

Early Morning Update:

The Feb17 natural gas contract is trading down \$0.08 at \$3.30.
The Feb17 crude contract is down \$0.21 at \$53.57.

Summary: After trading higher throughout most of the day, the NYMEX prompt ended weakly, finishing up only \$.05 to close at \$3.382. The prompt contract traded as high as \$3.494 before sliding throughout the late afternoon.

The EIA did report a draw from storage of 119 Bcf, very close to most estimates. There was little reaction from the market after the report as prices were, by that point, already higher. NG storage levels are now very close to 5-year average levels but still 11% behind last year's level. End-of-season projections are hovering near 1.8 Tcf based on current weather forecasts.

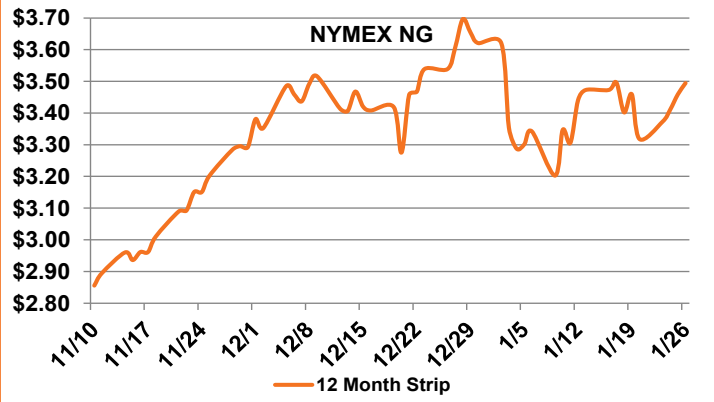
NG production levels continue to hover near 70-71 Bcf/d, causing some concern that supply will not be high enough to meet future demand. Production is expected to move higher throughout 2017, but it hasn't happened yet and it is somewhat troubling.

Bullish Factors

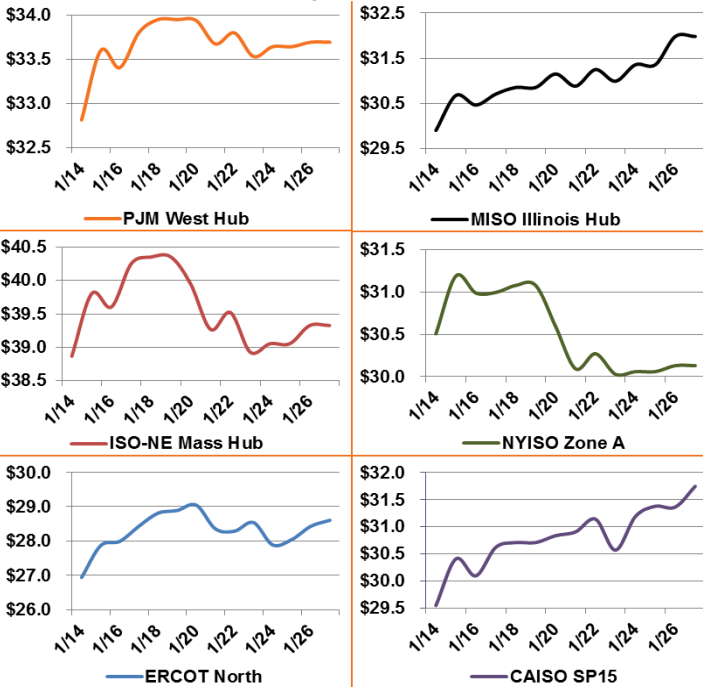
- Stagnant production
- Exports to Mexico at record high
- Growing LNG exports

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 1/27/2017)

ISO-NE Mass Hub \$36.54	MISO Indiana Hub \$40.43	NYISO Zone G \$35.39
PJM West Hub \$31.81	ERCOT North \$27.38	CAISO SP15 \$34.06
NYMEX NG	Close	Change
Feb-17	3.382	0.050
Mar-17	3.397	0.051
12 Month	3.494	0.036
Bal 17	3.475	0.037
Cal 18	3.118	0.013

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,798	2,917	3,146	2,818
Diff v. Current		-119	-348	-20
% Diff			-11.1%	-0.7%

