

Early Morning Update:

The Feb19 natural gas contract is trading up \$0.05 at \$2.99.
The Feb19 crude contract is up \$0.78 at \$49.30.

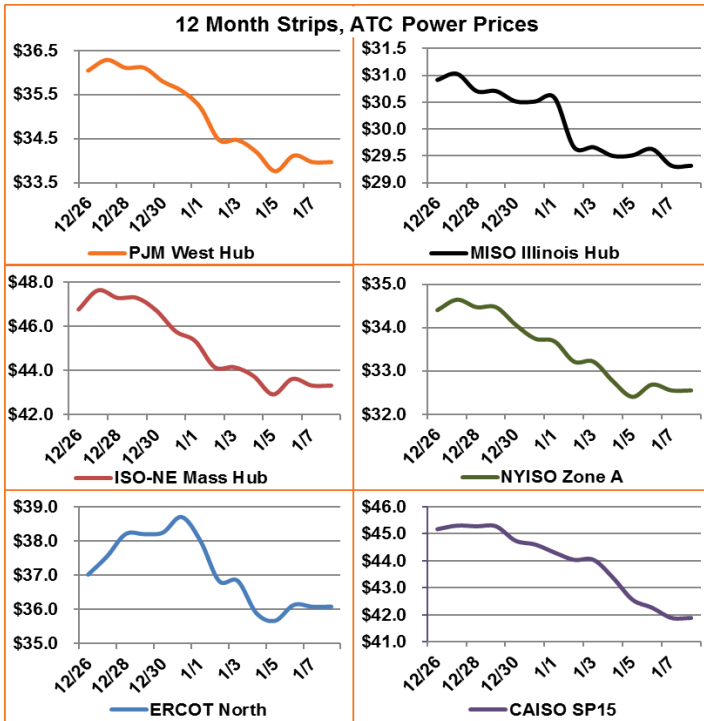
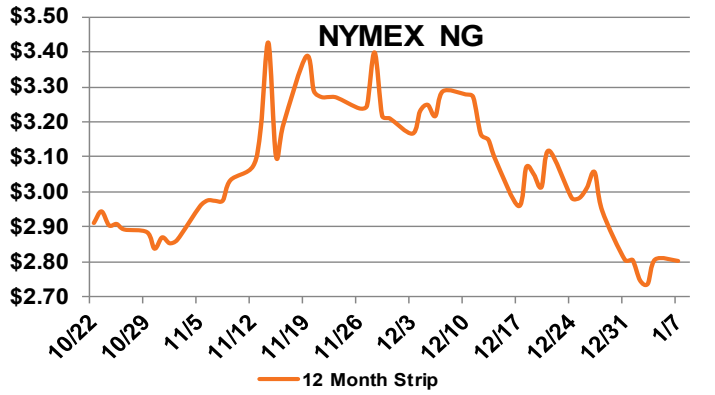
Summary: More downward movement in the near-term has followed mild weather and steadying production, with much of the same on the horizon. The February prompt month dropped below \$3, a 10 cent move downward to \$2.944. The 12-month strip is essentially flat at \$2.802, 2020 is up 1.7 cents to \$2.664, and 2021 is up less than a penny at \$2.622. After a few weeks of decreasing production over the holidays, supply is finally beginning to recover, with averages estimated to be in the mid-to-upper 84 Bcf/d range. The mild weather is doing its part as well, with warmer-than-normal temperatures dictating the majority of the 27% decrease in year-over-year demand. While we saw record high LNG sendout over the weekend of 5.5 Bcf/d, the warmer weather more than makes up for this increase. The deficit is hopefully looking to shrink over the next few weeks of calm weather and strong year-over-year supply, as withdrawals from storage this year are only about one quarter of the very robust levels seen during the frigid temperatures in 2018.

Bullish Factors

- Strong LNG exports
- Exports to Mexico
- Low storage levels

Bearish Factors

- Record NG production
- Warm weather forecasts
- Higher associated gas production



Next Day On-Peak Power (traded for 1/8/2019)

ISO-NE Mass Hub \$31.46	MISO Indiana Hub \$25.50	NYISO Zone G \$29.69
PJM West Hub \$25.42	ERCOT North \$24.75	CAISO SP15 \$48.08
NYMEX NG	Close	Change
Feb-19	2.944	-0.100
Mar-19	2.847	-0.058
12 Month	2.802	-0.004
Cal 20	2.622	0.008
Cal 21	2.659	0.001

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,725	2,773	3,348	3,372
Diff v. Current		-48	-623	-647
% Diff			-18.6%	-19.2%

