

Early Morning Update:

The Jul17 natural gas contract is trading up \$0.04 at \$3.11. The Jul17 crude contract is up \$0.08 at \$48.40.

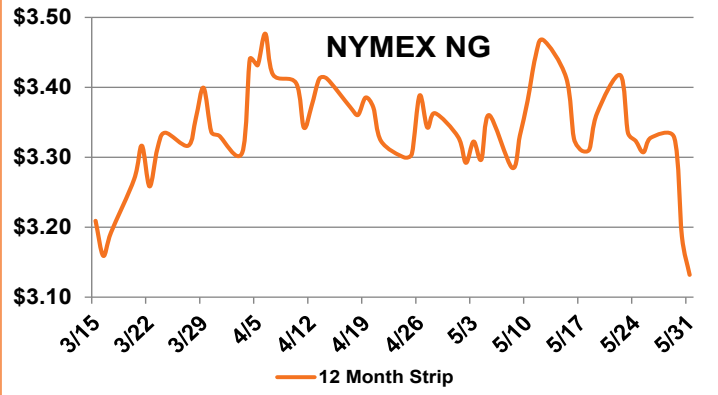
Summary: Cooler weather and steady production continue to weigh heavily on natural gas prices, as the prompt month sunk lower on Wednesday. The NYMEX natural gas contract for July deliveries dropped another 7.4 cents yesterday, settling at \$3.071/MMBtu, having fallen more than 5% (16.5 cents) in just two days of trading since the Memorial Day holiday. Associated gas from oil rigs is expected to put further pressure on prices, with the number of working rigs doubling from a year ago. The cooler temperatures and resulting lower demand, along with continually improving natural gas production, should help improve the pace of storage building in the weeks to come, but not before a below-average injection is reported this morning by the U.S. Energy Information Administration. Bentek's Supply and Demand Daily report is estimating a 71 Bcf growth in storage inventories for the week to May 26, which is bullish compared to the 80 Bcf build seen last year for the same week, as well as the 97 Bcf five-year average.

Bullish Factors

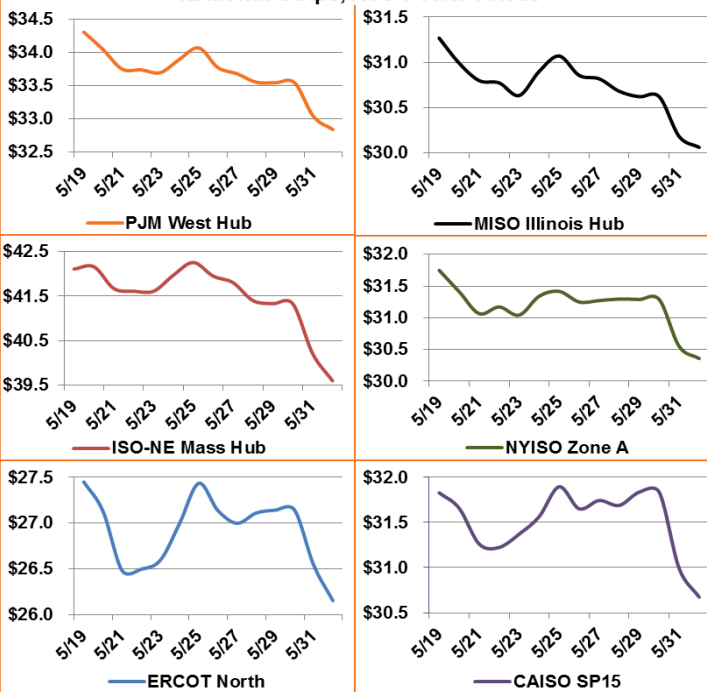
- Stagnant production
- Exports to Mexico at record high
- Growing LNG exports

Bearish Factors

- Power burn down year-over-year
- Producer hedging
- Less coal-to-gas switching



12 Month Strips, ATC Power Prices



Next Day On-Peak Power (traded for 6/1/2017)

ISO-NE Mass Hub \$23.11	MISO Indiana Hub \$32.50	NYISO Zone G \$25.82
PJM West Hub \$28.41	ERCOT North \$27.00	CAISO SP15 \$30.52
NYMEX NG	Close	Change
Jul-17	3.071	-0.074
Aug-17	3.109	-0.072
12 Month	3.132	-0.055
Cal 18	3.027	-0.027
Cal 19	2.842	-0.016

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%

