

**Early Morning Update:**

The Aug18 natural gas contract is trading down \$0.01 at \$2.85. The Aug18 crude contract is up \$0.10 at \$73.90.

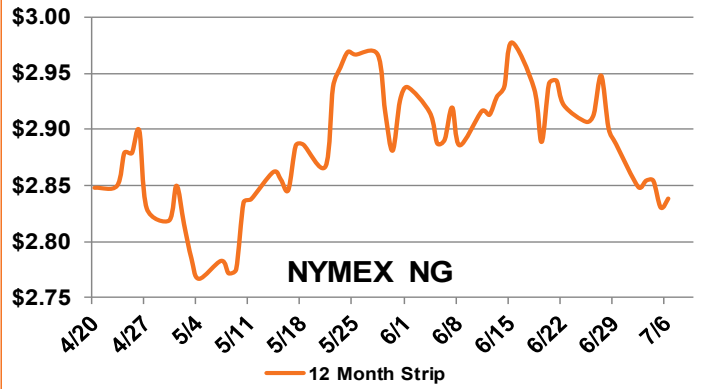
**Summary:** On Friday, the August 2018 NYMEX natural gas futures price finished up 2.1 cents on the day to settle at \$2.858/MMBtu. This increase in the prompt month came after the U.S. Energy Information Administration reported a larger injection into natural storage than was expected for the week ending June 29. Storage inventories grew by 78 Bcf, which was greater than the 75 Bcf the market had estimated, the 70 Bcf five-year average, and much larger than the 60 Bcf build seen last year for the same week. On Sunday, total U.S. dry production hit a new record of 81.0 Bcf/d. After flirting with the \$3.00/MMBtu technical level last month, prompt month pricing has eased, with expectations for continued record-setting U.S. production levels and moderating temperatures. With the recent heat, specifically in the Northeast and Midwest, major demand centers for natural gas, cooling demand has bolstered power burn levels, which are up about 23% versus last year.

**Bullish Factors**

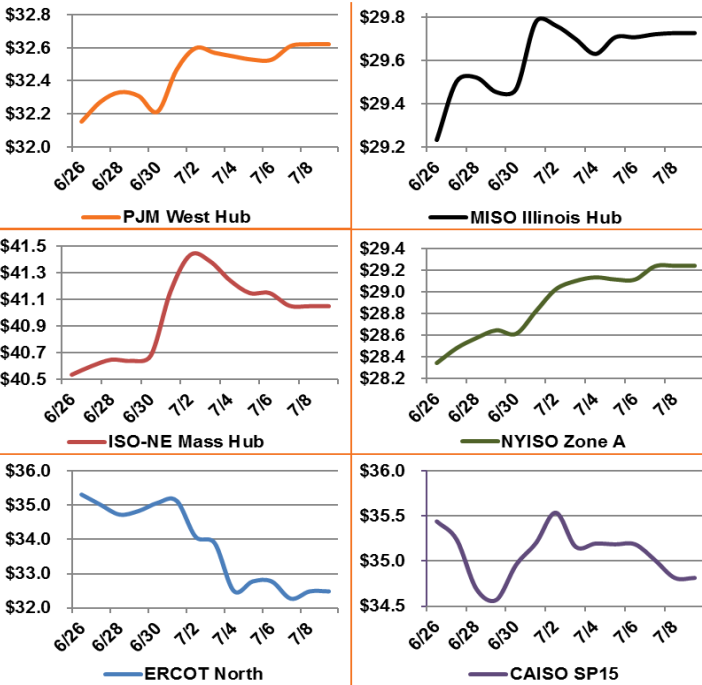
- High power burns
- LNG exports ramping up
- Warmer-than-normal weather

**Bearish Factors**

- Strong NG production
- Growing renewable energy generation



**12 Month Strips, ATC Power Prices**



**Next Day On-Peak Power (traded for 7/9/2018)**

|                                   |                                    |                                |
|-----------------------------------|------------------------------------|--------------------------------|
| <b>ISO-NE Mass Hub</b><br>\$39.42 | <b>MISO Indiana Hub</b><br>\$41.49 | <b>NYISO Zone G</b><br>\$36.97 |
| <b>PJM West Hub</b><br>\$37.52    | <b>ERCOT North</b><br>\$34.69      | <b>CAISO SP15</b><br>\$49.35   |
| <b>NYMEX NG</b>                   | <b>Close</b>                       | <b>Change</b>                  |
| Aug-18                            | 2.858                              | 0.021                          |
| Sep-18                            | 2.826                              | 0.014                          |
| 12 Month                          | 2.838                              | 0.008                          |
| Cal 19                            | 2.782                              | 0.003                          |
| Cal 20                            | 2.674                              | 0.001                          |

**EIA Natural Gas Storage**

|                                   |                  |                  |                  |                    |
|-----------------------------------|------------------|------------------|------------------|--------------------|
| <b>EIA Reported Storage (Bcf)</b> | <b>This Week</b> | <b>Last Week</b> | <b>Last Year</b> | <b>5-Year Avg.</b> |
| <b>Total</b>                      | 2,152            | 2,074            | 2,869            | 2,645              |
| <b>Diff v. Current</b>            |                  | 78               | -717             | -493               |
| <b>% Diff</b>                     |                  |                  | -25.0%           | -18.6%             |

