

Early Morning Update:

The Dec17 natural gas contract is trading up \$0.03 at \$2.92. The Dec17 crude contract is down \$0.10 at \$54.20.

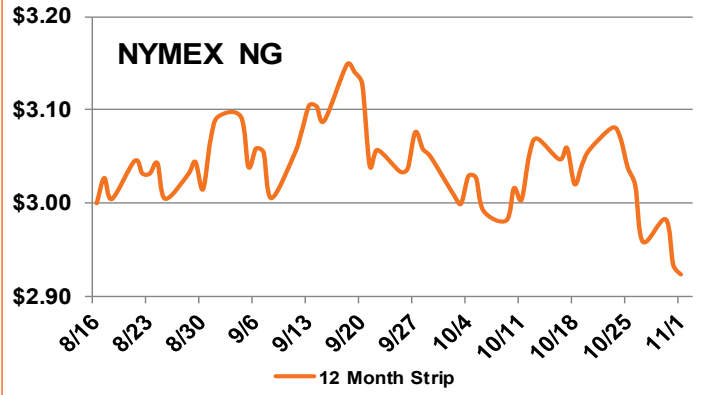
Summary: Dec17 natural gas futures remained relatively flat yesterday, slipping just 0.3 cent and settling at \$2.893/MMBtu. With bearish fundamentals putting downward pressure on prices, the market seems to be taking advantage of the 7.3 drop in prices over the last two days, as the market is up a few cents this morning. U.S. dry production is down 0.5 Bcf/d from Wednesday to 74.5 Bcf/d today due to a drop in Northeast production. On the demand side, power burn increased 0.7 Bcf/d day-over-day and LNG feedgas is up 0.4 Bcf/d, while demand in the res/comm sector rose 5.5 Bcf/d. The U.S. Energy Information Administration is set to release their weekly storage report at 10:30 this morning, with the market estimating an injection in the mid-60s. In contrast to last week's build, which was about 10 Bcf less than normal for this time of year, the growth in storage inventories for the week to Oct. 27 is expected to be 5-10 Bcf larger than the 60 Bcf five-year average. Currently, there are at least two more injections projected for this storage-building season.

Bullish Factors

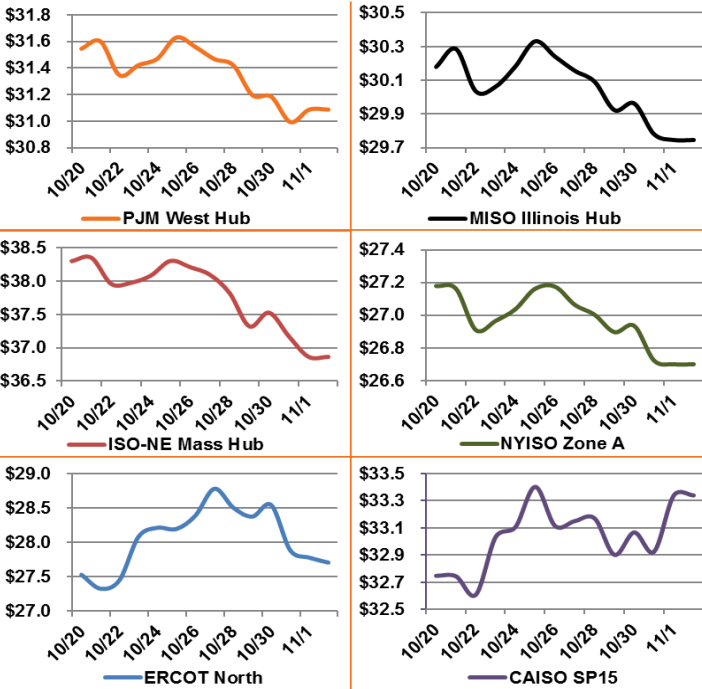
- Rising NG production costs
- Exports to Mexico at record high
- Attention turning toward winter

Bearish Factors

- Power burn down year-over-year
- Increased renewable energy generation
- NG production at record levels



12 Month Strips, ATC Power Prices



Next Day On-Peak Power (traded for 11/2/2017)

ISO-NE Mass Hub \$22.29	MISO Indiana Hub \$32.00	NYISO Zone G \$29.14
PJM West Hub \$30.78	ERCOT North \$24.93	CAISO SP15 \$40.67
NYMEX NG	Close	Change
Dec-17	2.893	-0.003
Jan-18	3.017	-0.009
12 Month	2.924	-0.010
Cal 18	2.943	-0.011
Cal 19	2.894	-0.007

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	3,710	3,646	3,899	3,756
Diff v. Current		64	-189	-46
% Diff			-4.8%	-1.2%

