

Early Morning Update:

The Jun18 natural gas contract is trading up \$0.01 at \$2.74. The Jun18 crude contract is up \$1.64 at \$70.70.

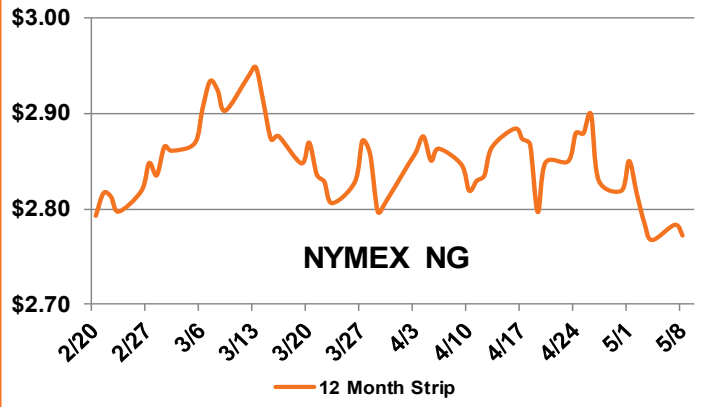
Summary: After trading in a range of \$2.706 to \$2.773, searching for direction, the June NG NYMEX contract settled at \$2.732/MMBtu yesterday, 0.9 cents lower than Monday's settlement. U.S. natural gas demand has fallen precipitously since last month and dry gas production levels have averaged 78.2 Bcf/d so far in May, which should allow for recovery of the current 40% natural gas y-o-y storage deficit. Near-term downside could be limited, as many summer outlooks call for early heat, and the National Weather Service's 6-10 and 8-14 day outlooks were both revised yesterday, indicating a greater probability for warmer-than-normal temperatures to blanket nearly the entire United States. Many of the country's large demand centers are expected to average in the high 70s/low 80s over the next few weeks, with Washington D.C. reaching 93 degrees on Saturday, a 15 degree departure from normal. We could see higher power burns, natural gas demand for electricity generation, as a result. Longer-term calendar strip prices were slightly lower yesterday, calendars 2012-2021 trading below \$2.70/MMBtu. Calendars 2020-2022 set new all-time trading lows at \$2.65, \$2.67, and \$2.72, respectively.

Bullish Factors

- Run-up to summer
- LNG exports ramping up
- Exports to Mexico at all-time high

Bearish Factors

- NG production at record levels
- Growing renewable energy generation



Next Day On-Peak Power (traded for 5/9/2018)

ISO-NE Mass Hub \$25.24	MISO Indiana Hub \$35.63	NYISO Zone G \$30.55
PJM West Hub \$38.33	ERCOT North \$36.41	CAISO SP15 \$28.05
NYMEX NG		Change
Jun-18	2.732	-0.009
Jul-18	2.760	-0.007
12 Month	2.772	-0.011
Cal 19	2.672	-0.022
Cal 20	2.652	-0.038

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	1,343	1,281	2,246	1,878
Diff v. Current		62	-903	-534
% Diff			-40.2%	-28.4%

