

Early Morning Update

The Feb21 natural gas contract is trading up \$0.07 at \$2.73. The Mar21 crude oil contract is down \$0.11 at \$52.50.

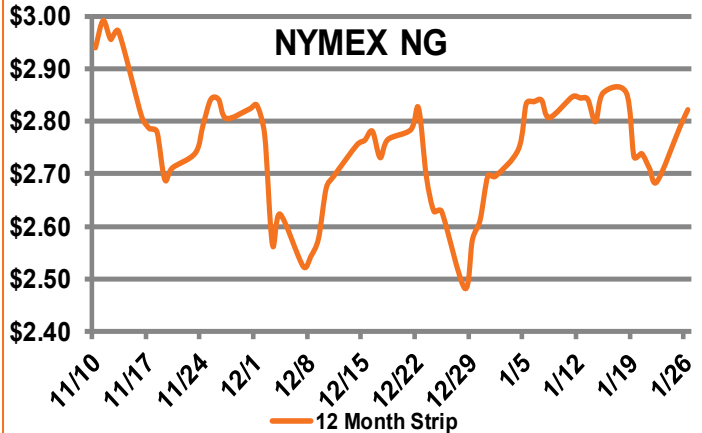
Summary: The upward momentum for NYMEX natural gas continued during yesterday's trading session, with the prompt month gaining 5.4 cents to close at \$2.656/MMBtu, and the 12-month strip adding just over three cents to move to \$2.82. The February 2021 contract expires later today, and while current pricing is well above last February's settle of \$1.877, it is trading close to where recent months have closed and is also on the low end for a February contract compared to past years. The 2022 calendar strip moved up a penny to \$2.675, while 2023 was nearly unchanged, gaining under half a cent. Beyond 2023, there was broad upward movement of 2.9 cents through the end of the curve. The market is maintaining the backwardation from 2022 to 2023, but there is effectively no risk premium priced in from 2023 through 2025, with the trading range between the three years being just a penny. In industry news, it is expected that the Biden Administration will pause granting new leases to oil and gas producers for drilling on federal lands while they conduct a review of the program. This probably will not have an immediate effect on production in that most current leases run for five years, but long-term effects could be significant, especially in the West.

Bullish Factors

- LNG exports back in force
- High exports to Mexico
- Unstable production

Bearish Factors

- Coronavirus impacts on demand
- Healthy storage levels
- Lack of significant heating demand



Next Day On-Peak Power (traded for 1/27/2021)

ISO-NE Mass Hub \$46.48	MISO Indiana Hub \$29.50	NYISO Zone G \$34.51
PJM West Hub \$28.21	ERCOT North \$25.55	CAISO SP15 \$39.36
NYMEX NG	Close	Change
Feb-21	2.656	0.054
Mar-21	2.636	0.038
12 Month	2.821	0.032
Cal 22	2.676	0.011
Cal 23	2.550	0.005

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	3,009	3,196	2,973	2,811
Diff v. Current		-187	36	198
% Diff			1.2%	7.0%

