

Early Morning Update:

The Sep18 natural gas contract is trading up \$0.02 at \$2.87. The Oct18 crude contract is up \$0.62 at \$69.15.

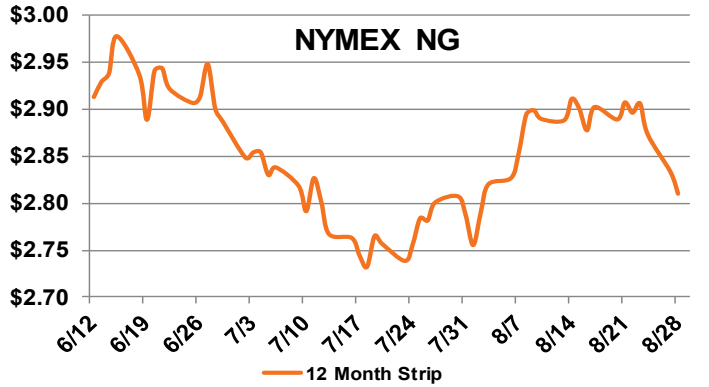
Summary: Gas and power markets continued their descent yesterday, despite warmer revisions to weather outlooks and the scorching hot temperatures across much of the country that attributed to peaking demand in many of the country's ISOs. On its second to last day of trading, the September 2018 NYMEX natural gas contract settled 2.4 cents lower than Monday's settlement price at \$2.852/MMBtu. The 2021-2023 calendar strips reached all-time lows on Tuesday, as well, at \$2.546, \$2.540, and \$2.597, respectively. NG production seems to be the big bear in the market, continuing to set records, and has held above 82 Bcf/d since August 16. The upcoming winter term posted even greater losses yesterday, 2.7 cents on average, as it appears there is confidence that the supply/demand balance will break once the current heat dissipates. Even so, there is a lot of ground to be made up, with current storage levels lagging the five-year average, as well as last year benchmarks by ~20%.

Bullish Factors

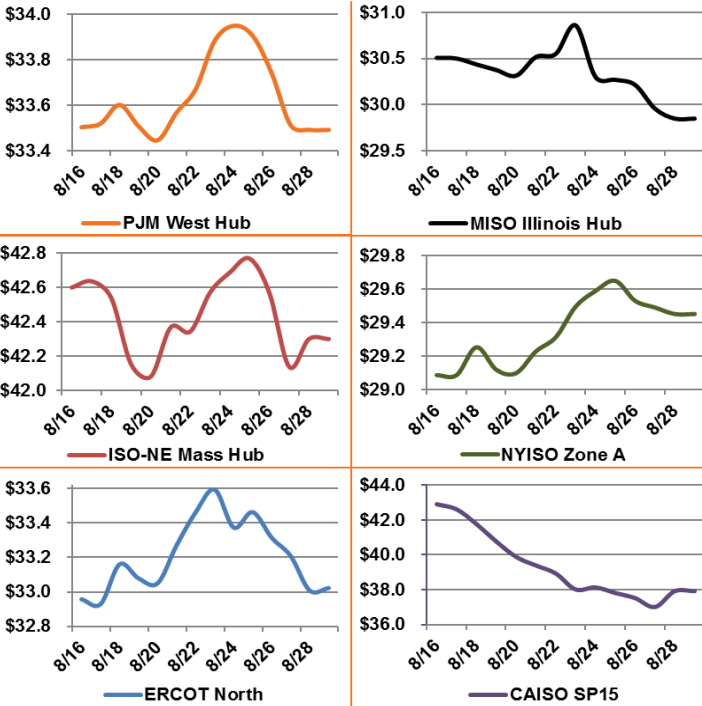
- High power burns
- LNG exports ramping up
- Warmer-than-normal weather

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 8/29/2018)

ISO-NE Mass Hub \$96.99	MISO Indiana Hub \$35.73	NYISO Zone G \$66.02
PJM West Hub \$48.06	ERCOT North \$42.71	CAISO SP15 \$42.00
NYMEX NG		
	Close	Change
Sep-18	2.852	-0.024
Oct-18	2.845	-0.024
12 Month	2.810	-0.023
Cal 19	2.755	-0.020
Cal 20	2.621	-0.003

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,435	2,387	3,119	3,034
Diff v. Current		48	-684	-599
% Diff			-21.9%	-19.7%

