

Early Morning Update:

The Mar18 natural gas contract is trading down \$0.03 at \$2.56. The Mar18 crude contract is down \$0.79 at \$58.40.

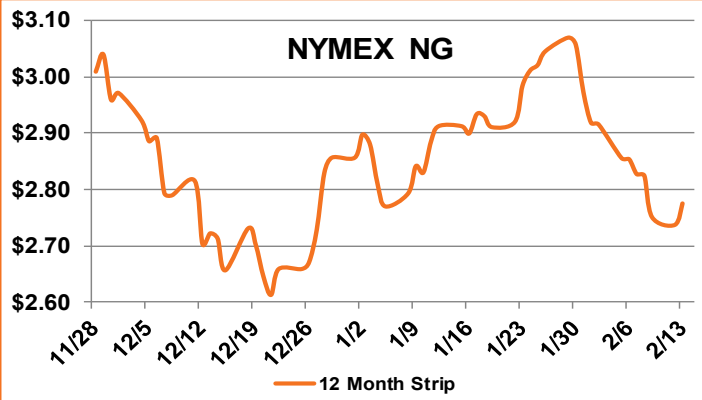
Summary: Prior to yesterday's 4.2 cent increase to \$2.594/MMBtu settlement, the March 2018 NG contract had lost 62 cents (19%) since debuting as prompt month on 1/30/18. Most analysts attributed yesterday's gain to the expectation of a large natural gas storage report this upcoming Thursday, estimated to be between mid-170s to low 180s, and minor changes to near-term weather outlooks; the national weather service modified their 8-14 day outlook slightly yesterday. Weather has been difficult to predict throughout this year's heating demand season, but since moving into the month of February, near-term fundamentals have been consistently bearish. Once again, record-setting natural gas production tempers the market, averaging 77.4 Bcf/d in February so far, and demand has subsided (averaging 99 Bcf/d so far in February) since setting a new record high on the first day of 2018 at 149.5 Bcf/d. Looking past this winter, the market expects supply to pick up pace, as very early estimates for end of Summer 2018 natural gas storage is 3.75 Tcf, only 79 Bcf shy of the 5 year average. Current natural gas storage levels are 2.078 Tcf, 393 Bcf lower than the 5-year average.

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 2/14/2018)

ISO-NE Mass Hub \$29.61	MISO Indiana Hub \$25.00	NYISO Zone G \$27.84
PJM West Hub \$25.03	ERCOT North \$21.05	CAISO SP15 \$37.86
NYMEX NG	Close	Change
Mar-18	2.594	0.042
Apr-18	2.623	0.044
12 Month	2.776	0.038
Cal 19	2.777	0.013
Cal 20	2.771	0.003

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,078	2,197	2,581	2,471
Diff v. Current		-119	-503	-393
% Diff			-19.5%	-15.9%

