

Early Morning Update:

The Nov18 natural gas contract is trading down \$0.06 at \$3.22. The Nov18 crude contract is down \$0.92 at \$72.25.

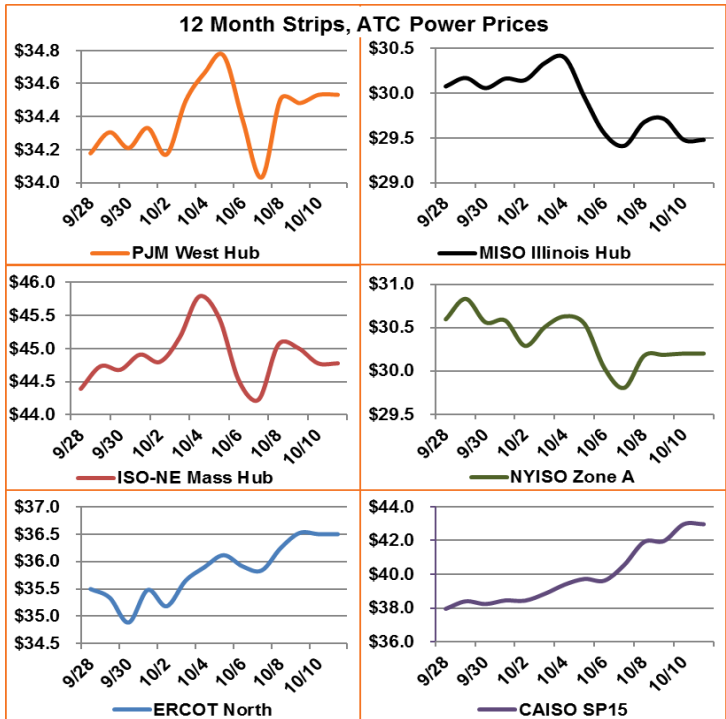
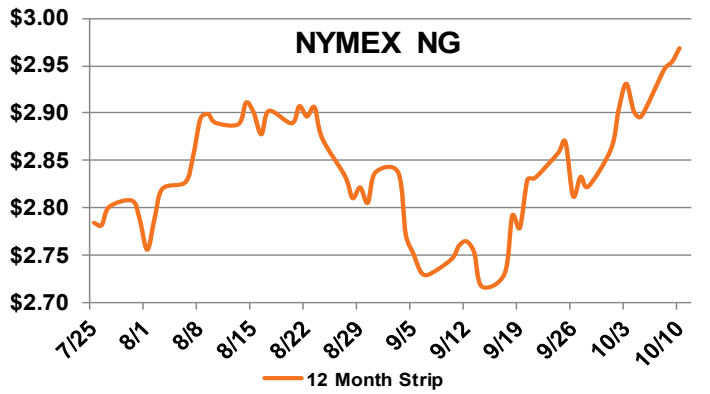
Summary: Rising heating demand from the Upper Midwest and Midcontinental U.S. pushed the NYMEX November prompt month contract up 1.8 cents to \$3.284/MMBtu yesterday. Total demand has picked up to 77.8 Bcf on Wednesday and is expected to increase to 78.7 Bcf over the next seven days, largely driven by heating demand. A recent rise in heating demand could likely cut into injections even further these next coming days, amplifying the storage deficit. Total U.S. production has dropped 1.6 Bcf/d lower than Monday's production number at 84.1 Bcf, and remains flat at 82.5 Bcf/d. The drop in production is driven partially by the Southeast, which has fallen 0.7 Bcf/d since Monday, likely due to offshore production cuts as Hurricane Michael approaches the eastern Gulf Coast. The EIA expects natural gas inventories to start the winter at the lowest levels since 2005, yet record levels of natural gas production might prove to compensate the low storage levels and create a new norm in the market, which allows for lower-than-average storage levels going forward.

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 10/11/2018)

ISO-NE Mass Hub \$43.83	MISO Indiana Hub \$36.38	NYISO Zone G \$40.02
PJM West Hub \$37.49	ERCOT North \$26.49	CAISO SP15 \$60.54
NYMEX NG	Close	Change
Nov-18	3.284	0.018
Dec-18	3.332	0.034
12 Month	2.968	0.015
Cal 19	2.895	0.010
Cal 20	2.680	-0.005

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%

