

Early Morning Update

The Jul20 natural gas contract is trading down \$0.08 at \$1.77. The Jul20 crude oil contract is down \$0.19 at \$35.30.

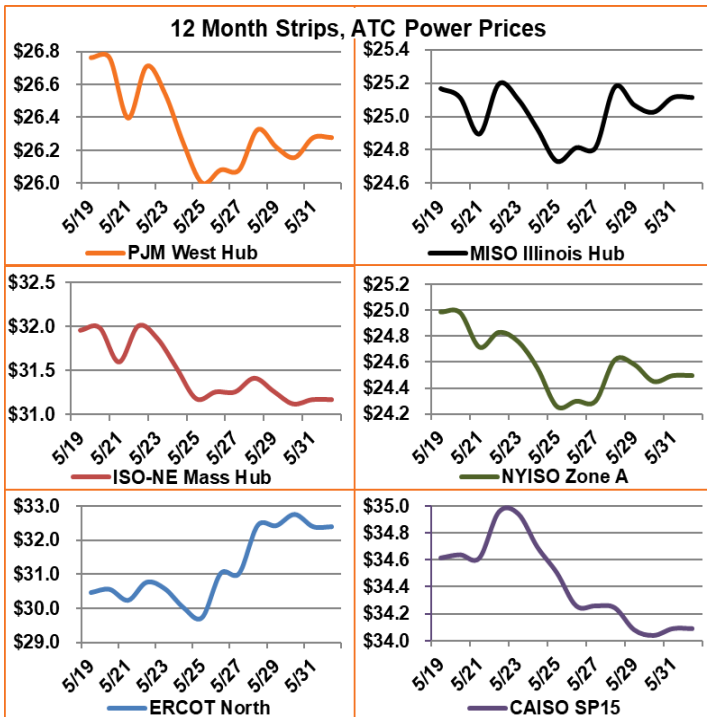
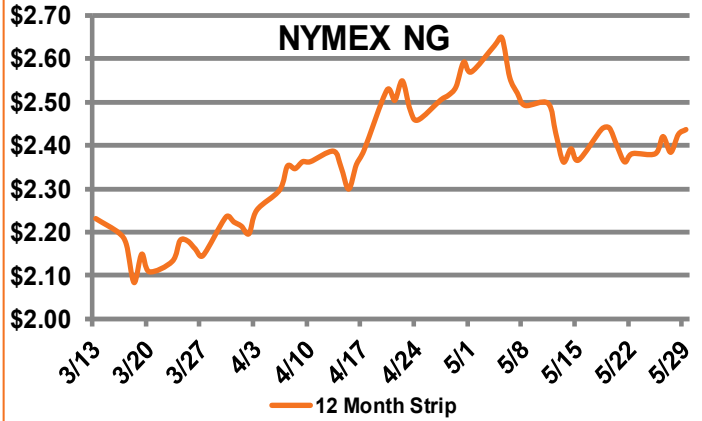
Summary: The economic realities of the COVID pandemic made a tremendous impact on energy markets in June – steep declines in production, industrial demand, and global LNG prices created an environment where weakness became the norm. In fact, as the prompt month, June only settled above \$2/MMBtu once (it traded at \$2.50/MMBtu last year). Power markets across the country also saw historically low index pricing – all eastern markets & CA saw day ahead around-the-clock prices settle under \$20/MWh, while ERCOT real time settled under \$22/MWh. These low prices have created uncertainty, particularly around what happens when consumers return to the “new normal” for the entire energy complex. Now that state economies are reopening, how quickly does demand rebound? Do U.S. consumers just open their wallets like the pandemic never happened? How does record unemployment affect residential cooling demand this summer, particularly if it’s hot? The market sees more short-term questions than answers and is priced accordingly, where NYMEX Cal 2021 prices are elevated at \$2.65, compared to the rest of the Cal 22–25 strips, which are all trading under \$2.50.

Bullish Factors

- Managed Money buying spree
- Declining production
- Eventual growth in exports

Bearish Factors

- Coronavirus impacts
- Healthy storage levels
- Warmer normal temperatures



Next Day On-Peak Power (traded for 6/1/2020)

ISO-NE Mass Hub \$17.00	MISO Indiana Hub \$21.67	NYISO Zone G \$14.70	
PJM West Hub \$16.75	ERCOT North \$22.61	CAISO SP15 \$21.33	
NYMEX NG		Close	Change
Jul-20		1.849	0.022
Aug-20		1.940	0.021
12 Month		2.437	0.011
Cal 21		2.653	0.002
Cal 22		2.484	-0.006

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,612	2,503	1,834	2,189
Diff v. Current		109	778	423
% Diff			42.4%	19.3%

