

Early Morning Update:

The Jun17 natural gas contract is trading flat to yesterday's close at \$3.18. The Jul17 crude contract is down \$0.30 at \$48.60.

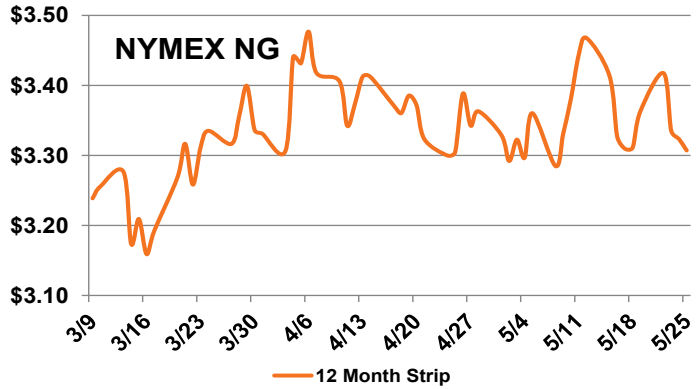
Summary: Natural gas prices fell for the third straight day yesterday, after the U.S. Energy Information Administration reported that storage stockpiles grew more than expected for the week to May 19. The market had anticipated a storage increase of 68-72 Bcf, but EIA data showed a 75 Bcf injection for the reporting week. Total storage levels now stand at 2,444 Bcf, 371 Bcf (13%) below last year at this time, and 241 Bcf (11%) above the five-year average. The prompt month fell 2.5 cents on Thursday, settling at \$3.184/MMBtu, and is down almost 5% since Monday. There is plenty of upside potential for natural gas prices, as warmer-than-normal temperatures return to large portions of the country in early June and the slow pace of storage-building is expected to continue. The next three storage injections are projected to be 75-80 Bcf less than the five-year average, and the current surplus is expected to revert to a deficit by September. Analysts are envisioning an end-of-season storage level of 3.6-3.7 Tcf, far below last year's all-time high of 4,047 Bcf, as well as the 3,873 Bcf average storage level before winter withdrawals begin.

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 5/26/2017)

ISO-NE Mass Hub \$27.75	MISO Indiana Hub \$33.15	NYISO Zone G \$27.14
PJM West Hub \$30.27	ERCOT North \$37.79	CAISO SP15 \$22.50
NYMEX NG	Close	Change
Jun-17	3.184	-0.025
Jul-17	3.275	-0.025
12 Month	3.307	-0.017
Cal 18	3.095	0.000
Cal 19	2.866	0.008

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,444	2,369	2,815	2,203
Diff v. Current		75	-371	241
% Diff			-13.2%	10.9%

