

Early Morning Update:

The Nov18 natural gas contract is trading up \$0.04 at \$3.31. The Nov18 crude contract is down \$0.41 at \$74.55.

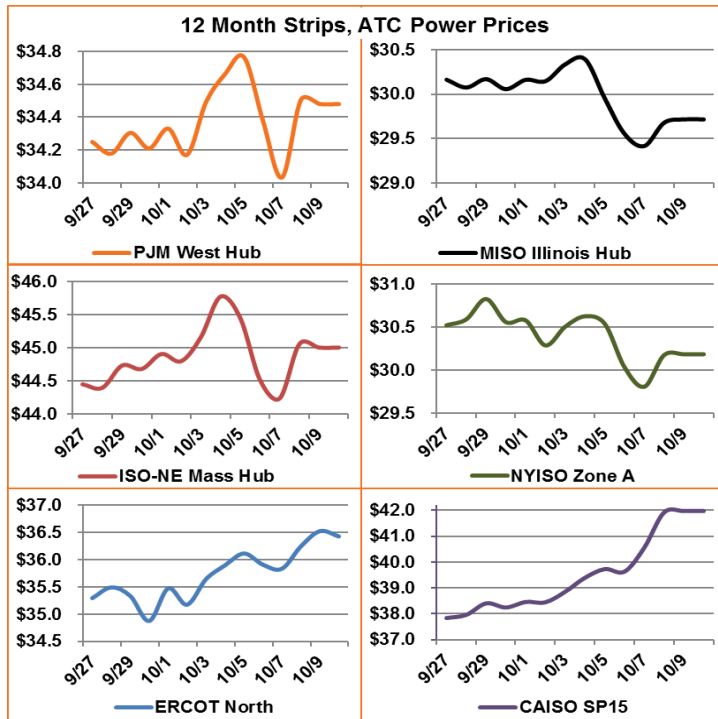
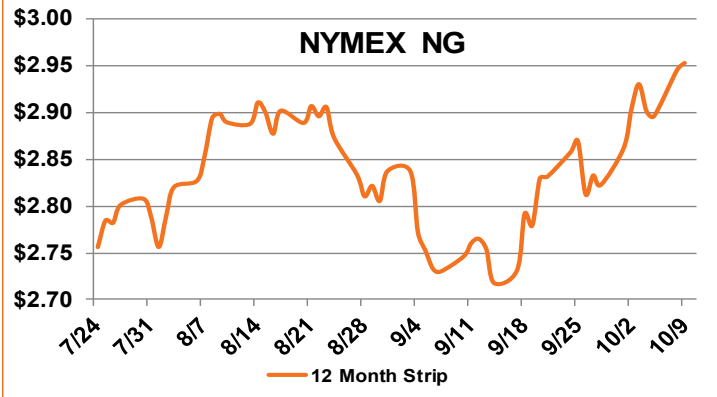
Summary: After trading in a wide range between \$3.237 and \$3.368/MMBtu, the November prompt month contract settled at \$3.266 yesterday, nearly unchanged from Monday's settlement price of \$3.267. Beyond the November contract, December-March moved decidedly higher yesterday, gaining two cents, on average. Winter uncertainty plagues the market and Hurricane Michael has not added any reassurance. The storm has quickly gained steam since the beginning of this week, reaching category 4 strength overnight. Total U.S. dry natural gas production reached 84.1 Bcf/d on Monday, but Michael has shut in Gulf gas production by about 30%, and U.S. dry natural gas production was estimated to be 82.5 Bcf/d yesterday and today. The Southeast is preparing for the storm and potential power outages. The overall impact will likely be reflected in the natural gas storage report that the EIA releases on October 18. Current stockpiles still sit at large deficits to the historical benchmarks, 18% deficit to last year and 17% deficit to the 5-year average.

Bullish Factors

- High power burns
- LNG exports ramping up
- Lowest EOS storage level in decade

Bearish Factors

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



Next Day On-Peak Power (traded for 10/10/2018)

ISO-NE Mass Hub \$59.91	MISO Indiana Hub \$48.33	NYISO Zone G \$44.18
PJM West Hub \$48.25	ERCOT North \$35.21	CAISO SP15 \$35.00
NYMEX NG	Close	Change
Nov-18	3.266	-0.001
Dec-18	3.298	0.009
12 Month	2.953	0.008
Cal 19	2.885	0.007
Cal 20	2.685	0.010

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,866	2,768	3,502	3,473
Diff v. Current		98	-636	-607
% Diff			-18.2%	-17.5%

