

Early Morning Update

The May20 natural gas contract is trading down \$0.04 at \$1.90. The Jun20 crude oil contract is up \$2.92 at \$16.70.

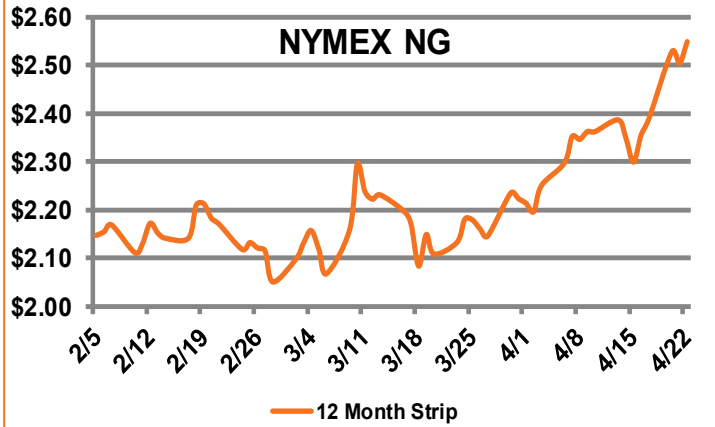
Summary: Despite very strong supply, waning demand, and brimming storage, the May natural gas contract gained nearly 12 cents during yesterday's activity and settled at \$1.939. So far in April, industrial gas demand is down 7% year-over-year, 10-20 international cargoes of LNG loaded in the U.S. have been cancelled (with 20-25 more expected by June), demand for power is down nearly 8%, and production is still hovering near 92 Bcf/d. Under normal circumstances, we would expect this level of demand destruction to have a significantly bearish effect on gas prices, similar to the current downward trend of power prices. The most likely cause of the prompt's strength is the expected decrease in production and major coal-to-gas switching. Total rig counts recently fell by nearly 567, the least active since August 2016, 302 of those coming from the Permian region. Further, power burns have reached nearly 25.5 Bcf/d in April, which equates to a gain of nearly 13 GW Y-o-Y, or 6.5%. As these puzzle pieces fit together, we're left with a storage picture that is currently 370 Bcf higher than the five-year average. Today's report for the week ending April 17th is expected to show an injection within the range of 32-51 Bcf. A number within this range would be in line with the five-year average number of 48 Bcf. The basic supply and demand fundamentals that have historically driven natural gas prices have officially taken a back seat to the new economics established by Covid-19.

Bullish Factors

- Eventual growth in exports
- Widespread below-normal temps
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Bearish Factors

- Coronavirus impacts
- Healthy storage levels
- Steady production



Next Day On-Peak Power (traded for 4/23/2020)

ISO-NE Mass Hub \$21.50	MISO Indiana Hub \$23.50	NYISO Zone G \$16.69
PJM West Hub \$19.94	ERCOT North \$39.77	CAISO SP15 \$17.12
NYMEX NG	Close	Change
May-20	1.939	0.118
Jun-20	2.053	0.069
12 Month	2.549	0.045
Cal 21	2.746	0.014
Cal 22	2.518	0.019

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,097	2,024	1,221	1,727
Diff v. Current		73	876	370
% Diff			71.7%	21.4%

