

Early Morning Update

The Jan '21 natural gas contract is trading up \$0.09 at \$3.89. The Jan '21 crude oil contract is up \$0.43 at \$71.30.

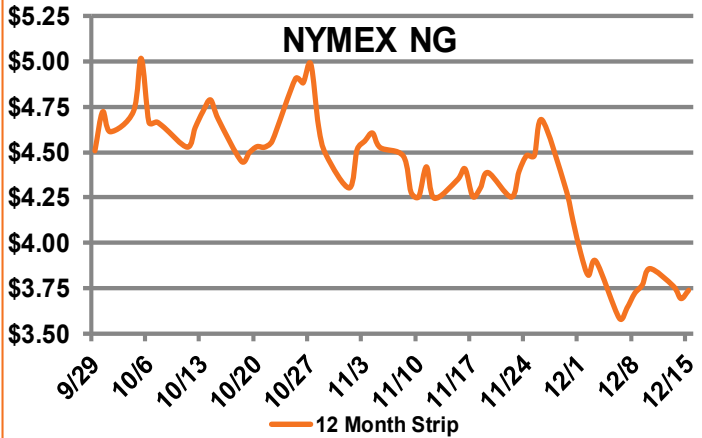
Summary: Natural gas prices strengthened during Wednesday's trading session, ending a two-day selloff streak. Temperature model runs posted yesterday morning showed colder day-over-day revisions for the last week of December, most notably for the Northeast and Midwest. These slightly less-bearish temperature revisions appear to have carried enough force to cause the January contract to rally \$0.055 and settle up to \$3.802/MMBtu. The February contract gained \$0.048 and closed the day at \$3.761/MMBtu, the rest of Cal '22 strengthened by roughly \$0.05, while Cal '23 climbed just shy of \$0.03. European and UK spot gas prices recently soared to record highs, over \$40/MMBtu, as residents brace for a cold front that will likely further bruise stockpiles, which are currently sitting just above 60% of capacity. This has created an enormous arbitrage opportunity for LNG cargoes leaving the U.S. headed for Europe, while simultaneously causing some Northeast basis prices to strengthen, as participants in the region compete for the same LNG import supply for this winter. Contrary to overseas, domestic storage is expected to strengthen over the next few weeks. U.S. inventories are currently resting at 3.505 Tcf, about 9% below last year and 3% below the five-year average. The EIA storage report for the week to Dec. 9 is expected to post a draw of around 90 Bcf, bearish compared to both last year's 118 pull and the 114 five-year average withdrawal.

Bullish Factors

- Record high LNG exports
- Extremely high global gas markets
- High exports to Mexico

Bearish Factors

- Warmer-than-normal temps
- Year-to-date power burn below 2020
- Flat industrial demand



Next Day On-Peak Power (traded for 12/16/2021)

| | | |
|----------------------------|-----------------------------|-------------------------|
| ISO-NE Mass Hub \$37.79 | MISO Indiana Hub \$42.02 | NYISO Zone G \$33.29 |
| PJM West Hub \$33.45 | ERCOT North \$45.15 | CAISO SP15 \$60.19 |
| NYMEX NG | Close | Change |
| Jan-22 | 3.802 | 0.055 |
| Feb-22 | 3.761 | 0.048 |
| 12-Month | 3.738 | 0.045 |
| Cal 22 | 3.738 | 0.045 |
| Cal 23 | 3.397 | 0.026 |

EIA Natural Gas Storage

| EIA Reported Storage (Bcf) | This Week | Last Week | Last Year | 5-Year Avg. |
|----------------------------|-----------|-----------|-----------|-------------|
| Total | 3,505 | 3,564 | 3,861 | 3,595 |
| Diff v. Current | | -59 | -356 | -90 |
| % Diff | | | -9.2% | -2.5% |

