

Early Morning Update:

The Mar17 natural gas contract is trading down \$0.04 at \$3.13. The Mar17 crude contract is up \$0.27 at \$54.15.

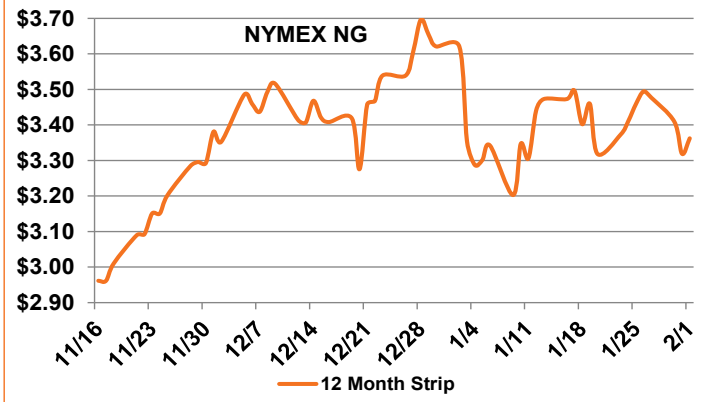
Summary: In spite of overall bearish fundamentals, weather outlooks for the next two weeks did turn a bit cooler yesterday, which helped push up the Mar17 natural gas futures contract from a near two-month low. The prompt month gained 5.1 cents on Wednesday, settling at \$3.168/MMBtu, after two consecutive days of considerable losses this week. Natural gas prices had risen month-over-month for the past five months, but that streak ended in January, when prices fell 16% due to a lack of significant cold weather. The March NYMEX contract has broken past key support levels since its debut as the prompt month, and may fall further with little fundamental support behind it. Market analysts expect natural gas storage levels to rebound back above the five-year average level when the U.S. Energy Information Administration releases storage data this morning for the week to January 27. Estimates for the weekly withdrawal range from 77 to 98 Bcf, with a consensus near 80 Bcf. This is less than half of the 169 Bcf pull seen last year for the same week, as well as the 166 Bcf five-year average.

Bullish Factors

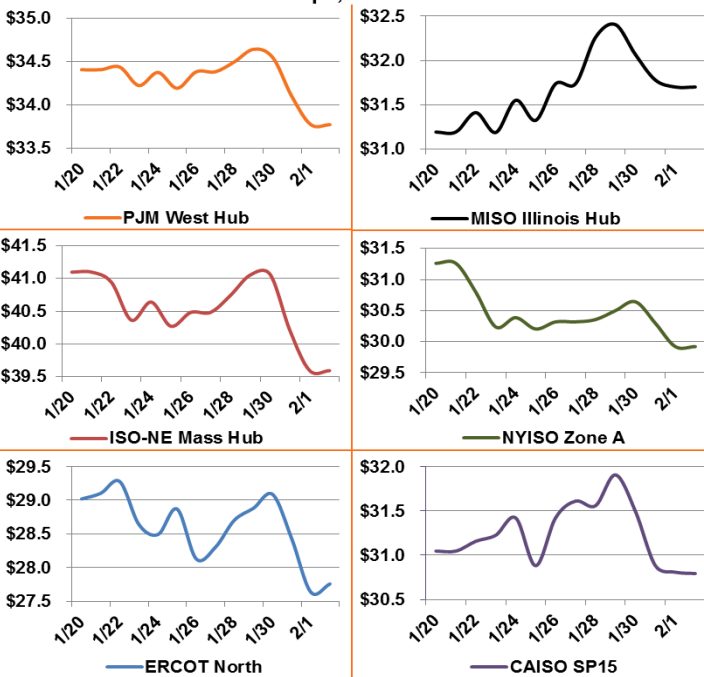
- Stagnant production
- Exports to Mexico at record high
- Growing LNG exports

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 2/2/2017)

ISO-NE Mass Hub \$45.13	MISO Indiana Hub \$31.00	NYISO Zone G \$39.33
PJM West Hub \$30.51	ERCOT North \$24.75	CAISO SP15 \$33.93
NYMEX NG	Close	Change
Mar-17	3.168	0.051
Apr-17	3.214	0.049
12 Month	3.362	0.044
Bal 17	3.318	0.043
Cal 18	3.092	0.025

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%

