

Early Morning Update:

The Feb18 natural gas contract is trading up \$0.07 at \$3.20. The Feb18 crude contract is down \$0.13 at \$63.60.

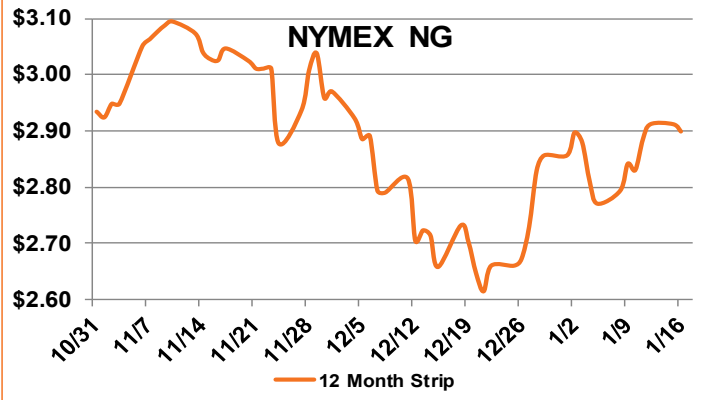
Summary: After the holiday weekend, the NYMEX February 2018 contract lost 7.1 cents yesterday, settling at \$3.129/MMBtu, on the back of warmer weather predicted by the National Weather Service. Recent changes to the 6-10 and 8-14 day outlooks show a stark reversal to the current U.S. weather pattern, predicting warm temperatures to blanket the entire East Coast, and cooler temperatures in the West. After nearly two years of relative stability in the index market, cold weather has incited higher year-over-year index power prices in ERCOT, NYISO, NEPOOL, PJM, and MISO for the first part of 2018. Around-the-clock day-ahead power for January 2018 has averaged \$44.37 for ERCOT North Hub (93% higher y-o-y), \$136.83 for NY Zone J (237% higher y-o-y), \$143.15 in NEPOOL Mass Hub (255% higher y-o-y), \$104.12 in PJM West Hub (233% higher y-o-y), and \$43.76 in MISO Michigan Hub (47% higher y-o-y). Warmer outlooks should help ease index power prices and future natural gas storage withdrawals, not only by decreasing demand, but also by increasing production levels that have faltered due to well freeze-offs.

Bullish Factors

- Low expected storage levels
- LNG exports ramping up
- Exports to Mexico at all-time high

Bearish Factors

- NG production at record levels
- Growing renewable energy generation
- Increased NG pipeline capacity



Next Day On-Peak Power (traded for 1/17/2018)

ISO-NE Mass Hub \$134.61	MISO Indiana Hub \$70.32	NYISO Zone G \$106.90
PJM West Hub \$111.98	ERCOT North \$77.50	CAISO SP15 \$44.19
NYMEX NG	Close	Change
Feb-18	3.129	-0.071
Mar-18	2.962	-0.031
12 Month	2.899	-0.013
Cal 19	2.806	-0.005
Cal 20	2.806	-0.014

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,767	3,126	3,182	3,149
Diff v. Current		-359	-415	-382
% Diff			-13.0%	-12.1%

