

Early Morning Update:

The Jan18 natural gas contract is trading up \$0.03 at \$2.71. The Jan18 crude contract is up \$0.45 at \$57.60.

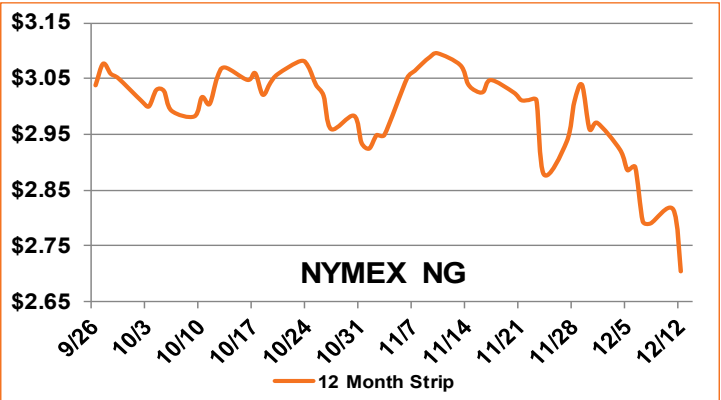
Summary: Unable to hold onto Monday's gains, the January NYMEX NG contract plummeted 15 cents yesterday, settling at \$2.678/MMBtu, marking the lowest prompt month settlement price since 2/24/17. Since January 2018 became the prompt month on 11/29/17, the contract has lost ~50 cents (16%). Near-term weather forecasts are mixed, with the National Weather Service predicting below-average temperatures confined to the Northeast, a large consumer of natural gas for heating demand. However, the rest of the country is forecasted to experience warmer-than-average temperatures over the next two weeks, keeping a lid on demand for most of the country. Further movement in the Managed Money sector was reported by the CFTC recently, reporting that net long positions transitioned to net short. If colder forecasts extend further into the future, that could incite Managed Money to reverse their positions. With the recent selloff in near-term natural gas pricing, market backwardation between calendar years 2018-2022 has been erased. Calendar 2018 settled at \$2.70/MMBtu yesterday, and 2019-2022 are huddled around \$2.80.

Bullish Factors

- Weather outlook turning colder
- LNG exports ramping up
- Exports to Mexico at all-time high

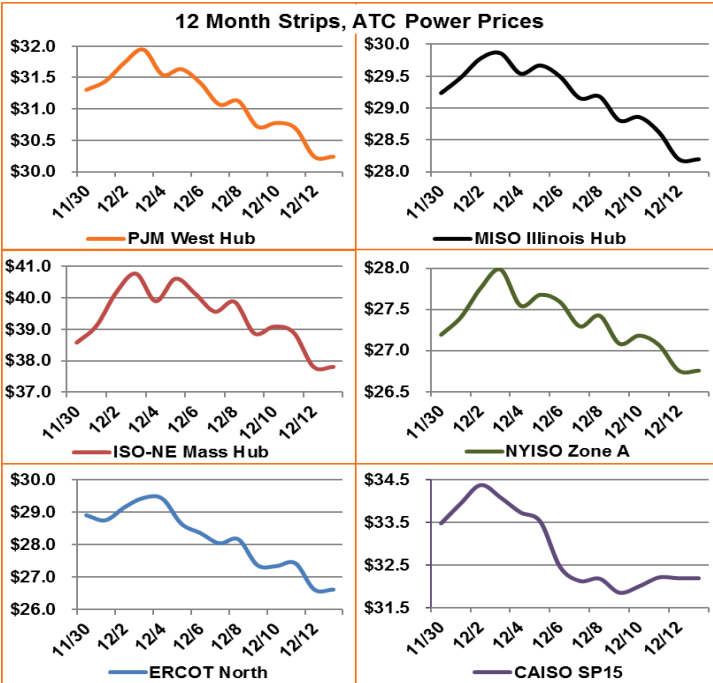
Bearish Factors

- NG production at record levels
- Growing renewable energy generation
- Increased NG pipeline capacity



Next Day On-Peak Power (traded for 12/13/2017)

| | | |
|-----------------------------------|------------------------------------|--------------------------------|
| ISO-NE Mass Hub \$77.12 | MISO Indiana Hub \$34.72 | NYISO Zone G \$63.83 |
| PJM West Hub \$45.33 | ERCOT North \$21.50 | CAISO SP15 \$49.66 |
| NYMEX NG | | |
| | Close | Change |
| Jan-18 | 2.678 | -0.150 |
| Feb-18 | 2.694 | -0.153 |
| 12 Month | 2.704 | -0.111 |
| Cal 18 | 2.704 | -0.111 |
| Cal 19 | 2.779 | -0.046 |



EIA Natural Gas Storage

| EIA Reported Storage (Bcf) | This Week | Last Week | Last Year | 5-Year Avg. |
|----------------------------|-----------|-----------|-----------|-------------|
| Total | 3,695 | 3,693 | 3,959 | 3,731 |
| Diff v. Current | | 2 | -264 | -36 |
| % Diff | | | -6.7% | -1.0% |

