

Early Morning Update:

The Jul17 natural gas contract is trading down \$0.02 at \$3.13.
The Jul17 crude contract is down \$1.31 at \$48.35.

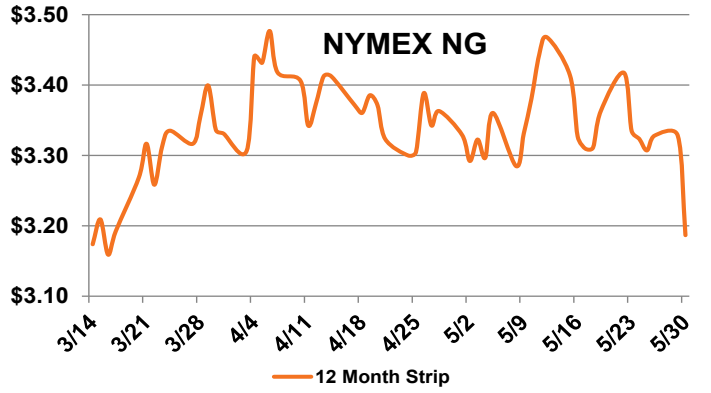
Summary: On its first day of prompt month trading, the July 2017 NYMEX natural gas contract plummeted 9.1 cents, settling at \$3.145/MMBtu yesterday. Weather, production, and managed money are in the driver's seat, steering near-term natural gas price movements. Over the holiday weekend, weather vendors changed their tune for bullish June outlooks and released more moderate, cooler revisions for the eastern half of the country through the middle of June. Additionally, U.S. dry natural gas production hit year-to-date highs at 71.9 Bcf/d on Saturday and Sunday, 1.8 Bcf/d lower than the 73.7 Bcf/d all-time high. Managed money may have predicted this weeks' downturn as the CFTC reported a decrease in net long positions last week. Turning attention to the long term, PJM posted the results of the base residual auction for the 2020/2021 capacity year last week. Two Exelon nuclear power plants failed to clear the auction and are at risk of early retirement, which could lead to additional natural gas demand for power generation in the future. Despite this news, longer-term contracts (calendar strips 2019-2023) are, on average, 13.7 cents off their lowest points.

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 5/31/2017)

ISO-NE Mass Hub \$25.39	MISO Indiana Hub \$29.94	NYISO Zone G \$25.20
PJM West Hub \$29.17	ERCOT North \$29.00	CAISO SP15 \$29.84
NYMEX NG	Close	Change
Jul-17	3.145	-0.165
Aug-17	3.181	-0.164
12 Month	3.187	-0.115
Cal 18	3.054	-0.052
Cal 19	2.858	-0.002

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%

