

Early Morning Update

The Aug '21 natural gas contract is trading up \$0.03 at \$3.64. The Aug '21 crude oil contract is up \$0.35 at \$72.00.

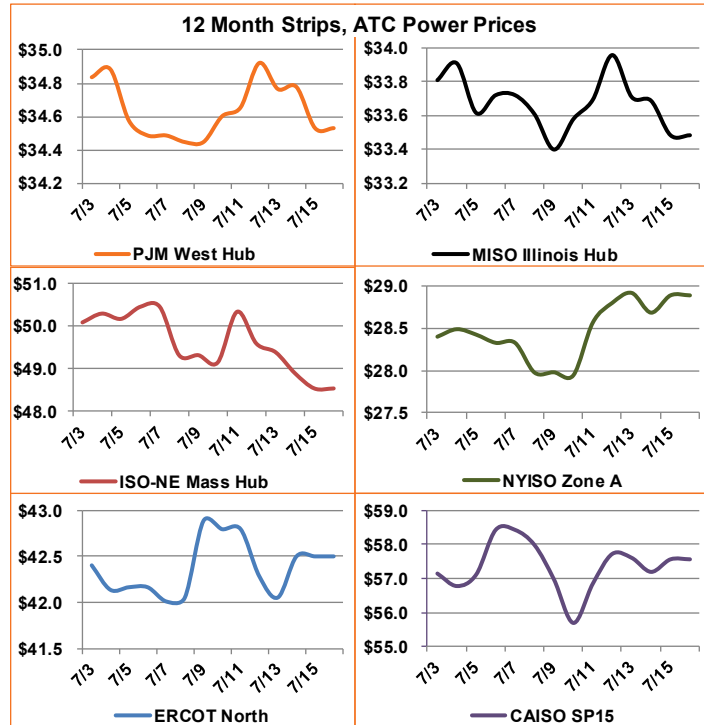
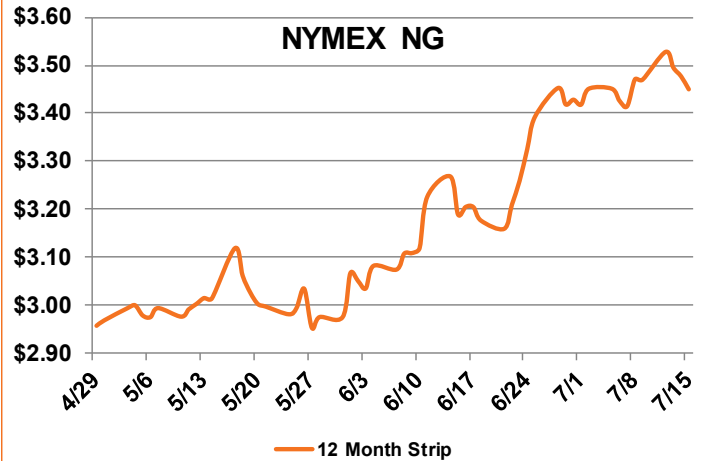
Summary: The EIA storage report let the market know that there was a 55Bcf injection yesterday. This would be bearish news given the fact that forecasts were calling for a 59Bcf build. Though the market for Henry Hub natural gas did not react quickly to the news, the prompt had settled downwards for the third day straight. This short-term bearish movement comes as a bit of a market correction given the fact that prices have been very bullish for the last couple months, with large upward movements the last couple of weeks. This is in spite of the fact that fundamentals have not changed drastically throughout this time. Exports remain steady and strong around 11Bcf/d, production has stuck to approximately 90Bcf/d, and total demand month-to-date is just around the upper bounds of the 5 year range. The major difference of why prices are continuing upwards if they are steady, is the fact that production has not compensated for larger increase to exports over the last year. Total supply has not changed year-over-year, while demand has moved up by nearly 4Bcf/d. When the spread between these rates does not budge, future storage and production positions are put in further jeopardy.

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 7/16/2021)

ISO-NE Mass Hub \$60.29	MISO Indiana Hub \$40.35	NYISO Zone G \$50.29
PJM West Hub \$44.45	ERCOT North \$39.25	CAISO SP15 \$53.17

NYMEX NG	Close	Change
Aug-21	3.614	-0.046
Sep-21	3.601	-0.047
12-Month	3.451	-0.027
Cal 22	3.201	-0.009
Cal 23	2.808	-0.003

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,629	2,574	3,172	2,818
Diff v. Current		55	-543	-189
% Diff			-17.1%	-6.7%

