

Early Morning Update:

The Sep18 natural gas contract is trading flat to Friday's close at \$2.85. The Sep18 crude contract is up \$0.51 at \$69.00.

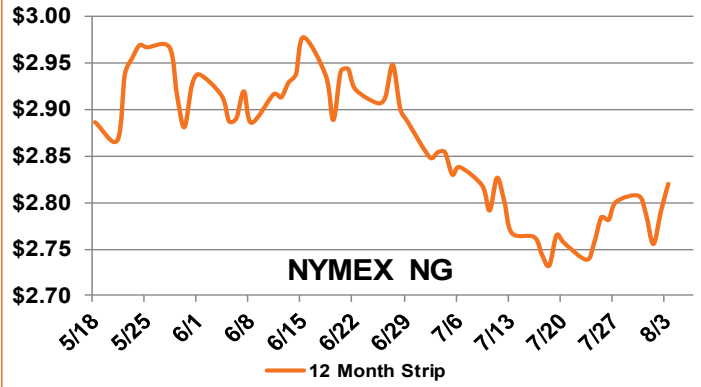
Summary: On Friday, the August NYMEX natural gas futures price moved up 3.7 cents on the day to settle at \$2.853/MMBtu. The upward pressure came after the third consecutive disappointing injection into storage, adding to the concern for the end-of-season storage deficit in comparison to historical benchmarks. The storage deficit continues to remain wide, with the final estimate for this season falling to 3.418 Tcf. U.S. dry production remains at healthy levels as we move through this summer, averaging just over 80 Bcf/d, and reaching an all-time high of 82.0 Bcf/d on July 31st. Recently, China has mentioned that it might enact a 25% import duty on LNG, which could lower overall demand for natural gas and be bearish for pricing. The 1-5 day weather forecast shows scorching heat returning to the West Coast and Northeast markets, not showing any relief for natural gas demand for power generation and air conditioning load. The expectation of continued heat into August has the potential to lower the amount of natural gas to be injected into storage, and continue to put upward pressure on pricing going into this winter.

Bullish Factors

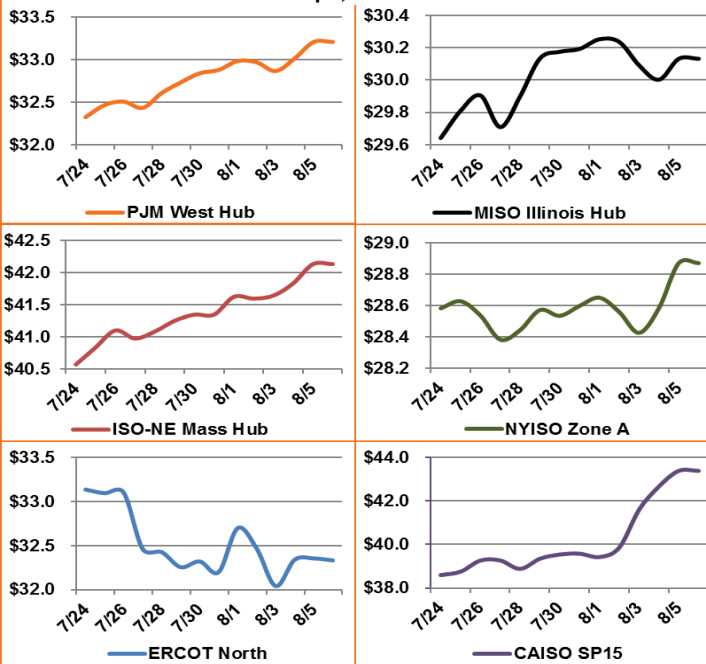
- High power burns
- LNG exports ramping up
- Warmer-than-normal weather

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 8/6/2018)

ISO-NE Mass Hub \$44.91 8/3/18	MISO Indiana Hub \$35.91 8/3/18	NYISO Zone G \$53.00
PJM West Hub \$47.75	ERCOT North \$37.00 8/3/18	CAISO SP15 \$232.71
NYMEX NG		Change
Sep-18	Close 2.853	0.037
Oct-18	2.862	0.040
12 Month	2.820	0.030
Cal 19	2.756	0.021
Cal 20	2.619	0.007

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,308	2,273	2,978	2,830
Diff v. Current		35	-670	-522
% Diff			-22.5%	-18.4%

