

Early Morning Update

The Aug '21 natural gas contract is trading up \$0.01 at \$3.71. The Aug '21 crude oil contract is up \$0.54 at \$75.70.

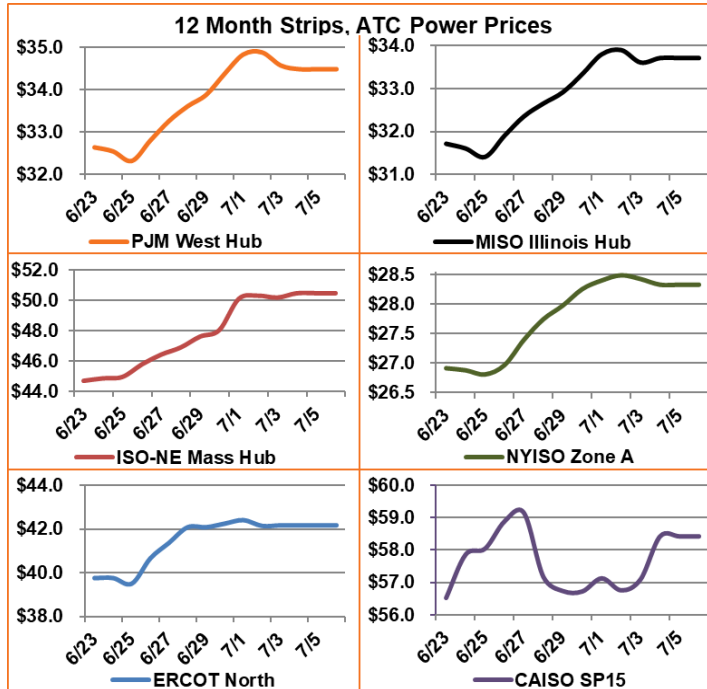
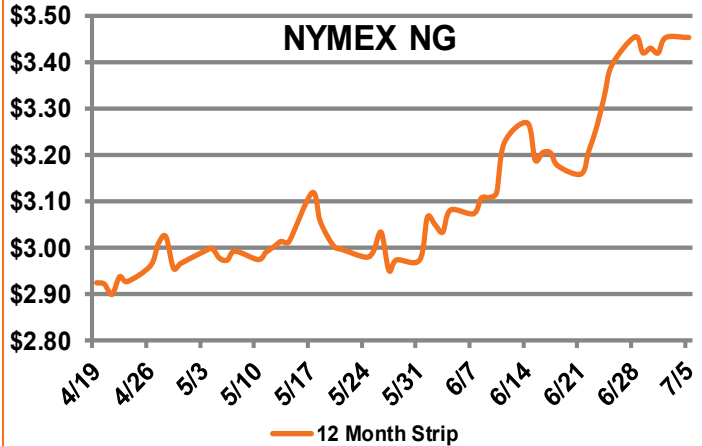
Summary: In terms of energy sector events, the Pemex oil pipeline underwater explosion in the Gulf of Mexico had taken over the weekend news cycle. Pemex, the Mexican national oil and gas producer, refiner, and distributor, has a pretty tarnished track record for incidents and is fraught with operational issues causing environmental concerns and even accidental deaths. The company is owned by the government and was given a full monopoly, making it the largest company in Mexico, but happens to be plagued with the most debt for a national oil county. Since the company has yet to release the official root cause analysis of the incident, speculators have claimed that out-of-date infrastructure, paired with high winds and lighting storms, contributed to the explosion. Fortunately for U.S. oil market buyers, the accident has not impacted domestic oil prices, even in the short term. A big consideration for this week is the EIA's natural gas injection report. The injection is forecasted at only 26 Bcf. For context, last year saw a 57 Bcf build for the same week, and the 5-year average injection is 63 Bcf. Fortunately, natural gas production has returned to the recent average of 91 Bcf/d, after a brief period where it fell as low as 87.6 Bcf/d.

Bullish Factors

- Post-pandemic demand growth
- Less-than-average storage injections
- High exports to Mexico

Bearish Factors

- Stable production
- Year-to-date power burn below 2020
- Cooler temps in the South



Next Day On-Peak Power (traded for 7/6/2021)

ISO-NE Mass Hub \$61.04	MISO Indiana Hub \$57.04	NYISO Zone G \$60.40	
PJM West Hub \$56.40	ERCOT North \$36.00	CAISO SP15 \$48.87	
NYMEX NG		Close	Change
Jul-21		3.700	0.039
Aug-21		3.668	0.036
12-Month		3.452	0.033
Cal 22		3.165	0.026
Cal 23		2.781	-0.005

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,558	2,482	3,068	2,701
Diff v. Current		76	-510	-143
% Diff			-16.6%	-5.3%

