

**Early Morning Update:**

The Mar17 natural gas contract is trading up \$0.04 at \$3.17. The Mar17 crude contract is up \$0.61 at \$52.95.

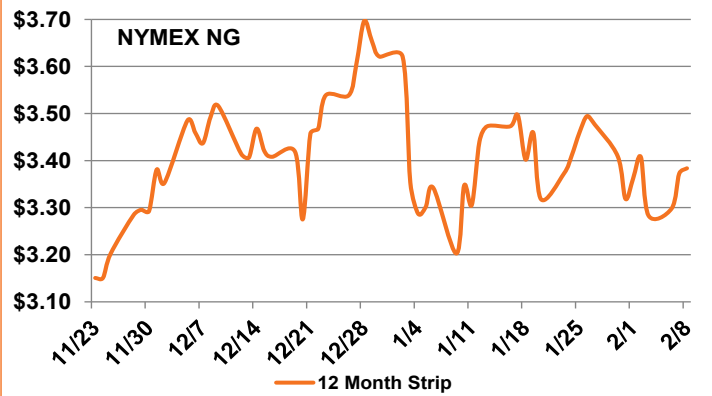
**Summary:** Mar17 natural gas futures spent most of the morning on Wednesday a few cents below Tuesday's close, then most of the afternoon a couple pennies above, but eventually settled at \$3.126/MMBtu, a mere 0.4 cent down day-over-day. With some below-normal temperatures forecast for the Northeast over the next two weeks, the majority of the rest of the country can expect to see significantly above-average temperatures. Total U.S. demand for natural gas is projected to rise to almost 105 Bcf/d today from 91 Bcf/d yesterday, but is expected to taper off to around 84 Bcf/d by the weekend. Production remains stagnant, averaging 70.4 Bcf/d so far this month. The market is anticipating an escalation in storage erosion to be reported this morning, after last week's anemic 87 Bcf pull, which was little more than half of historical averages. Estimates for the withdrawal for the week to Feb. 3 range from 149 to 160 Bcf, with Bentek projecting a 150 Bcf drop in inventories. This would be far more than the 93 Bcf withdrawal seen last year for the same week, and greater than the 138 Bcf five-year average.

**Bullish Factors**

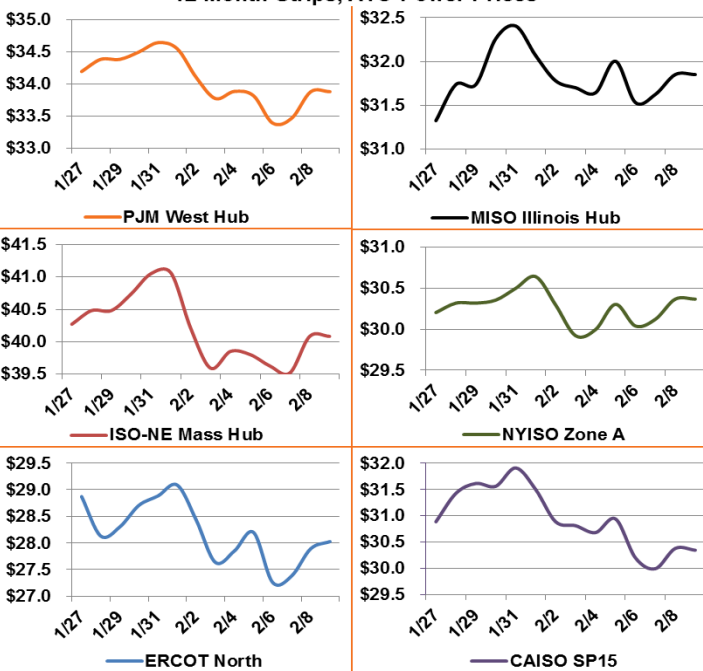
- Stagnant production
- Exports to Mexico at record high
- Growing LNG exports

**Bearish Factors**

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



**12 Month Strips, ATC Power Prices**

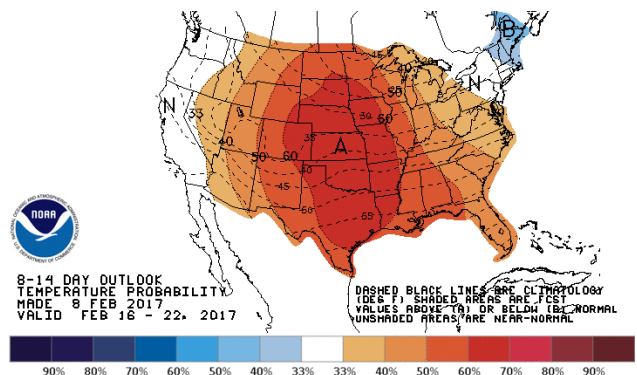
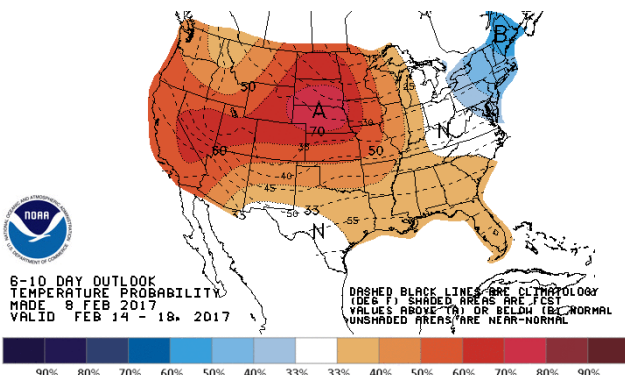


**Next Day On-Peak Power (traded for 2/9/2017)**

<b>ISO-NE Mass Hub</b> \$47.66	<b>MISO Indiana Hub</b> \$34.85	<b>NYISO Zone G</b> \$42.99
<b>PJM West Hub</b> \$36.59	<b>ERCOT North</b> \$22.50	<b>CAISO SP15</b> \$31.78
<b>NYMEX NG</b>	<b>Close</b>	<b>Change</b>
Mar-17	3.126	-0.004
Apr-17	3.196	0.004
12 Month	3.384	0.011
Bal 17	3.333	0.011
Cal 18	3.113	-0.003

**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>	2,711	2,798	2,977	2,652
<b>Diff v. Current</b>		-87	-266	59
<b>% Diff</b>			-8.9%	2.2%



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