

Early Morning Update:

The Sep18 natural gas contract is trading up \$0.02 at \$2.88. The Sep18 crude contract is up \$0.39 at \$69.40.

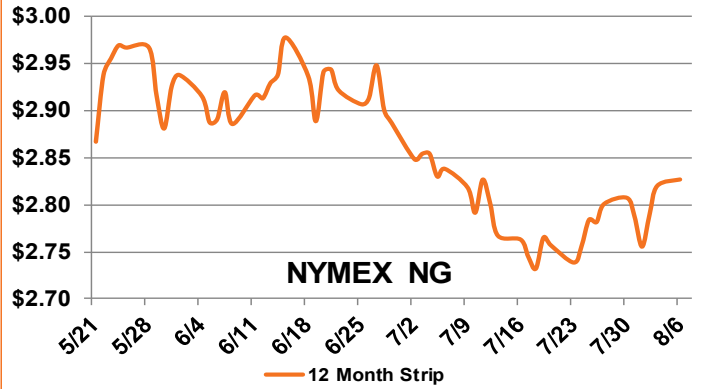
Summary: There were minimal movements in the market yesterday, as production stayed in lock-step with increasing nationwide demand. All terms moved less than a cent yesterday, as the September prompt month settled to \$2.860, the 12-month strip finished at \$2.827, and the 2019 and 2020 years settled at \$2.764 and \$2.618, respectively. Production has begun to strengthen again after pipeline maintenance activities subside, with nationwide totals coming in above 81 Bcf over the last two days. Averages around 80.5 for the next two weeks represent a nearly 10% increase over 2017 production numbers. However, with balmy temperatures widespread across California, the Midwest, and Northeast, there is little to no room for any movement against the storage deficit. Weather forecasts show solidly above-normal heat on the West Coast through the weekend, putting additional pressure on power burns in that region. Relief should come by next week to California, but the Northeast is expected to see slightly above-normal temperatures pretty steadily for the next three weeks.

Bullish Factors

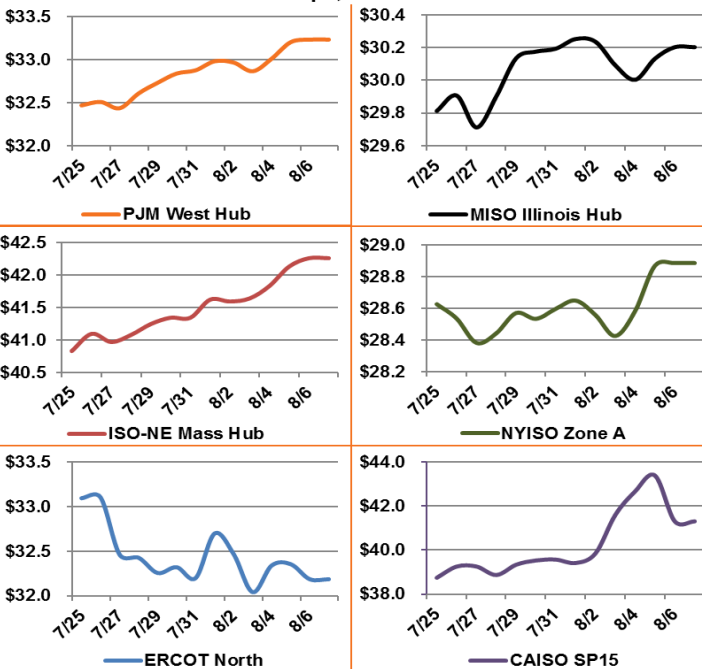
- High power burns
- LNG exports ramping up
- Warmer-than-normal weather

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 8/7/2018)

ISO-NE Mass Hub \$65.69	MISO Indiana Hub \$35.91 8/3/18	NYISO Zone G \$53.00 8/6/18
PJM West Hub \$46.01	ERCOT North \$37.00 8/3/18	CAISO SP15 \$340.74
NYMEX NG	Close	Change
Sep-18	2.860	0.007
Oct-18	2.866	0.004
12 Month	2.827	0.007
Cal 19	2.764	0.008
Cal 20	2.619	-0.001

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%

