

Early Morning Update:

The Dec18 natural gas contract is trading up \$0.04 at \$3.30. The Dec18 crude contract is down \$0.26 at \$65.05.

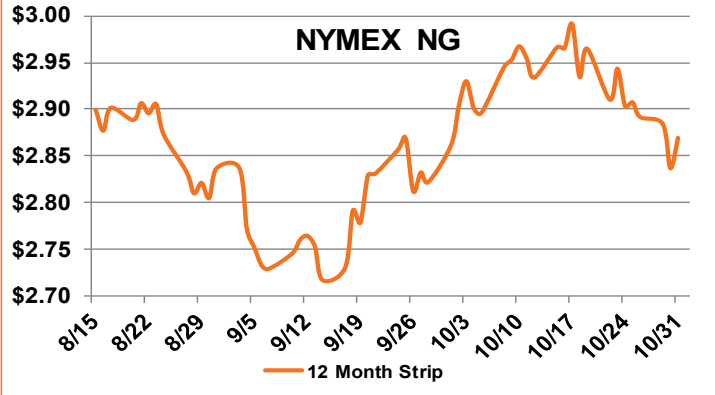
Summary: Despite a warmer-than-average weather outlook, the December NYMEX natural gas futures contract rose 7.4 cents and settled at \$3.261/MMBtu Wednesday, likely because the market is still indecisive about winter demand as storage stocks sit well below the five-year average. Over the last five years, there were only two injection weeks in the month of November, yet we could see this injection season extend an extra week with moderate temperatures expected. Production continues to set new records, with Tuesday setting a new record at 85.33 Bcf/d. While production continues to surpass historic values, overall demand increases could overshadow future record production levels. Capacity for LNG exports is scheduled to more than double between now and the end of next year, as the switch from coal to gas-fired power generation trends globally, as well as in the U.S. Single-handedly boosting U.S. to Mexico pipeline capacity by 50%, the Valley Crossing pipeline alone will add 2.6 Bcf/d of new gas demand in 2019. Calendar strip 2019 has recently gained 2.9 cents to settle at \$2.843, and will continue to fluctuate as these supply and demand factors actualize next year.

Bullish Factors

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

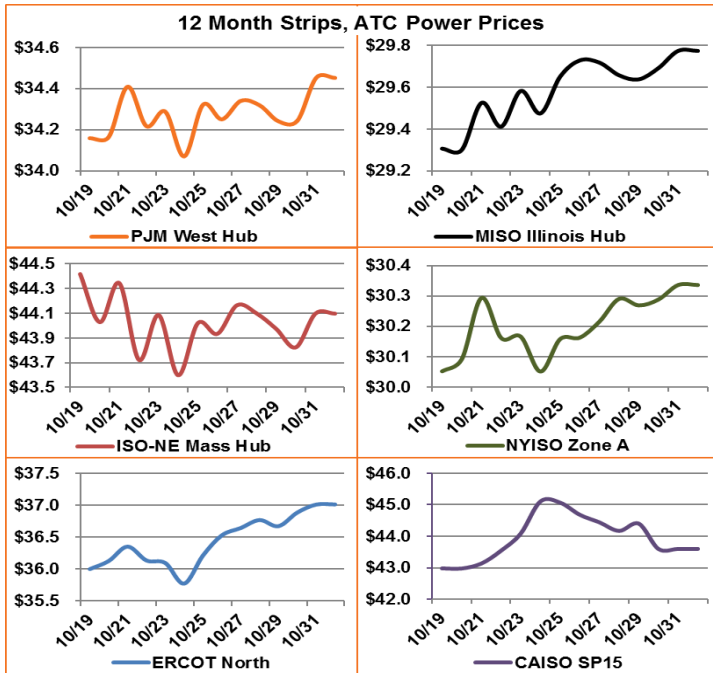
Bearish Factors

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



Next Day On-Peak Power (traded for 11/1/2018)

ISO-NE Mass Hub \$32.91	MISO Indiana Hub \$36.98	NYISO Zone G \$32.67
PJM West Hub \$34.62	ERCOT North \$29.37	CAISO SP15 \$43.93
NYMEX NG		Change
Dec-18	3.261	0.074
Jan-19	3.302	0.058
12 Month	2.870	0.032
Cal 19	2.842	0.028
Cal 20	2.678	0.017



EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	3,095	3,037	3,701	3,719
Diff v. Current		58	-606	-624
% Diff			-16.4%	-16.8%

