

Early Morning Update:

The Feb17 natural gas contract is trading up \$0.02 at \$3.30. The Feb17 crude contract is up \$0.58 at \$51.40.

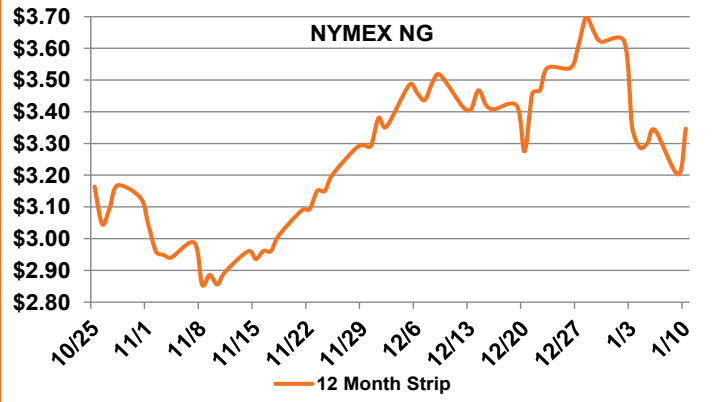
Summary: Yesterday, the Feb17 natural gas contract increased by 17.5 cents, erasing nearly all of Monday's declines and settling at \$3.278/MMBtu. Market fundamentals yesterday were mostly unchanged; however, \$3.10 is a strong support level and most likely induced bargain purchasing after the price of the prompt month had decreased by 21% since late December. The EIA released their short term outlook Tuesday indicating growth in U.S. natural gas production and consumption over the next two years. The latest rig count from Baker Hughes seems to support a growth in production, reporting an increase of three gas rigs week-over-week. January 6th's rig report brings the total gas rigs to 135 in the U.S. Gas rigs are at a 13 rig deficit to last year for the same week. Despite an increase in gas rigs, U.S. dry natural gas production dropped off over the past week and remains lackluster. Production is estimated today at 69.5 Bcf/d, a decrease of 1.0 Bcf/d decrease over the past week.

Bullish Factors

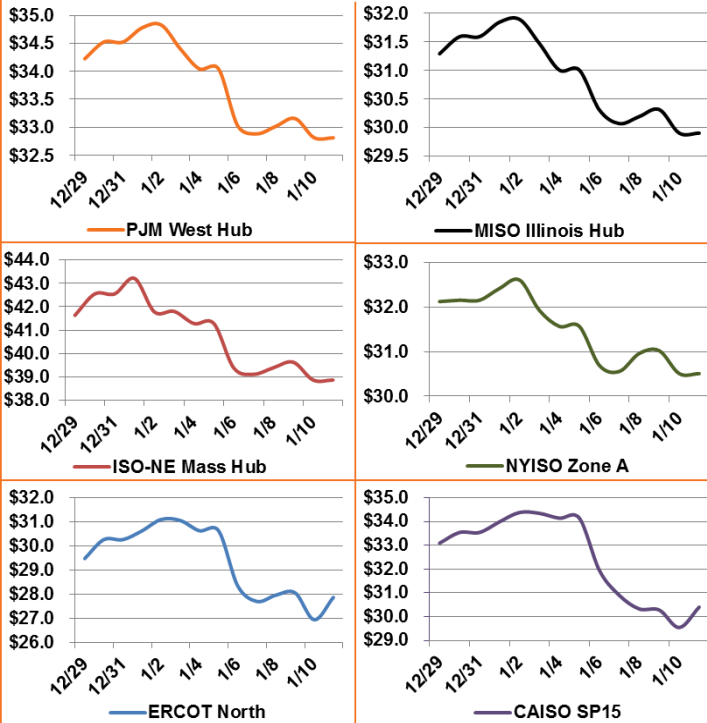
- Meandering production
- Exports to Mexico at record high
- Growing LNG exports

Bearish Factors

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



12 Month Strips, ATC Power Prices



Next Day On-Peak Power (traded for 1/11/2017)

ISO-NE Mass Hub \$38.15	MISO Indiana Hub \$29.00	NYISO Zone G \$36.18
PJM West Hub \$31.45	ERCOT North \$22.00	CAISO SP15 \$36.98
NYMEX NG	Close	Change
Feb-17	3.278	0.175
Mar-17	3.275	0.162
12 Month	3.347	0.144
Bal 17	3.325	0.146
Cal 18	3.067	0.066

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%

