

Early Morning Update

The Oct '21 natural gas contract is trading down \$0.08 at \$4.90. The Oct '21 crude oil contract is up \$0.71 at \$71.00.

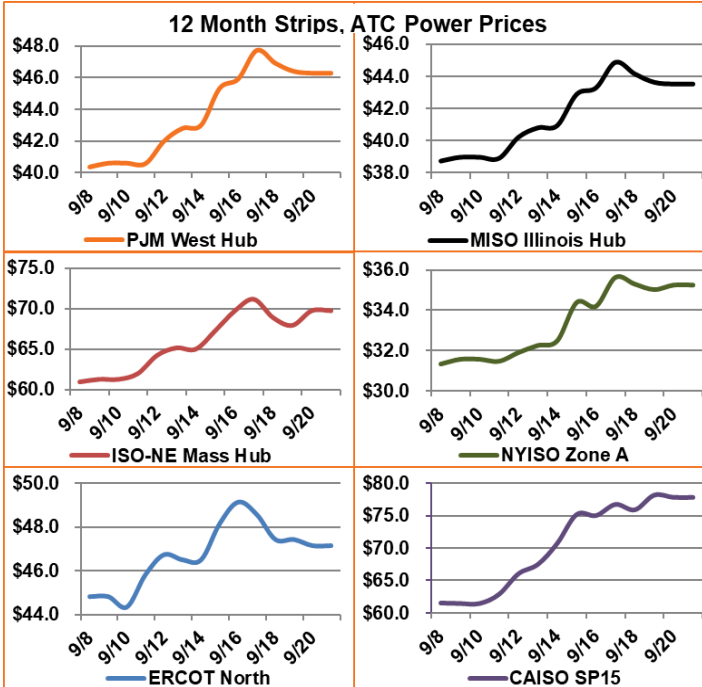
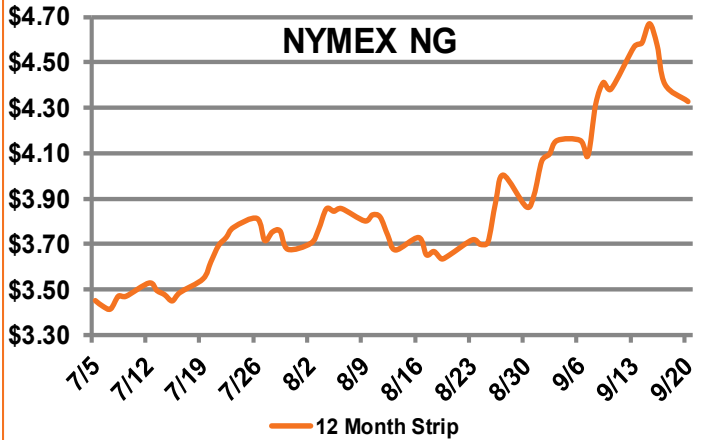
Summary: Monday saw the third trading day of NYMEX natural gas moving downwards for the prompt month, opposing the general upwards trend that has made the news for the last month or so. With yesterday's close at \$4.985/MMBtu, the prompt month has moved down \$0.475 since last Wednesday's settle. This decrease has also pushed the prompt month back below the \$5.00 technical trading point, a line that had previously been seen as the new bottom. An interesting point is that calendar strips for 2023 and outwards have actually continued upwards, although at a slower rate than the volatile shorter term strips. The reason this is important is general market consensus had deemed the \$3.00/MMBtu line the level at which most major producers will begin increasing production once again. Though prompt months and winters are well above those levels, concern for long-term return on investment means that producers want to see calendar strips move upwards further out in the curve. Even after those prices are hit, it could take another six to twelve months to see a significant amount of production increase due to the time it would require to drill new wells. For now, the supply/demand balance remains relatively tight.

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 9/21/2021)

| ISO-NE Mass Hub \$54.67 | MISO Indiana Hub \$58.00 | NYISO Zone G \$58.60 |
|----------------------------|-----------------------------|-------------------------|
| PJM West Hub \$53.87 | ERCOT North \$46.07 | CAISO SP15 \$88.89 |
| NYMEX NG | Close | Change |
| Oct-21 | 4.985 | -0.120 |
| Nov-21 | 5.022 | -0.124 |
| 12-Month | 4.327 | -0.075 |
| Cal 22 | 3.999 | -0.053 |
| Cal 23 | 3.246 | 0.001 |

EIA Natural Gas Storage

| EIA Reported Storage (Bcf) | This Week | Last Week | Last Year | 5-Year Avg. |
|----------------------------|-----------|-----------|-----------|-------------|
| Total | 3,006 | 2,923 | 3,601 | 3,237 |
| Diff v. Current | | 83 | -595 | -231 |
| % Diff | | | -16.5% | -7.1% |

