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Week Ending January 11, 2019

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

Price Action: The February contract rose 5.5 cents (1.8%) to \$3.099 on a 25.6 cent range (\$3.166/\$2.910).

Price Outlook: The market ended the streak of new weekly lows as weather forecasts not only became less bullish but turned bullish with below normal temperatures now forecast. While winter is now half over, demand can still be impressive and as a reminder, on January 10, 2014 prices traded to \$3.953 before soaring to \$6.493 on February 24, 2014. While we do not expect that type of price action, higher prices may be in store if temperatures remain below normal through February. For daily updated storage projections, subscribe to our joint publication with RBN Energy. CFTC data has not been updated due to the US government shutdown. Aggregated CME futures open interest rose to 1.301 million as of January 11. 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. Cove Point is net exporting 0.8 bcf. Corpus Christi is exporting 0.001 bcf. Cameron is exporting 0.000 bcf.

Weekly Storage: US working gas storage for the week ending January 4 indicated a withdrawal of (87) bcf. Working gas inventories fell to 2,614 bcf. Current inventories fall (153) bcf (-5.5%) below last year and fall (481) bcf (-15.6%) below the 5-year average. The report was accompanied by a 4 bcf reclassification in the Mountain region that resulted in a total withdrawal of (91) bcf.

Storage Outlook: The EIA weekly implied flow was (1) 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 (373) bcf compared to our (374) 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.

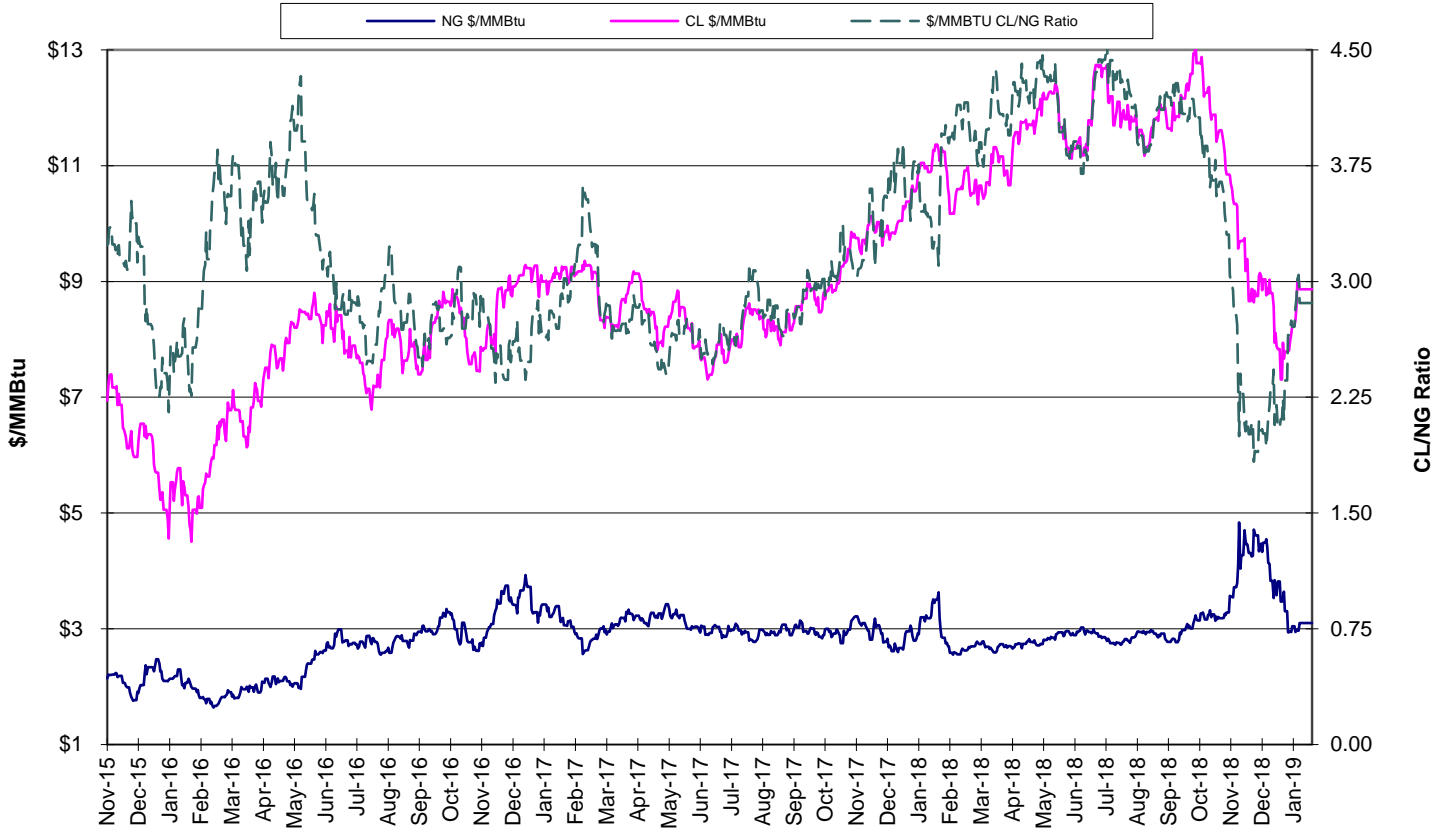
Supply Trends: Total supply fell (0.8) bcf/d to 81.6 bcf/d. US production fell. Canadian imports rose. LNG imports rose. LNG exports fell. Mexican exports fell. The US Baker Hughes rig count was unchanged +0. Oil activity decreased (4). Natural gas activity increased +4. The total US rig count now stands at 1,075. The Canadian rig count rose +108 to 184. Thus, the total North American rig count rose +108 to 1,259 and now exceeds last year by +44. The higher efficiency US horizontal rig count rose +3 to 948 and rises +143 above last year.

Demand Trends: Total demand rose +7.4 bcf/d to +94.2 bcf/d. Power demand rose. Industrial demand rose. Res/Comm demand rose. Electricity demand rose +955 gigawatt-hrs to 74,073 which trails last year by (19,258) (-20.6%) and trails the 5-year average by (8,088) (-9.8%).

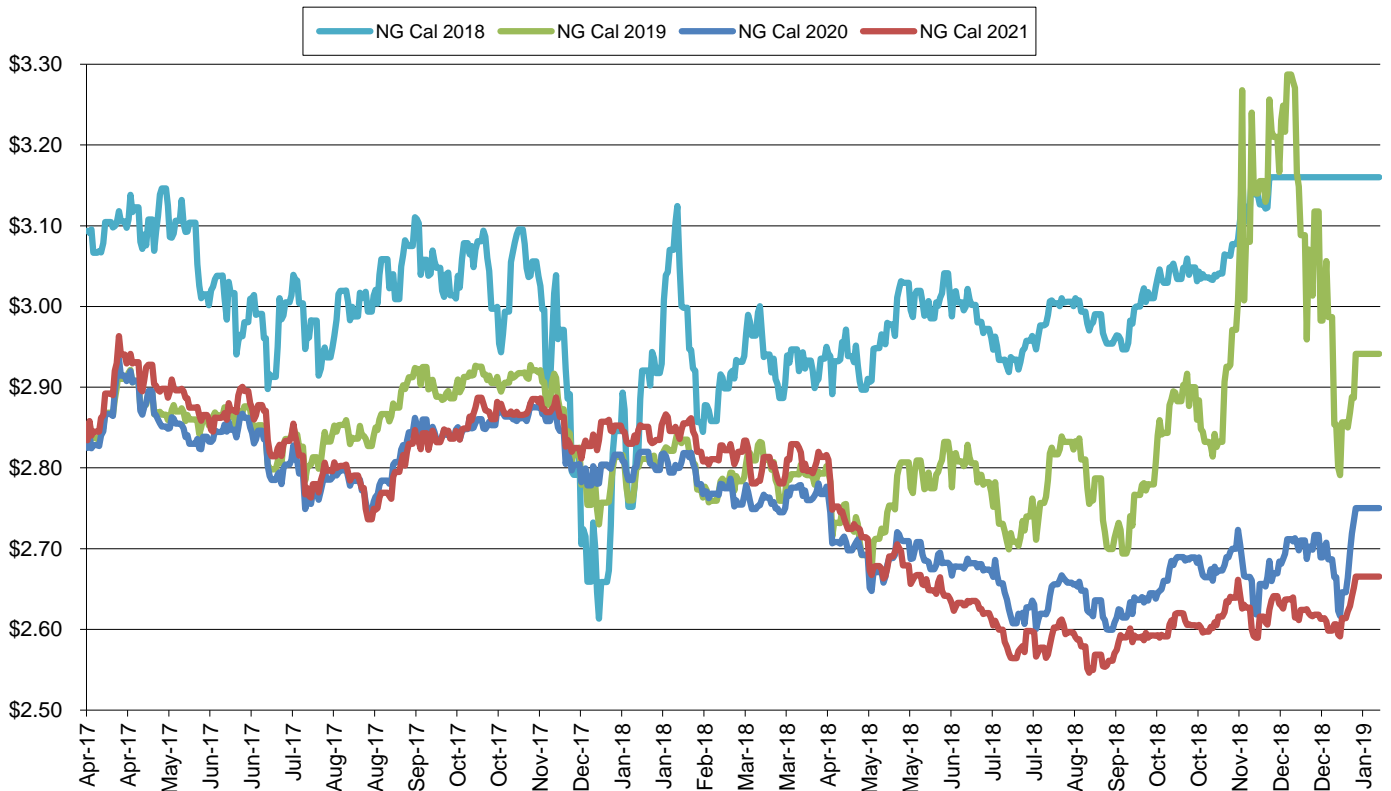
Nuclear Generation: Nuclear generation fell (544) MW in the reference week to 93,431 MW. This is (2,016) MW lower than last year and (1,370) MW lower than the 5-year average. Recent output was at 93,019 MW.

- The heating season has begun. With a forecast through January 25 the 2018/19 total cooling index is at (1,677) compared to (1,506) for 2017/18, (1,308) for 2016/17, (1,320) for 2015/16, (1,621) for 2014/15, (1,836) for 2013/14, (1,572) for 2012/13 and (1,553) for 2011/12.

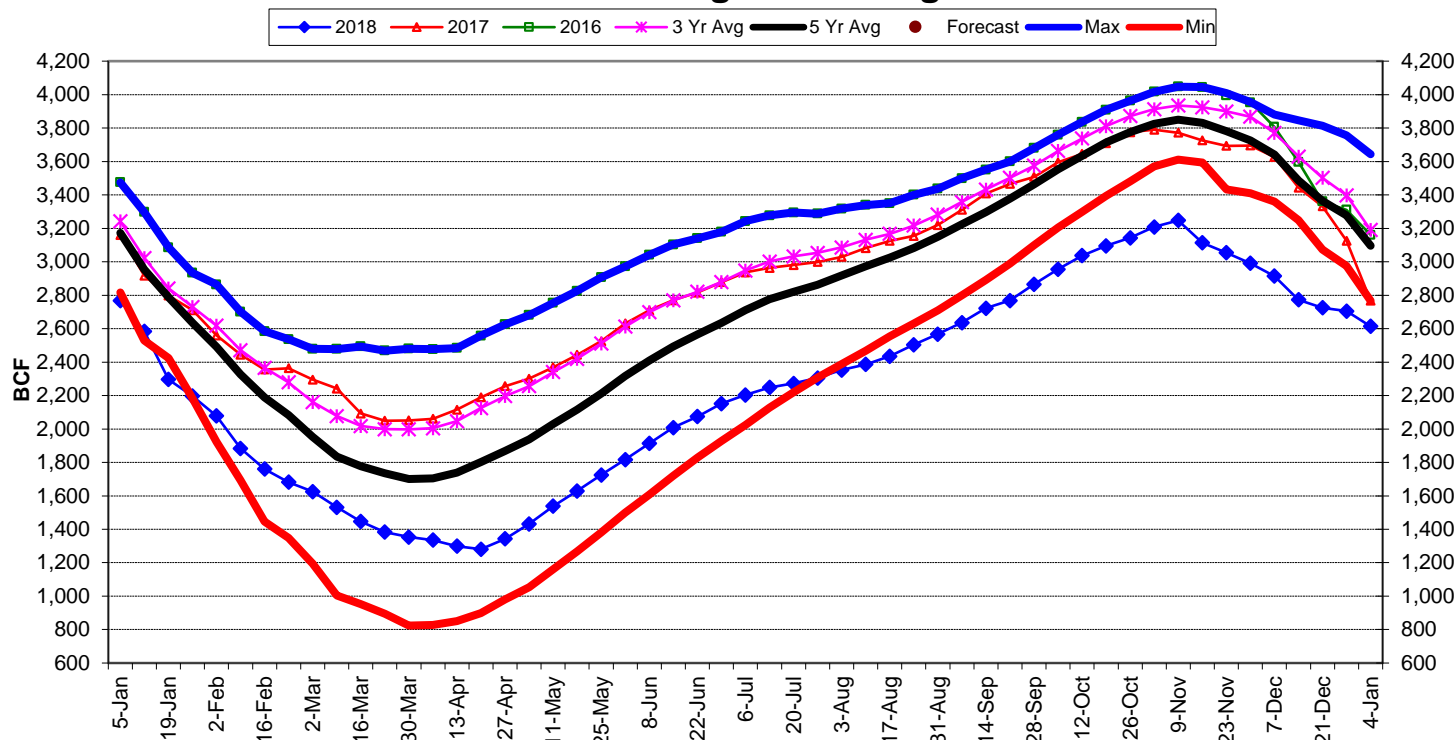
\$/MMBtu Ratio of NYMEX CL and NG



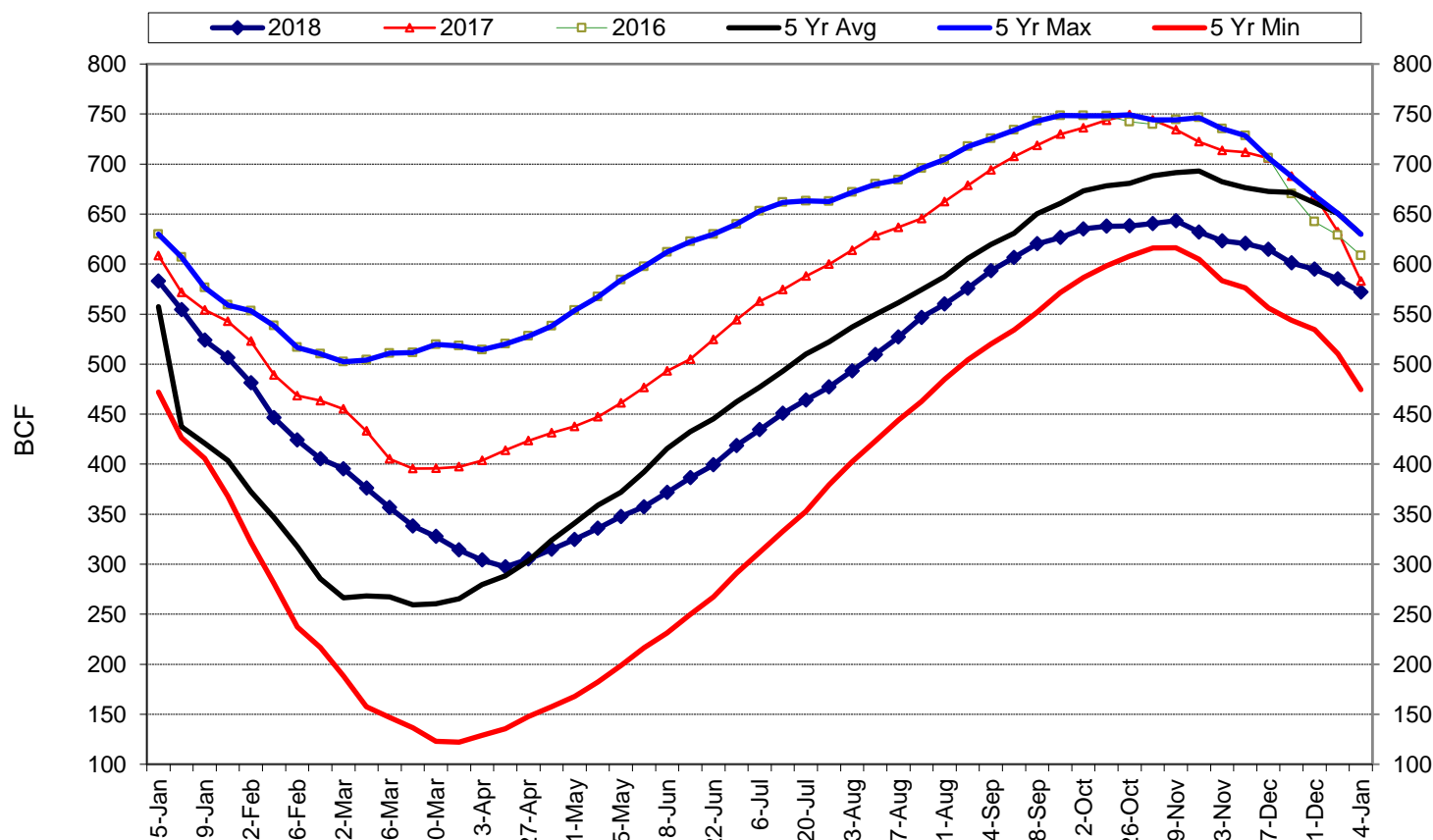
NYMEX Calendar Strips



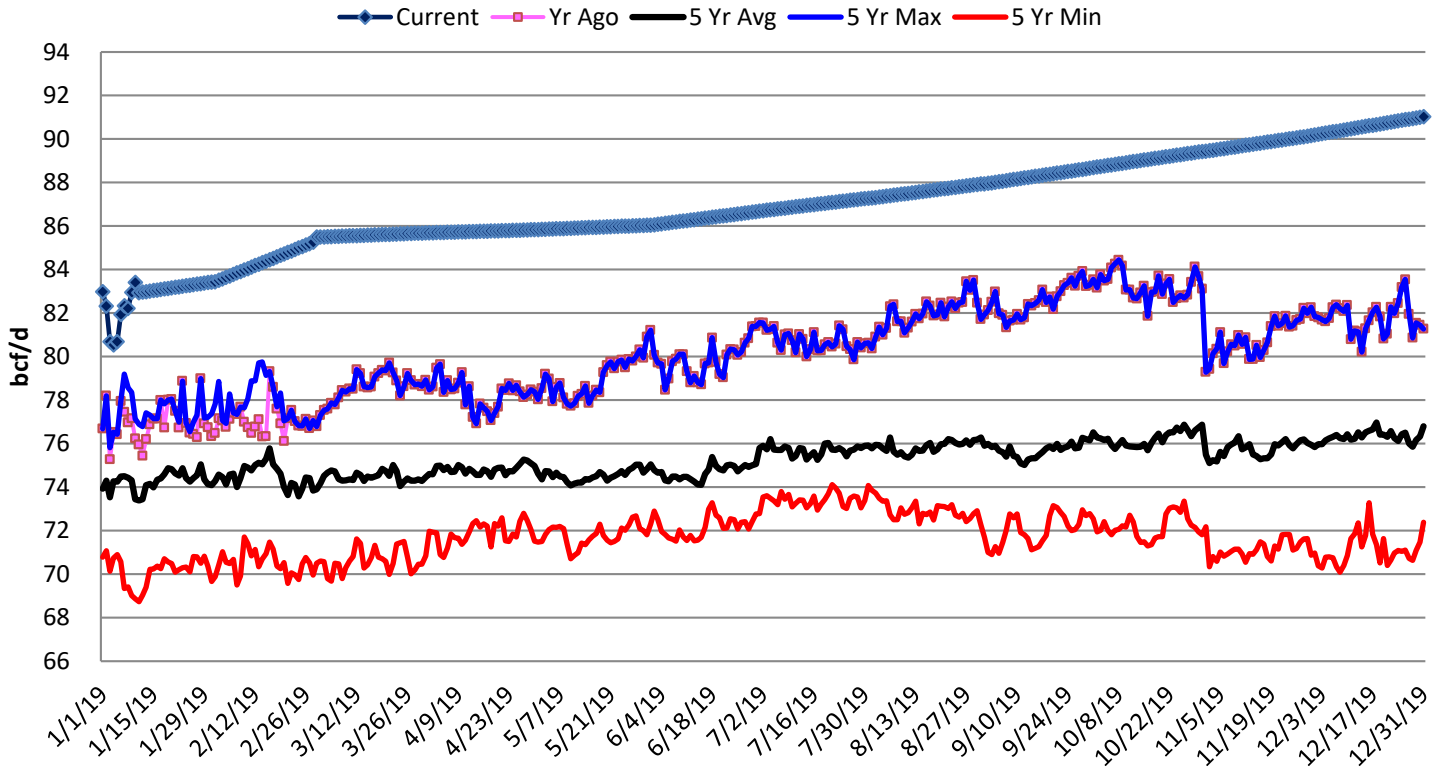
US Total Working Gas Storage - Source - EIA



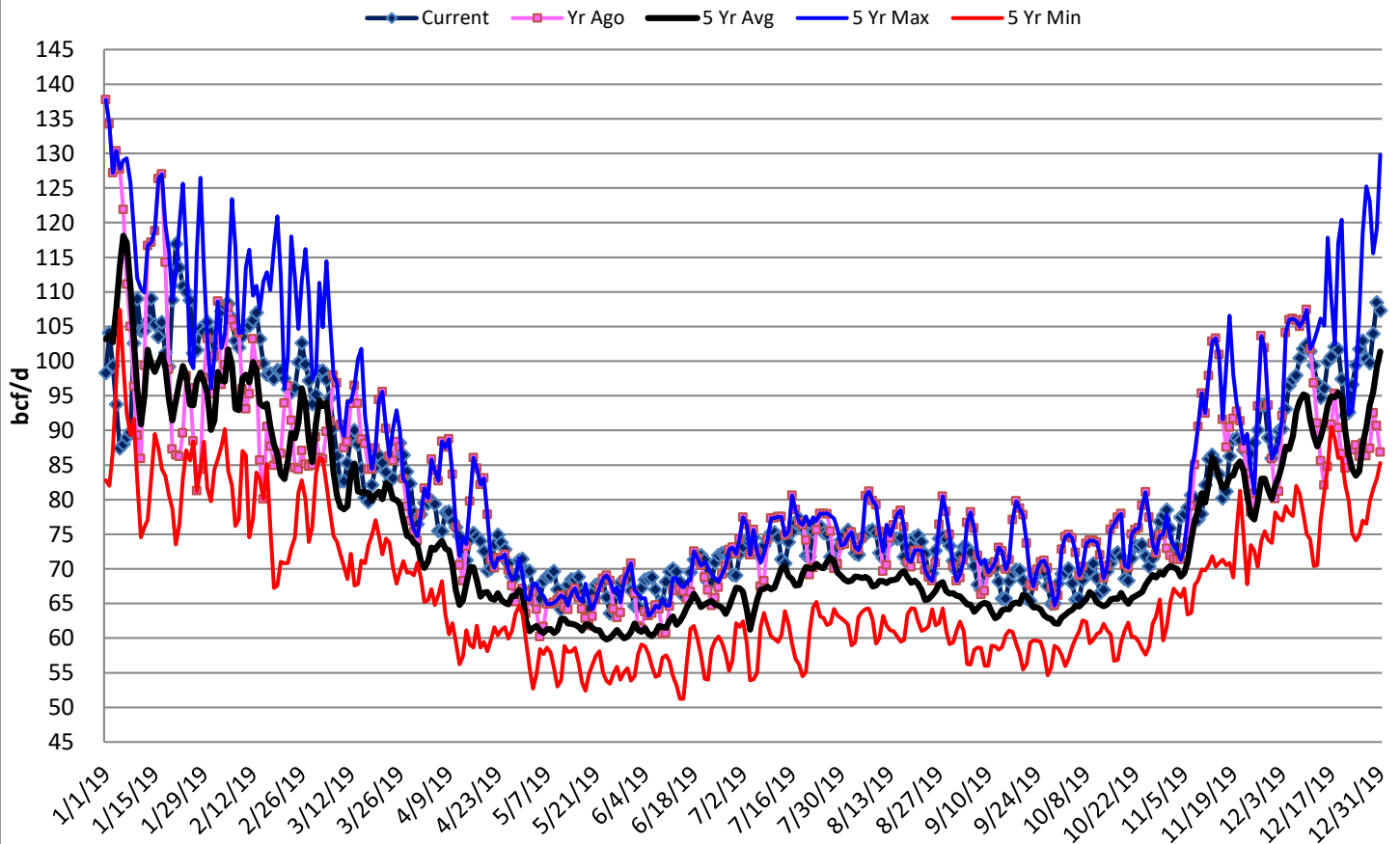
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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