

Early Morning Update:

The Sep18 natural gas contract is trading down \$0.01 at \$2.77. The Sep18 crude contract is down \$1.11 at \$67.65.

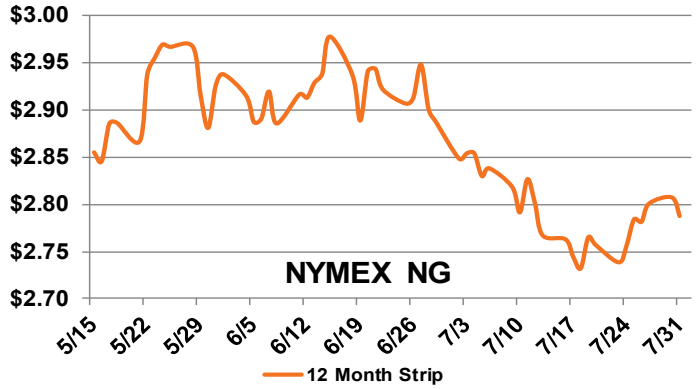
Summary: As U.S. dry production hit a fresh all-time high yesterday, warmer-than-normal weather outlooks failed to push natural gas prices higher, with the September '18 NYMEX contract settling at \$2.782/MMBtu, down 1.5 cents. After reaching a record 41.5 Bcf/d on Monday, production continued to climb on Tuesday, reaching a new high of 81.9 Bcf/d. Strong production appears to be keeping a lid on gas prices, with the prompt month remaining relatively stable amid other bullish fundamentals. Despite some temperature relief in the West, forecasts show the rest of the country heating up over the next two weeks, with exceptionally hot weather in the Northeast, across the Great Lakes, and into the Midcontinent region. The hot weather had led to record-breaking power burns in July, yet, still, the prompt month has been unable to remain above \$3.00 for any significant length of time since January. More recently, the natural gas front contract has been rangebound between \$2.70 and \$3.00, unable to show a distinct inclination.

Bullish Factors

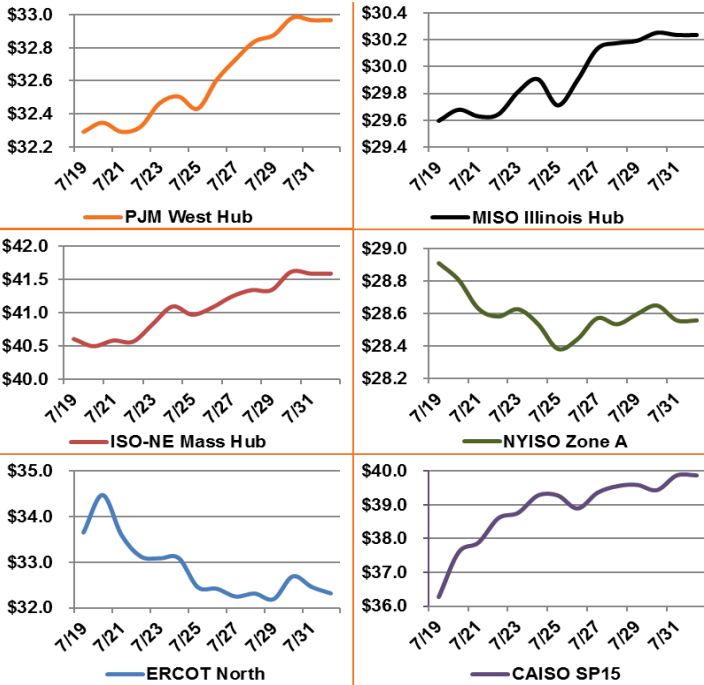
- High power burns
- LNG exports ramping up
- Warmer-than-normal weather

Bearish Factors

- Record NG production
- Growing renewable energy generation
- Higher associated gas production



12 Month Strips, ATC Power Prices



Next Day On-Peak Power (traded for 8/1/2018)

ISO-NE Mass Hub \$36.49	MISO Indiana Hub \$33.10	NYISO Zone G \$41.85
PJM West Hub \$36.86	ERCOT North \$41.94	CAISO SP15 \$88.33
NYMEX NG	Close	Change
Sep-18	2.782	-0.015
Oct-18	2.798	-0.019
12 Month	2.788	-0.020
Cal 19	2.744	-0.018
Cal 20	2.631	-0.004

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,273	2,249	2,978	2,830
Diff v. Current		24	-705	-557
% Diff			-23.7%	-19.7%

