
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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