

Early Morning Update:

The Jun17 natural gas contract is trading up \$0.04 at \$3.23. The Jun17 crude contract is down \$0.67 at \$48.40.

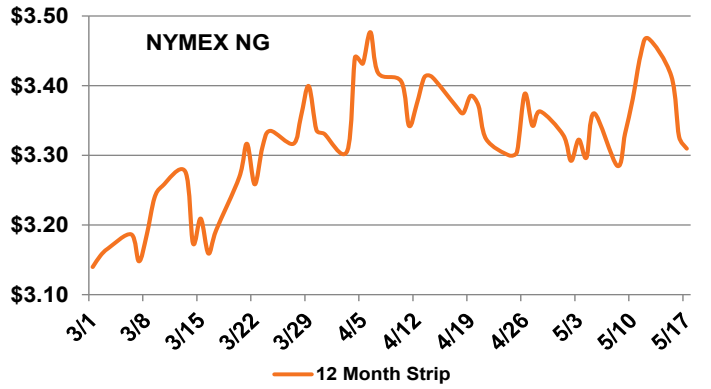
Summary: Cooler weather forecasts continue to put downward pressure on natural gas prices, as the prompt month has fallen in the last three consecutive sessions. The Jun17 NYMEX contract dropped another 3.8 cents on Wednesday, settling at \$3.192/MMBtu. After climbing 25 cents from Tuesday through Friday last week, gas prices have already fallen 23 cents this week, almost erasing last week's gains. The 2019-2023 calendar strips edged up slightly yesterday, while 2018 remained relatively flat. At a time of year when the market is usually gearing up for the onset of significantly increased cooling demand, traders were selling off positions in the likelihood that demand for natural gas will be tempered. Despite a taste of summer this week along the East Coast, temperatures for a majority of the country are forecasted to dip below normal over the next two weeks. Meanwhile, below-average storage injections are projected to continue for the next few weeks, as production continues to stagnate. The estimate for the storage build for the week to May 12 is 58 Bcf, which is bullish compared to the 71 Bcf injection seen last year for the same week, as well as the 87 Bcf five-year average.

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



Next Day On-Peak Power (traded for 5/18/2017)

ISO-NE Mass Hub \$61.15	MISO Indiana Hub \$47.26	NYISO Zone G \$54.50
PJM West Hub \$63.68	ERCOT North \$24.89	CAISO SP15 \$29.56
NYMEX NG	Close	Change
Jun-17	3.192	-0.038
Jul-17	3.283	-0.032
12 Month	3.309	-0.017
Cal 18	3.088	-0.001
Cal 19	2.872	0.013

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,301	2,256	2,673	2,026
Diff v. Current		45	-372	275
% Diff			-13.9%	13.6%

