

Early Morning Update:

The Mar17 natural gas contract is trading down \$0.01 at \$2.92.
The Mar17 crude contract is up \$0.29 at \$53.40.

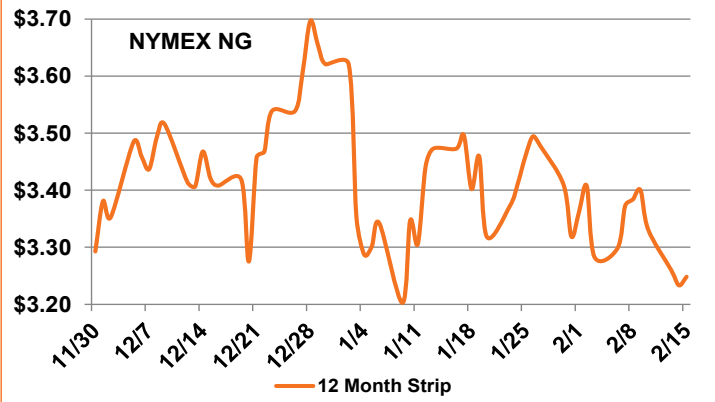
Summary: On Wednesday morning, prompt natural gas prices traded up nearly nine cents as weather forecasts turned cooler for the 8-14 day period. Despite the cooler weather outlook for next week, warmer conditions are expected to bring spring-like weather to the northern tier of the U.S. this weekend, which helped to negate any upward price momentum. The Mar17 contract relinquished most of the intraday gains during the trading session to close up a mere two cents at \$2.925/MMBtu. Recently, near-term gas has been trading in lockstep with weather updates, as traders view end-of-season storage projections that seem to mirror the 5-year average. Though rig counts have been increasing, production continues to hover near 70 Bcf/day. Natural gas prices for the balance of 2017 and 2018 are elevated compared to the longer-term strips, as projections for NG storage are expected to drop below the 5-year average leading into next winter. As for the longer-term strips, calendars 2019-2023 are converging within a three cent range between \$2.84 and \$2.87. The market is expecting a 128 Bcf withdrawal when the EIA releases the weekly storage report later this morning.

Bullish Factors

- Stagnant production
- Exports to Mexico at record high
- Growing LNG exports

Bearish Factors

- Warming weather forecasts
- Producer hedging
- Less coal-to-gas switching



Next Day On-Peak Power (traded for 2/16/2017)

ISO-NE Mass Hub \$33.62	MISO Indiana Hub \$29.51	NYISO Zone G \$35.57
PJM West Hub \$33.31	ERCOT North \$22.50	CAISO SP15 \$29.16
NYMEX NG		
	Close	Change
Mar-17	2.925	0.020
Apr-17	3.037	0.032
12 Month	3.248	0.015
Bal 17	3.197	0.019
Cal 18	3.032	-0.014

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,559	2,711	2,884	2,514
Diff v. Current		-152 (-147)	-325	45
% Diff			-11.3%	1.8%

