

Early Morning Update:

The Jun17 natural gas contract is trading flat to yesterday's settle at \$3.19. The Jun17 crude contract is up \$0.24 at \$47.90.

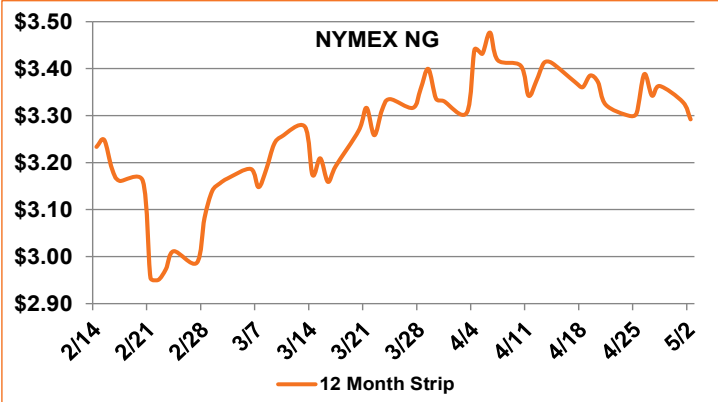
Summary: The June 2017 NYMEX natural gas contract lost another two cents yesterday to settle at \$3.195/MMBtu, as traders consider the below-average temperatures forecasted for much of the eastern U.S in the near-term. Below-average temperatures could cause late season heating demand in the North, but delay cooling demand in the South, and traders are struggling to find equilibrium in the market. The near-term forecasts for below-average temperatures in the East and above-average temperatures in the Northwest are a reversal from April 2017 weather patterns, which was the warmest on record dating back to 1950, in terms of gas-weighted heating degree days (264), and accounted for a 20.7% decrease in heating-related natural gas demand year-over-year. As for supplies, U.S. dry natural gas production remains stagnant, averaging almost 71 Bcf/d over the last 7 days, which is 1.8 Bcf/d lower than for the same period last year.

Bullish Factors

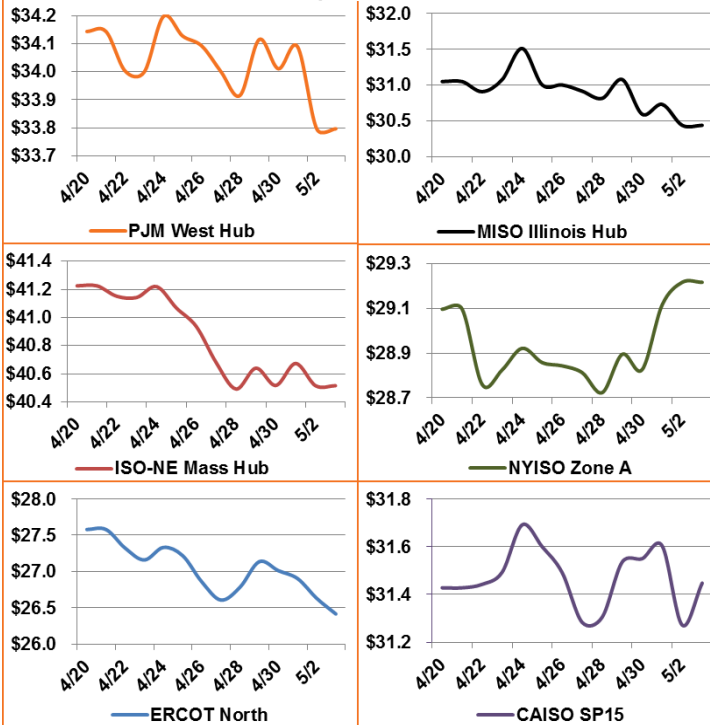
- Stagnant production
- Exports to Mexico at record high
- Growing LNG exports

Bearish Factors

- Power burn down year-over-year
- Producer hedging
- Less coal-to-gas switching



12 Month Strips, ATC Power Prices



Next Day On-Peak Power (traded for 5/3/2017)

| | | |
|-----------------------------------|------------------------------------|--------------------------------|
| ISO-NE Mass Hub \$32.03 | MISO Indiana Hub \$33.76 | NYISO Zone G \$31.72 |
| PJM West Hub \$30.19 | ERCOT North \$21.76 | CAISO SP15 \$42.36 |
| NYMEX NG | Close | Change |
| Jun-17 | 3.195 | -0.020 |
| Jul-17 | 3.274 | -0.019 |
| 12 Month | 3.292 | -0.012 |
| Cal 18 | 3.074 | -0.009 |
| Cal 19 | 2.869 | -0.005 |

EIA Natural Gas Storage

| | | | | |
|-----------------------------------|------------------|------------------|------------------|--------------------|
| EIA Reported Storage (Bcf) | This Week | Last Week | Last Year | 5-Year Avg. |
| Total | 2,189 | 2,115 | 2,547 | 1,890 |
| Diff v. Current | | 74 | -358 | 299 |
| % Diff | | | -14.1% | 15.8% |

