

Early Morning Update

The Jul '21 natural gas contract is trading up \$0.08 at \$3.15. The Jul '21 crude oil contract is down \$0.43 at \$68.80.

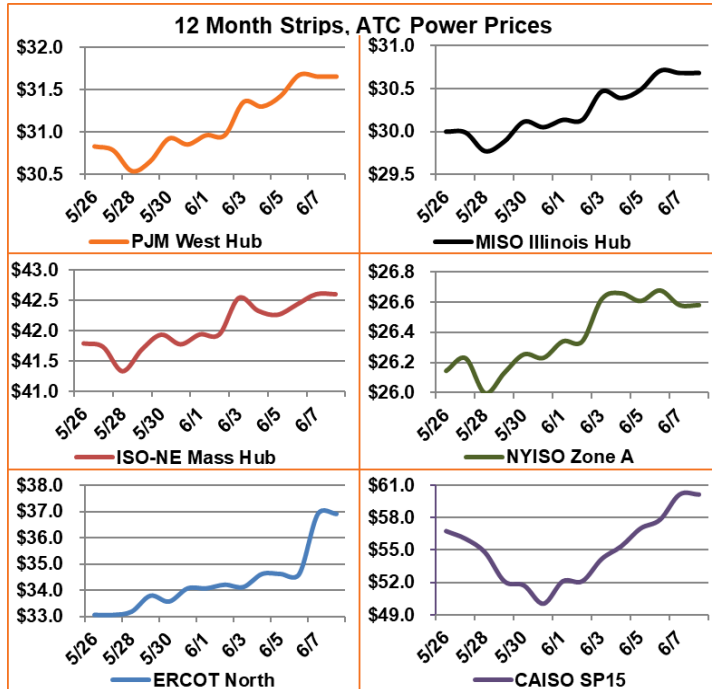
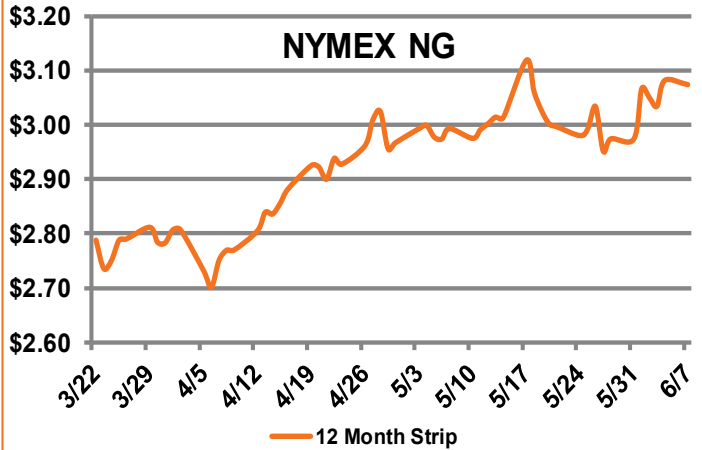
Summary: Crude oil continues to trade at a high level, with the prompt month trading above \$68/Bbl. While this would typically incentivize more production, the fact is that current near-term oil prices are well above future contract levels. A large market backwardation has prices steadily declining month-over-month all the way through 2028. This drop-off in prices could be the reason why producers are wary of investing, since the long-term ROI would quickly diminish and eventually become unprofitable with current market expectations. These prices go all the way down to nearly \$53/Bbl for the lowest of contracts. Similarly, NYMEX Henry Hub prices are sitting well above the \$3.00/MMBtu line, and settled the prompt yesterday at \$3.07/MMBtu. While this price has incentivized increased production in the past, production has not picked up. In fact, since the beginning of the year, the average production level has slipped from around 93 Bcf/d to current levels at 90.5 Bcf/d. This lower production, paired with higher overall natural gas demand, is leading to a larger spread between the 5-year average supply and current supply levels. Similar to crude, natural gas is backwardated for 2022 through 2027 for Henry Hub gas, with the highest of prices occurring for January of 2022.

Bullish Factors

- Near-record LNG exports
- High exports to Mexico
- Storage deficits

Bearish Factors

- Coronavirus impacts on demand
- Strong production
- Milder weather



Next Day On-Peak Power (traded for 6/8/2021)

ISO-NE Mass Hub \$55.86	MISO Indiana Hub \$42.19	NYISO Zone G \$48.38
PJM West Hub \$42.55	ERCOT North \$37.81	CAISO SP15 \$28.61
NYMEX NG		
	Close	Change
Jul-21	3.070	-0.027
Aug-21	3.089	-0.025
12-Month	3.073	-0.008
Cal 22	2.921	0.005
Cal 23	2.718	0.002

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,313	2,215	2,699	2,374
Diff v. Current		98	-386	-61
% Diff			-14.3%	-2.6%

