

Early Morning Update:

The Jul17 natural gas contract is trading up \$0.06 at \$3.04. The Jul17 crude contract is down \$0.20 at \$47.20.

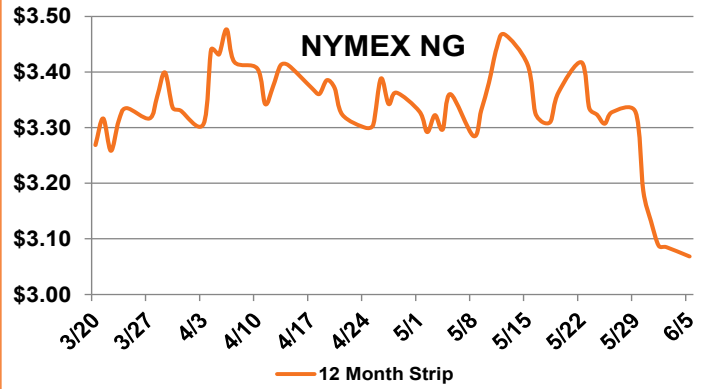
Summary: Natural gas continued its five-day slump yesterday, as July futures lost 1.7 cents to settle at \$2.982/MMBtu. This is the lowest prompt month settlement price since March, with prices falling nearly 8% in the same five-day period. Bullish bets have been losing steam, with cooler-than-normal weather slashing power burn by 15%, and cooling related demand by nearly 20% of last year's numbers. A warm-up along the East Coast in the eight-to-fourteen day forecast could decelerate the higher than historical injections into natural gas storage over the coming weeks, but strong rig counts and motivated producers may bolster the recently stagnant production levels. While demand has been lagging as of late, future pulls on U.S. natural gas stores are expected to increase over 11 Bcf/d in the next decade. Global LNG exports account for the majority of the rise, at nearly 10 Bcf/d, and exports to Mexico are projected to tick up by nearly 2 Bcf/d.

Bullish Factors

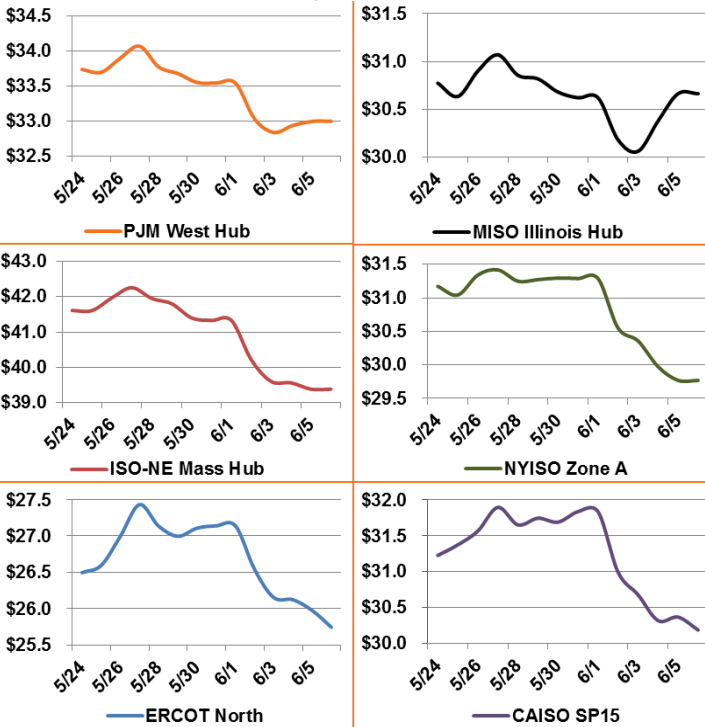
- Stagnant production
- Exports to Mexico at record high
- Growing LNG exports

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 6/6/2017)

ISO-NE Mass Hub \$23.01	MISO Indiana Hub \$31.96	NYISO Zone G \$23.88
PJM West Hub \$27.50	ERCOT North \$26.95	CAISO SP15 \$33.22
NYMEX NG	Close	Change
Jul-17	2.982	-0.017
Aug-17	3.024	-0.017
12 Month	3.068	-0.017
Cal 18	3.003	-0.013
Cal 19	2.853	-0.009

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,525	2,444	2,895	2,300
Diff v. Current		81	-370	225
% Diff			-12.8%	9.8%

