

Early Morning Update

The Sep20 natural gas contract is trading flat to Friday's close at \$2.36. The Sep20 crude oil contract is up \$0.14 at \$42.15.

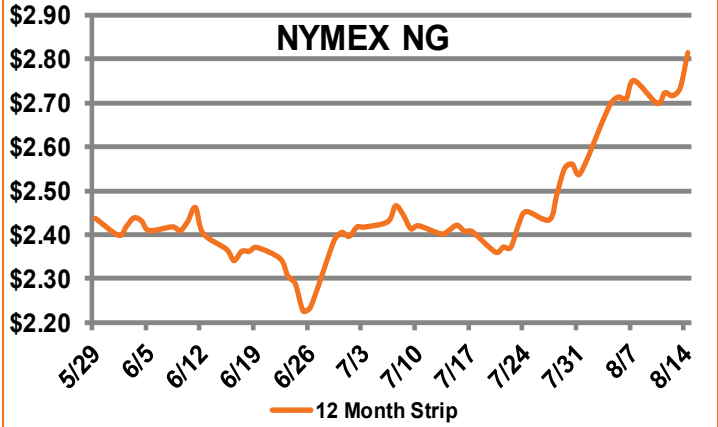
Summary: The volatility in the natural gas market continued on Friday, as the Sep '20 NYMEX futures price surged 17.4 cents on the day to settle at \$2.356/MMBtu, about 58 cents higher than last month. This is now the highest prompt month settlement price since December of last year and caught the market off guard. Rig counts continue to fall, down three rigs week-over-week and bringing the total number down to 244, according to Baker Hughes's weekly report. Demand continues to increase, with LNG and exports to Mexico both rising last week, with LNG reaching as high as 4.8 Bcf/d. In the 1-5 day weather forecast, most of the eastern half of the country will be at normal to slightly cooler-than-normal temps, with the majority of the significant heat trapped on the West Coast and remaining there through the end of the month. In the 16-20 day forecast, the heat flips and moves back into the Northeast to start September. U.S. dry production is hovering just over 87.5 Bcf/d, up slightly versus last month. If rig counts continue to fall, using up some of the DUC (drilled, but uncompleted) well stocks could be concerning as we see demand pick up with the approaching winter and into 2021.

Bullish Factors

- Curtailed production
- Very high power burns
- Above-normal temperatures

Bearish Factors

- Coronavirus impacts on demand
- Healthy storage levels
- Huge decline in LNG exports



Next Day On-Peak Power (traded for 8/17/2020)

ISO-NE Mass Hub \$23.47	MISO Indiana Hub \$28.65	NYISO Zone G \$21.86
PJM West Hub \$27.00	ERCOT North \$42.45	CAISO SP15 \$382.21

NYMEX NG	Close	Change
Sep-20	2.356	0.174
Oct-20	2.495	0.171
12 Month	2.815	0.081
Cal 21	2.856	0.048
Cal 22	2.602	0.025

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	3,332	3,274	2,724	2,889
Diff v. Current		58	608	443
% Diff			22.3%	15.3%

