

Early Morning Update:

The Mar17 natural gas contract is trading down \$0.01 at \$2.55.
The Mar17 crude contract is down \$0.23 at \$54.10.

Summary: A sharp sell-off was seen in gas and power markets yesterday as the market digested the latest round of above-average weather forecasts. Above average temperatures are now forecast through at least mid-March. Demand will be reduced from heating-related sources and end-of-winter NG storage levels look set to creep higher, near 2.0 Tcf.

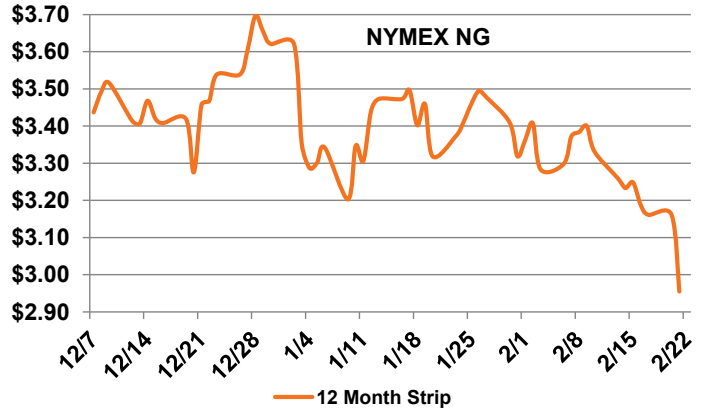
As the prompt NG contract sold-off yesterday, it broke through several technical support levels and landed at \$2.56, another key support level. Whether we will see another step lower will depend if the warm weather forecasts can extend their streak further into March. Looking ahead to tomorrow's EIA storage report, current estimates are calling for a draw from storage in the low 80's, highlighting the low NG demand levels. Compounding the bearish news is the fact that NG production is creeping higher, albeit slowly, now nearing 72 Bcf/d

Bullish Factors

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

Bearish Factors

- Record warm weather
- Producer hedging
- Less coal-to-gas switching



Next Day On-Peak Power (traded for 2/22/2017)

ISO-NE Mass Hub \$25.64	MISO Indiana Hub \$29.51	NYISO Zone G \$28.75
PJM West Hub \$27.16	ERCOT North \$22.36	CAISO SP15 \$23.24
NYMEX NG	Close	Change
Mar-17	2.564	-0.270
Apr-17	2.691	-0.260
12 Month	2.955	-0.206
Bal 17	2.893	-0.214
Cal 18	2.917	-0.085

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,445	2,559	2,748	2,358
Diff v. Current		-114	-303	87
% Diff			-11.0%	3.7%

12 Month Strips, ATC Power Prices

