

Early Morning Update:

The Feb17 natural gas contract is trading up \$0.13 at \$3.46. The Feb17 crude contract is up \$0.31 at \$53.06.

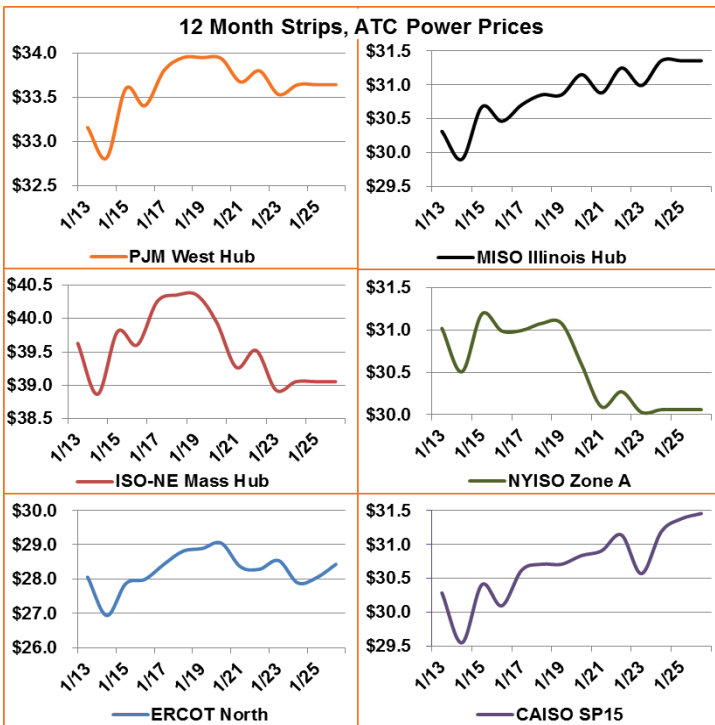
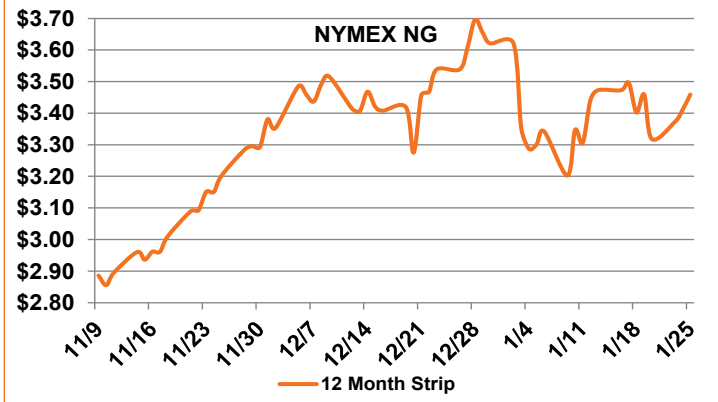
Summary: Over the last several days, weather forecasts have indicated that the above-normal trend may give way to cooler temperatures during the second week of February. The chance for cooler weather in the northern tier of the U.S helped push near-term natural gas prices higher on Wednesday, as the Feb17 NYMEX contract added 5.3 cents to close the session at \$3.332/MMBtu. Short-term fundamentals have been largely unchanged over the last several weeks. With dry gas production flat at nearly 71 Bcf/day, and end-of-season storage projected to finish at the five-year average, price action has been closely linked to changes in weather forecasts and the likelihood of adding a surplus or deficit to the five-year average in the coming weeks. Looking at the longer term strips, natural gas prices have converged between \$2.88-\$2.93 for calendars 2019-2023 despite projections that indicate growing demand from Mexico and the LNG export sector. The 2023 calendar strip closed yesterday at an all-time low of \$2.93.

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 1/26/2017)

ISO-NE Mass Hub \$32.46	MISO Indiana Hub \$43.75	NYISO Zone G \$33.18
PJM West Hub \$29.02	ERCOT North \$28.50	CAISO SP15 \$38.75
NYMEX NG	Close	Change
Feb-17	3.332	0.053
Mar-17	3.346	0.051
12 Month	3.459	0.048
Bal 17	3.438	0.049
Cal 18	3.105	0.009

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,917	3,160	3,348	2,995
Diff v. Current		-243	-431	-77
% Diff			-12.9%	-2.6%

