

Early Morning Update:

The Mar18 natural gas contract is trading down \$0.05 at \$2.79. The Mar18 crude contract is down \$0.35 at \$65.10.

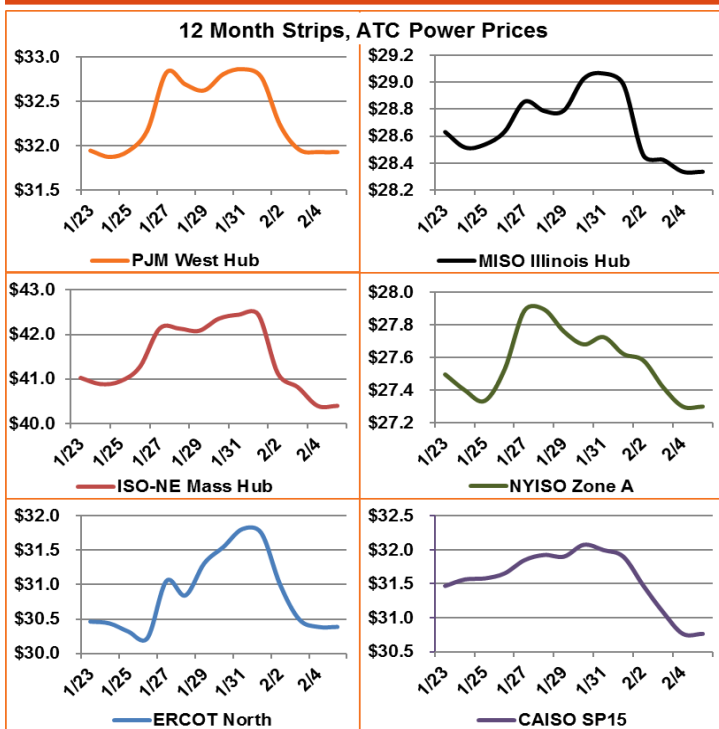
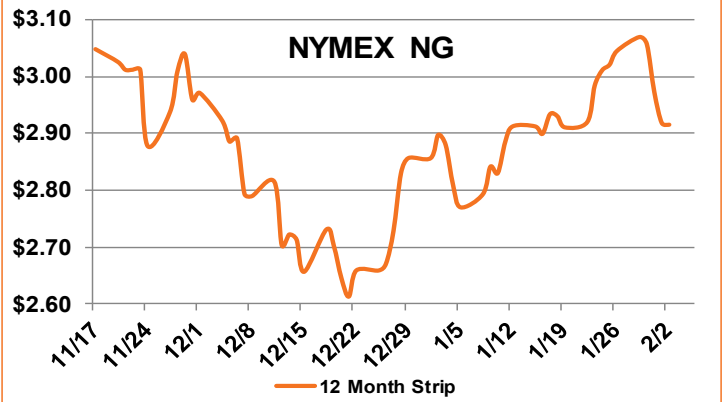
Summary: After trading as high as \$2.92 on Friday, the March natural gas futures contract settled back down to finish the week at \$2.846, down a penny day-over-day. Colder-than-normal temperatures across the middle of the country for the next 6-10 days is offering price support, but the cold wave is expected to give way to warmer-than-average temperatures in the 8-14 day outlook. With the warm-up on the horizon, and the anticipated slowdown of storage withdrawals accompanying it, the upside for natural gas prices seems limited. The March contract has been on a continuous downslide since debuting as the prompt month last week, losing almost \$0.35 so far. Total U.S. demand is projected to be at 107.5 Bcf/d today, up from 99.6 Bcf/d over the weekend due to the cold temps, and production has been stable at 78.0 Bcf/d. The eastern U.S. should see a boost in supply this week from three LNG carriers headed to Everett, Canaport, and Elba Island import terminals. However, this will be tempered by increased LNG exports at Cove Point.

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 2/5/2018)

| | | |
|-----------------------------------|------------------------------------|--------------------------------|
| ISO-NE Mass Hub \$72.00 | MISO Indiana Hub \$36.50 | NYISO Zone G \$41.35 |
| PJM West Hub \$42.58 | ERCOT North \$22.34 | CAISO SP15 \$28.11 |
| NYMEX NG | | |
| | Close | Change |
| Mar-18 | 2.846 | -0.010 |
| Apr-18 | 2.792 | -0.001 |
| 12 Month | 2.915 | -0.003 |
| Cal 19 | 2.835 | 0.005 |
| Cal 20 | 2.818 | 0.011 |

EIA Natural Gas Storage

| | | | | |
|-----------------------------------|------------------|------------------|------------------|--------------------|
| EIA Reported Storage (Bcf) | This Week | Last Week | Last Year | 5-Year Avg. |
| Total | 2,197 | 2,296 | 2,723 | 2,622 |
| Diff v. Current | | -99 | -526 | -425 |
| % Diff | | | -19.3% | -16.2% |

