

Early Morning Update:

The Feb17 natural gas contract is trading down \$0.08 at \$3.21.
The Feb17 crude contract is down \$1.09 at \$52.90.

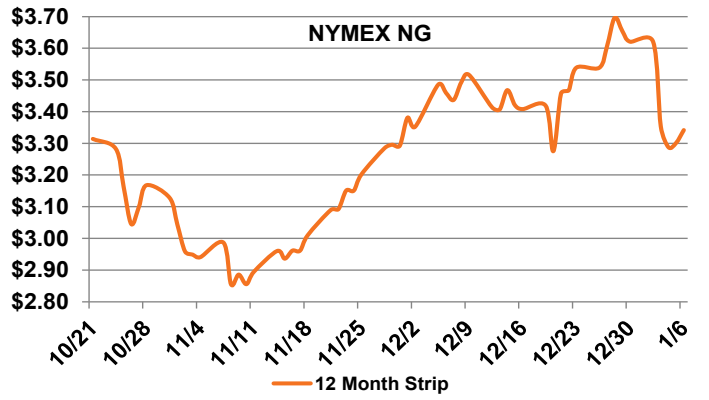
Summary: Despite frigid temperatures across most of the country, the February natural gas delivery contract is trading at \$3.21, down eight cents from Friday's close. Today's opening price represents an erosion of almost 20% over two weeks from the \$3.90 that was marked on December 26th, 12% of said downturn occurring since January 1st. It appears that short-term weather remains in the market fundamental spotlight, causing large sell-offs amongst managed money's speculative positions. The 20-day outlook shows a dramatic shift to much-above-normal temperatures in the major U.S. load zones, which should suppress residential heating demand. Last week's weak storage withdrawal has only been mildly offset by flat-lining production, as 2019 - 2021 on-peak calendar strips are within 5% of all-time lows in each market. Fear of 2018 Q1 winter volatility continues to trade at a premium in MISO, NYISO, NEPOOL, and PJM on-peak strips, preventing any significant downturn for the calendar year prices.

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 1/9/2017)

ISO-NE Mass Hub \$88.06	MISO Indiana Hub \$38.25	NYISO Zone G \$66.20
PJM West Hub \$52.89	ERCOT North \$25.50	CAISO SP15 \$32.83
NYMEX NG	Close	Change
Feb-17	3.285	0.012
Mar-17	3.288	0.020
12 Month	3.342	0.041
Bal 17	3.321	0.040
Cal 18	3.053	0.012

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	3,311	3,360	3,675	3,332
Diff v. Current		-49	-364	-21
% Diff			-9.9%	-0.6%

