

Early Morning Update:

The Sep18 natural gas contract is trading up \$0.01 at \$2.77. The Sep18 crude contract is down \$0.31 at \$67.35.

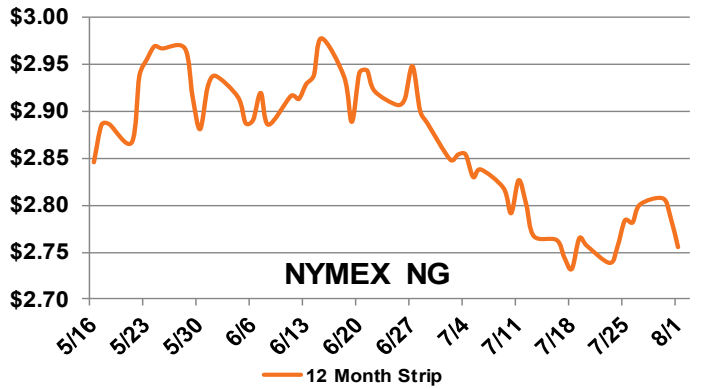
Summary: The September NYMEX natural gas futures contract continued its descent for the third straight day yesterday, settling at \$2.758/MMBtu after losing 2.4 cents. The 2020 calendar strip reached its lowest level ever on Wednesday, as well, settling at \$2.60. Normal temperatures have been creeping into weather outlooks in the Southeast and Midcontinent, offering some possible respite from the hot weather which has been pushing power burns to record levels. A survey of market analysts shows an expectation of a 45 Bcf injection to be reported by the U.S. Energy Information Administration this morning for the week ending July 27. Despite current storage levels being at a 20% deficit to the five-year average, the market does not seem too concerned with end-of-season natural gas inventory levels. Record production should lead to higher storage builds in August and September, thus narrowing the historical deficiency. The market is projecting storage stockpiles to be around 3.47 Tcf before winter withdrawals begin.

Bullish Factors

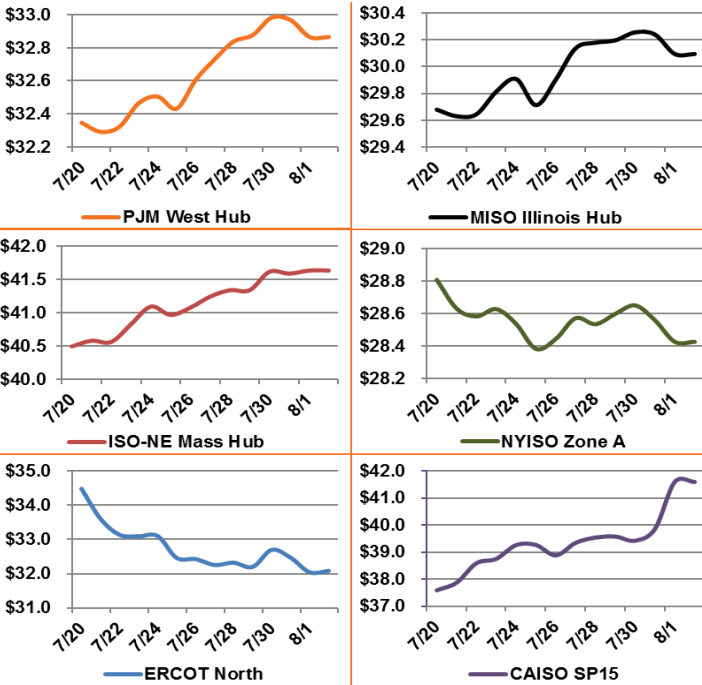
- High power burns
- LNG exports ramping up
- Warmer-than-normal weather

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 8/2/2018)

ISO-NE Mass Hub \$48.97	MISO Indiana Hub \$34.82	NYISO Zone G \$46.10
PJM West Hub \$39.34	ERCOT North \$41.87	CAISO SP15 \$90.00
NYMEX NG	Close	Change
Sep-18	2.758	-0.024
Oct-18	2.770	-0.028
12 Month	2.756	-0.032
Cal 19	2.711	-0.033
Cal 20	2.600	-0.031

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%

