

**Early Morning Update:**

The Mar17 natural gas contract is trading down \$0.08 at \$3.15.  
The Mar17 crude contract is up \$0.67 at \$53.30.

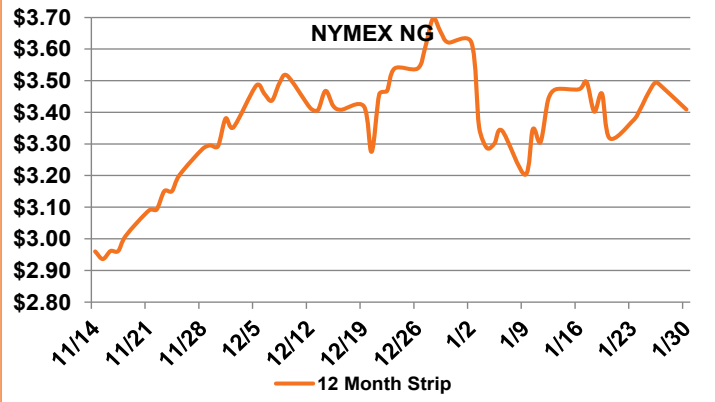
**Summary:** With weather outlooks turning milder, demand for natural gas should diminish, which will, in turn, slow the use of gas stored for winter usage. These bearish forecasts took their toll on the March 2017 prompt month in its first day of trading, which settled down 12.6 cents on the day at \$3.232/MMBtu. The 12-month strip lost nine cents, Calendar 2018 dropped two cents, and all years 2019 and beyond moved less than a cent. The 6-10 day forecast shows 3-8 degrees above normal for the great majority of the country. The East Coast will see some relatively normal temperatures in the 11-15 day outlook, but another shift will see nearly the entire country blanketed in eight degrees above normal to round out the second week of February. Demand has responded in kind week-over-week, with power burn down 2%, industrial demand down 3%, and the residential/commercial sector down 15%, a 36% decline in comparison to 2016 usage during the same week. Production is expected to stay just under 71 Bcf/day, allowing demand to dictate projected storage withdrawals. This week's report is expected to come in at half of the draws seen last week, while the following two weeks are estimated to be right in line with five-year average levels.

**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



**Next Day On-Peak Power (traded for 1/31/2017)**

<b>ISO-NE Mass Hub</b> \$46.82	<b>MISO Indiana Hub</b> \$38.25	<b>NYISO Zone G</b> \$45.17
<b>PJM West Hub</b> \$30.96	<b>ERCOT North</b> \$24.00	<b>CAISO SP15</b> \$32.44
<b>NYMEX NG</b>	<b>Close</b>	<b>Change</b>
Mar-17	3.232	-0.126
Apr-17	3.271	-0.109
12 Month	3.409	-0.090
Bal 17	3.369	-0.094
Cal 18	3.093	-0.023

**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>	2,798	2,917	3,146	2,818
<b>Diff v. Current</b>		-119	-348	-20
<b>% Diff</b>			-11.1%	-0.7%

