

Early Morning Update:

The Jun17 natural gas contract is trading up \$0.03 at \$3.20. The Jun17 crude contract is down \$0.18 at \$46.25.

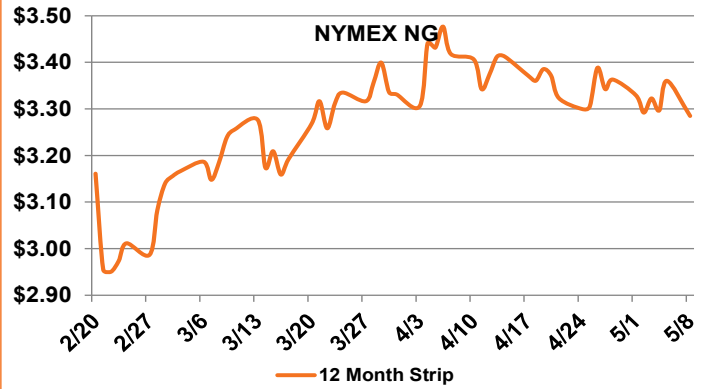
Summary: The natural gas prompt month had its biggest decline in almost two months yesterday, as traders, looking ahead at a weather warm-up, considered the rally on Friday to be overblown. The Jun17 natural gas contract lost 9.4 cents in this week's opening session, settling at \$3.172/MMBtu, and more than erasing the gains made at the end of last week. Weather forecasts for the next two weeks show below-normal temperatures confined to the western half of the country, while above-normal temperatures spread from the middle of the U.S. to cover the entire eastern half. Dry natural gas production has been steadily growing, as well, increasing 1.3 Bcf/d over the past week. So far this spring, we've seen production lagging, resulting in a tightening of the supply/demand balance. Managed money has been increasing their bets to record levels on higher prices, but we could see a sharp downturn if production continues to improve and demand is restrained. The biggest question remains: how hot will it get this summer?

Bullish Factors

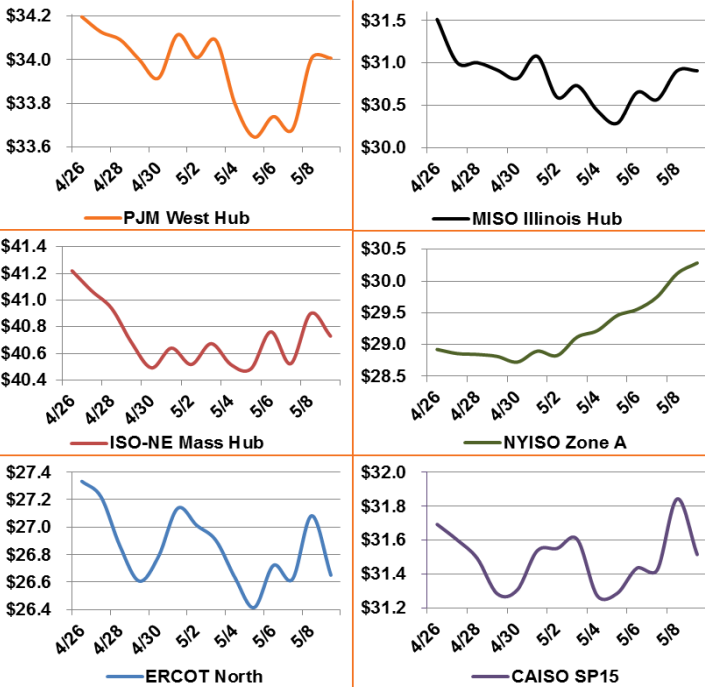
- Stagnant production
- Exports to Mexico at record high
- Growing LNG exports

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 5/9/2017)

ISO-NE Mass Hub \$31.69	MISO Indiana Hub \$35.25	NYISO Zone G \$33.27
PJM West Hub \$34.87	ERCOT North \$24.42	CAISO SP15 \$34.17

NYMEX NG	Close	Change
Jun-17	3.172	-0.094
Jul-17	3.257	-0.093
12 Month	3.285	-0.076
Cal 18	3.072	-0.039
Cal 19	2.866	-0.027

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,256	2,189	2,615	1,953
Diff v. Current		67	-359	303
% Diff			-13.7%	15.5%

