

Early Morning Update

The Oct '21 natural gas contract is trading up \$0.01 at \$4.63. The Oct '21 crude oil contract is up \$0.76 at \$69.35.

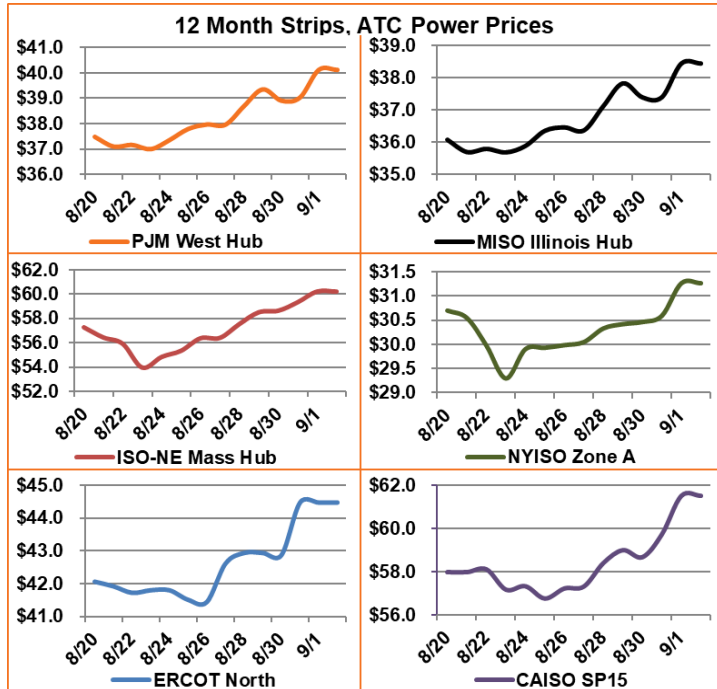
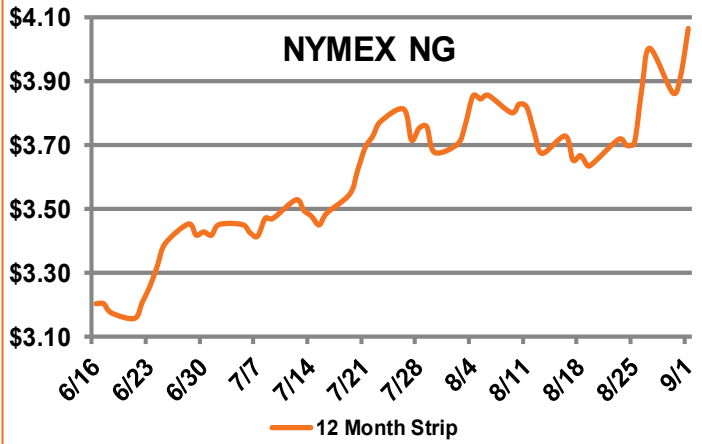
Summary: Wow! The bullish race is on in the natural gas market! The Oct '21 prompt month soared yesterday, gaining over 23 cents and settling out the day at \$4.615/MMBtu. In fact, all of the near-term months reacted quite bullishly, with the Nov-Mar '22 strip gaining 22 cents, the 12-mo strip up 15 cents, and Cal '22 up 10 cents. With production dipping down to 87.9 Bcf/d yesterday, it's clear the market is growing increasingly more concerned about the tightening supply/demand balance. It's unclear yet how long production may be impacted from Hurricane Ida, but hopefully the softening demand from more moderate temperatures will help ease the supply/demand balance. Current forecasts show a slightly cooler West and East, with only Texas running above normal this week, which should help alleviate demand and could offer some bearish sentiment to the market, especially if production rebounds. Unfortunately, one fundamental that has been steadily leaning to the bullish side has been storage. Last week we saw a very disappointing injection of 29 Bcf, and this week, the market is expecting just 19 Bcf to be reported. If this actualizes, it would trail the 5-year average benchmark by 34 Bcf and last year by 17 Bcf, which could lend more price support to near-term natural gas prices.

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
- Average temps outside of the West



Next Day On-Peak Power (traded for 9/2/2021)

ISO-NE Mass Hub \$38.34	MISO Indiana Hub \$39.94	NYISO Zone G \$37.04
PJM West Hub \$39.18	ERCOT North \$50.50	CAISO SP15 \$51.11

NYMEX NG	Close	Change
Oct-21	4.615	0.238
Nov-21	4.663	0.238
12-Month	4.066	0.149
Cal 22	3.798	0.105
Cal 23	3.089	0.017

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,851	2,822	3,414	3,040
Diff v. Current		29	-563	-189
% Diff			-16.5%	-6.2%

