

Early Morning Update

The Aug '21 natural gas contract is trading up \$0.02 at \$3.69. The Aug '21 crude oil contract is down \$1.06 at \$73.50.

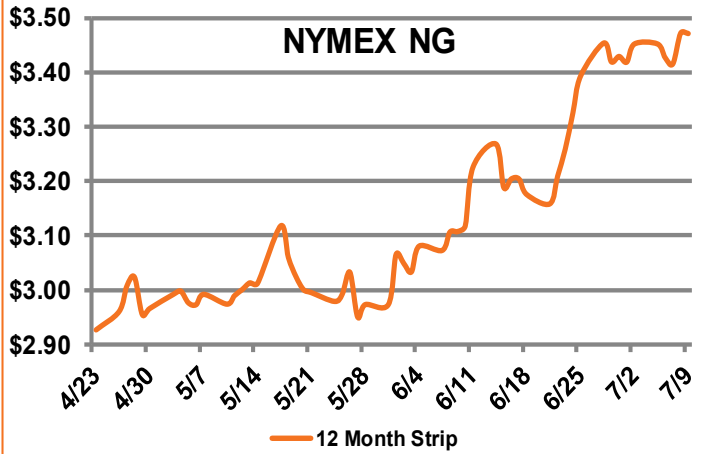
Summary: A shorted week of trading last week due to the observance of the July 4th holiday resulted in a mixed bag of results. The natural gas prompt month popped 9.2 cents after a disappointing storage injection was reported on Thursday for the week ended July 2. However there were more days of losses than gains for the August contract, thus closing the week down 2.6 cents. When looking at other near-term strips, Q4-21 gained 1.2 cents and Q1-22 gained 3.2 cents. The calendar strips for 2022, 2023, and 2024 all closed higher, up 3.3 cents, 2.4 cents, and 2.7 cents, respectively. The disappointing storage injection was likely caused by a combination of significantly warmer-than-average temperatures and a 1.5 Bcf/day decline in production split between the Appalachian and Texas regions. Production has averaged 90.0 Bcf/d so far this month, an increase of 2.6 Bcf/d versus last year. However, demand is up 4.3 Bcf/day for the same time period, with exports leading the way. Production remains in the spotlight as large E&P's continue to focus on capital discipline, particularly in oil plays. However, data shows that small/private operators are adding rigs and hiring frack crews, while their larger counterparts, the oil majors, are repaying debt and focusing on improving returns to shareholders. The Marcellus, a non-associated shale play, is partially making up for some of this loss from associated plays, up 1.5 Bcf/day so far in 2021.

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

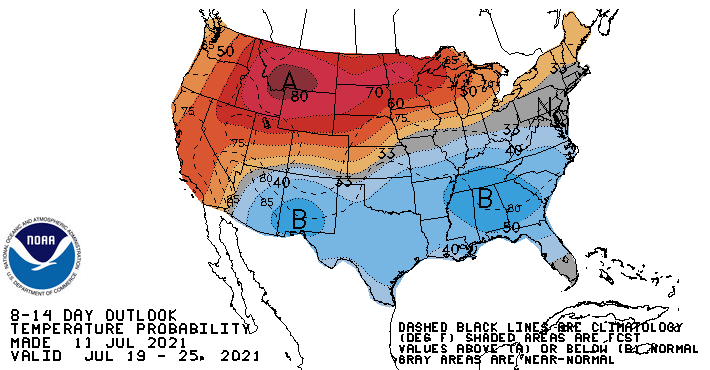
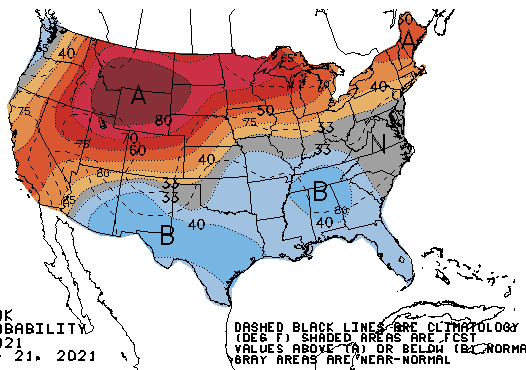
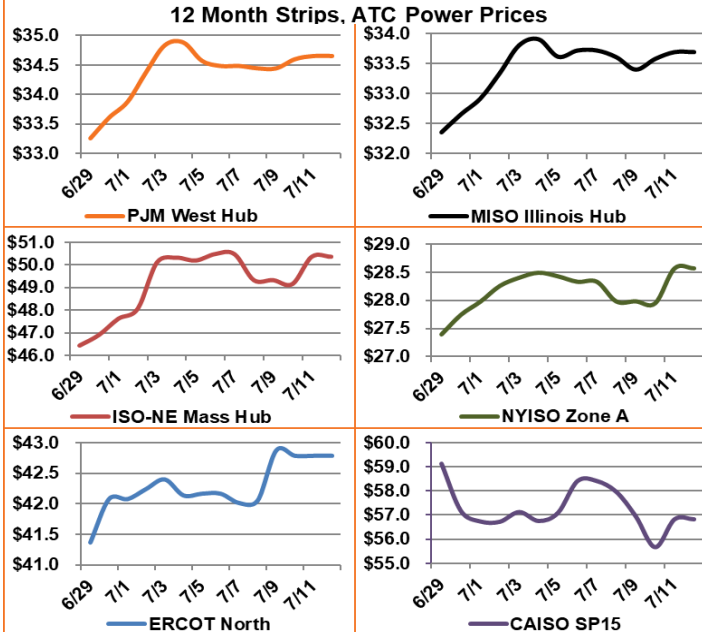


Next Day On-Peak Power (traded for 7/12/2021)

ISO-NE Mass Hub \$39.75	MISO Indiana Hub \$42.38	NYISO Zone G \$42.78
PJM West Hub \$44.13	ERCOT North \$40.93	CAISO SP15 \$83.07
NYMEX NG	Close	Change
Jul-21	3.674	-0.014
Aug-21	3.657	-0.010
12-Month	3.471	-0.001
Cal 22	3.198	0.006
Cal 23	2.805	0.009

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,574	2,558	3,125	2,764
Diff v. Current		16	-551	-190
% Diff			-17.6%	-6.9%



90% 80% 70% 60% 50% 40% 33% 33% 40% 50% 60% 70% 80% 90%

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