

Early Morning Update:

The Aug17 natural gas contract is trading up \$0.03 at \$2.93. The Sep17 crude contract is up \$0.96 at \$47.30.

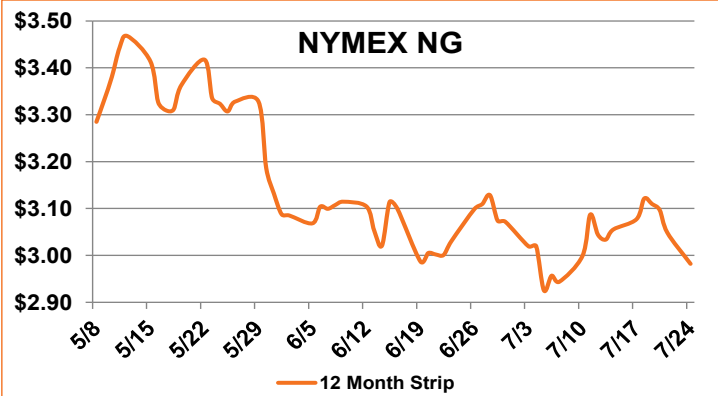
Summary: Falling to two-week lows, the August prompt month slid another 7.1 cents to settle at \$2.899/MMBtu on Monday. Calendar strips 2021 through 2023 followed suit, and set fresh all-time lows yesterday at \$2.767, \$2.798, and \$2.848, respectively. Bearish fundamentals are headlined by the mild turn in weather for the next two weeks, with all but the West Coast sitting at or below average temperatures. The demand forecast through the first week in August is around 74.1 Bcf/d, nearly a 10% reduction compared to the hottest days last week. Production has eclipsed 2016 values for this time last year, as nationwide numbers creep close to 73 Bcf/d. In particular, Northeast production is leading the way, averaging 24.5 Bcf/d so far for July, which is more than a 2.0 Bcf/d year-over-year increase. This week's storage is expected to be below average, but with strong production and suppressed demand, the next few weeks may have a more rosy outlook.

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 7/25/2017)

ISO-NE Mass Hub \$25.97	MISO Indiana Hub \$33.50	NYISO Zone G \$30.60
PJM West Hub \$29.93	ERCOT North \$35.29	CAISO SP15 \$43.91
NYMEX NG	Close	Change
Aug-17	2.899	-0.071
Sep-17	2.882	-0.079
12 Month	2.982	-0.066
Cal 18	2.948	-0.056
Cal 19	2.784	-0.042

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,973	2,945	3,272	2,832
Diff v. Current		28	-299	141
% Diff			-9.1%	5.0%

