

**Early Morning Update:**

The Feb17 natural gas contract is trading down \$0.02 at \$3.31.  
The Feb17 crude contract is up \$0.12 at \$52.45.

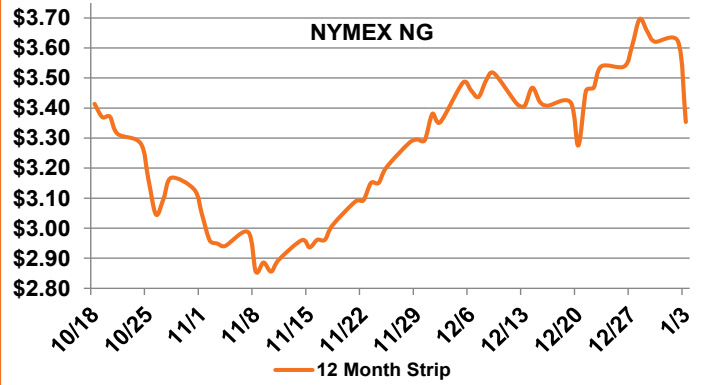
**Summary:** During the first day of trading in the new year, the Feb17 prompt month contract fell by 39.7 cents, or 10.66%, Tuesday to settle at \$3.327/MMBtu. Large price declines, ranging from 18 to 40 cents, were seen yesterday from the prompt month through the March 2018 contracts, while longer term strips were mostly unchanged. A correction seems underway as gas prices neared \$4 during the holiday week due to limited liquidity. Weather forecasts continue to be a primary driver in near-term gas prices. While most of the country is expected to see temperatures below the 30-year average through this weekend, forecasted below-average temperatures should be short lived, lingering only through the weekend and expected to warm back up early next week. Additionally, the National Weather Service increased the probability of warmer-than-average temperatures for the southern half of the United States in their 6-10 and 8-14 day forecasts yesterday. With a tight U.S. supply demand balance, weather forecasts will continue to have a large impact on market prices through this winter. Winter weather has proven unpredictable so far, and a change in the forecast could easily cause prices to jump.

**Bullish Factors**

- Meandering production
- Exports to Mexico at record high
- Growing LNG exports

**Bearish Factors**

- Warming weather forecasts
- Producer hedging
- Less coal-to-gas switching



**Next Day On-Peak Power (traded for 1/4/2017)**

<b>ISO-NE Mass Hub</b> \$45.01	<b>MISO Indiana Hub</b> \$36.88	<b>NYISO Zone G</b> \$43.43
<b>PJM West Hub</b> \$34.94	<b>ERCOT North</b> \$28.50	<b>CAISO SP15</b> \$37.93
<b>NYMEX NG</b>	<b>Close</b>	<b>Change</b>
Feb-17	3.327	-0.397
Mar-17	3.317	-0.367
12 Month	3.354	-0.267
Bal 17	3.334	-0.272
Cal 18	3.065	-0.077

**EIA Natural Gas Storage**

<b>EIA Reported Storage (Bcf)</b>	<b>This Week</b>	<b>Last Week</b>	<b>Last Year</b>	<b>5-Year Avg.</b>
<b>Total</b>	3,360	3,597	3,773	3,439
<b>Diff v. Current</b>		-237	-413	-79
<b>% Diff</b>			-10.9%	-2.3%

