

Early Morning Update:

The Aug17 natural gas contract is trading up \$0.06 at \$2.92. The Aug17 crude contract is up \$0.07 at \$44.30.

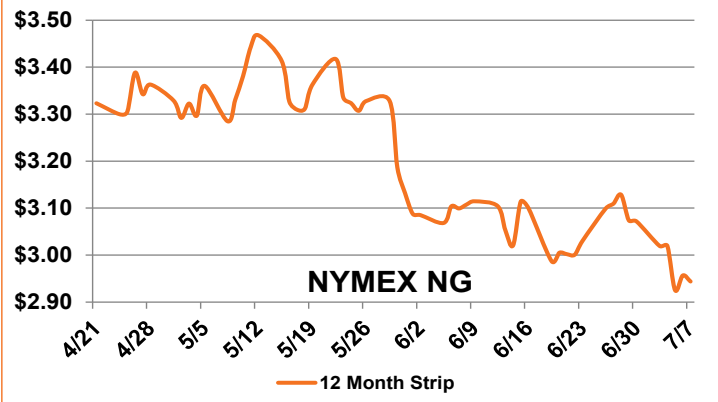
Summary: The NYMEX natural gas futures price for August ended Friday's trading session 2.4 cents lower at \$2.864/MMBtu. This price decline came after a morning of gains, reaching its peak price at \$2.947/MMBtu. Prices retreated throughout the day, following a bearish storage report, which was delayed a day because of the Fourth of July holiday. The EIA reported a storage build of 72 Bcf into natural gas inventories, which was above market expectations of 65-66 Bcf. This injection was much higher than last year's build of 38 Bcf, and surpassed the 66 Bcf five-year average. Another bearish fundamental to support the price declines is the changes in weather forecasts. Demand for power generation is expected to weaken, as most of the eastern states are expected to see moderate temperatures, while the western half of the country continues to see extreme heat. Production slipped from its 2017 high of 72.5 Bcf/d to average 71.0 Bcf/d over the past six days. However, Marcellus shale gas production totaled 19.32 Bcf/d in June, and the EIA is projecting an increase of about 0.5% this month. The market is also seeing some support from money managers, who increased their long position by 11,617 contracts in the week to July 3, according to the CFC.

Bullish Factors

- Slow-growing production
- Exports to Mexico at record high
- Growing LNG exports

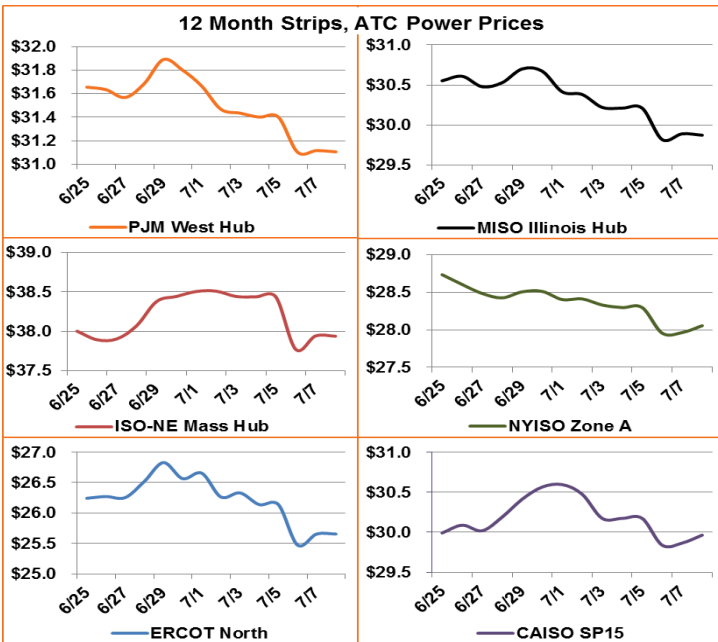
Bearish Factors

- Power burn down year-over-year
- Increased renewable energy generation
- Producer hedging



Next Day On-Peak Power (traded for 7/10/2017)

ISO-NE Mass Hub \$34.25	MISO Indiana Hub \$28.09 7/8/17	NYISO Zone G \$28.43 7/8/17
PJM West Hub \$32.81	ERCOT North \$36.09 7/8/17	CAISO SP15 \$42.69
NYMEX NG	Close	Change
Aug-17	2.864	-0.024
Sep-17	2.857	-0.024
12 Month	2.944	-0.013
Cal 18	2.914	-0.003
Cal 19	2.798	-0.002



EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,888	2,816	3,173	2,701
Diff v. Current		72	-285	187
% Diff			-9.0%	6.9%

