

Early Morning Update:

The Aug18 natural gas contract is flat at \$2.86. The Aug18 crude contract is up \$0.86 at \$74.80.

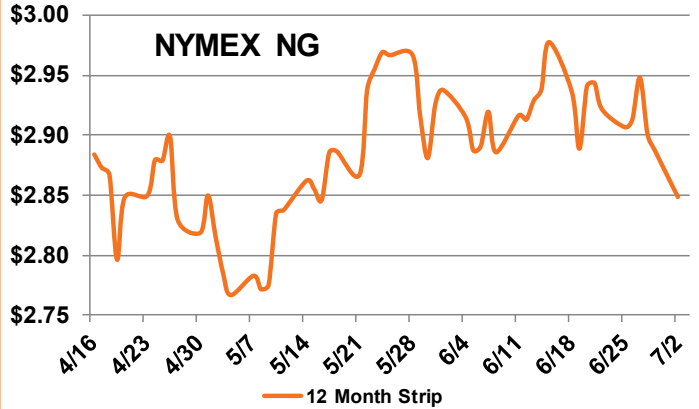
Summary: The natural gas market softened on the week's first day of trading, losing steam on another day of record production. The August prompt moth dropped 6 cents to \$2.862, the 12-month strip lost nearly 4 cents to \$2.848, 2019 went down by 2 cents to \$2.782, and 2020 slightly dipped less than a cent to \$2.691. Production ended up at 80.7 bcf yesterday, a new all-time high, and 0.3 bcf higher than the previous day's record. Strong production is expected to carry through the next two weeks, at an average of 80 bcf/d, which is about a 10% increase from last July. Demand also remains strong, nearly solely fueled by a 7 bcf/d year-over-year increase in power burn and 50% increase in LNG exports. Weather looks to moderate after this week, with more normal temperatures expected in the Midwest and East Coast through the third week in July. The West Coast, however, will be starting to heat up and will see moderately above normal temperatures throughout the 20-day forecast.

Bullish Factors

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

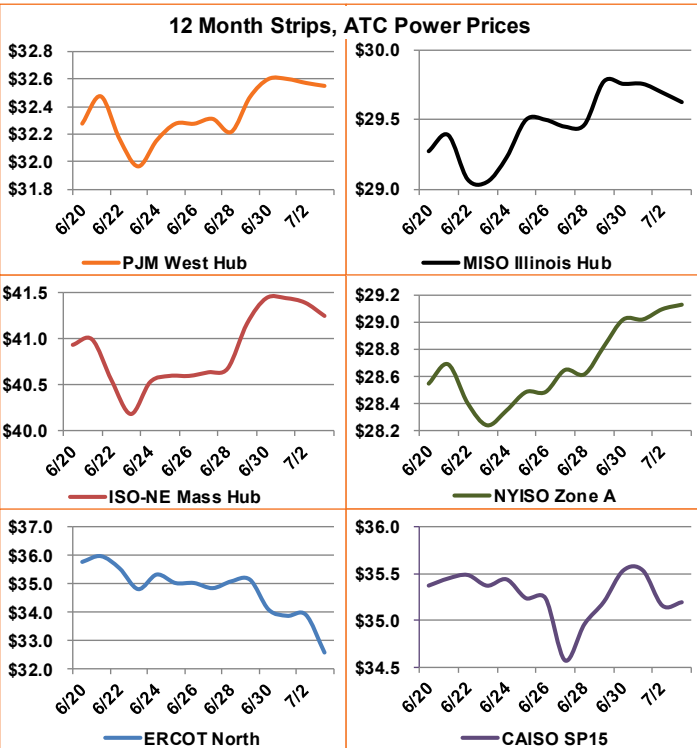
Bearish Factors

- Strong NG production
- Growing renewable energy generation
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Next Day On-Peak Power (traded for 7/3/2018)

ISO-NE Mass Hub \$59.85	MISO Indiana Hub \$45.02	NYISO Zone G \$60.50
PJM West Hub \$64.49	ERCOT North \$51.36	CAISO SP15 \$33.28
NYMEX NG	Close	Change
Aug-18	2.862	-0.062
Sep-18	2.844	-0.057
12 Month	2.848	-0.038
Cal 19	2.782	-0.024
Cal 20	2.677	-0.005



EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,074	2,008	2,809	2,575
Diff v. Current		66	-735	-501
% Diff			-26.2%	-19.5%

