

**Early Morning Update**

The Jan21 natural gas contract is trading up \$0.06 at \$2.36. The Feb21 crude oil contract is up \$0.63 at \$48.25.

**Summary:** Yesterday saw a massive sell-off at the front of the curve as weather forecasts were revised again to show above-average temperatures for much of the country through the second week of January. The drop in prices extended all the way into 2024 but it was really the near 12 months that felt the biggest impact as the prompt closed the day down \$0.213 and the 12 month strip fell \$0.147. The middle of January is typically the coldest part of the winter so the market is keen to get past that unscathed, and the current weather forecasts show that it's possible. As you can see from the graphs below, the drop in gas pricing also caused a drop in power prices as milder temps should prevent volatility in the index markets.

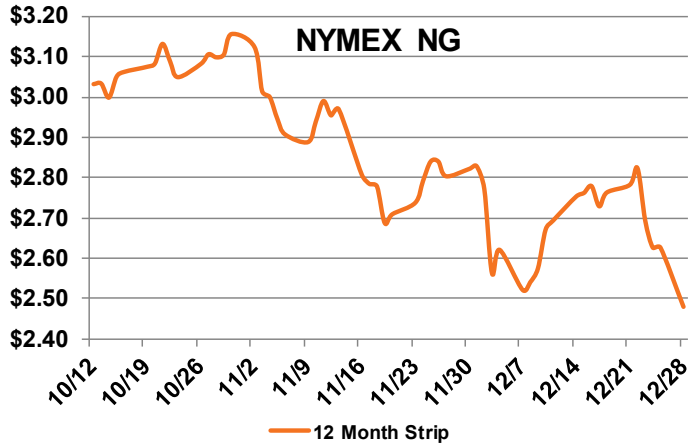
Today the Jan '21 contract expires, as does the Cal '21 contract so there may be some jumpiness as traders close out their positions. This can be exacerbated by the fact that liquidity is typically low this week.

**Bullish Factors**

- LNG exports back in force
- High exports to Mexico
- Unstable production

**Bearish Factors**

- Coronavirus impacts on demand
- Healthy storage levels
- Lack of significant heating demand



**Next Day On-Peak Power (traded for 12/29/2020)**

|                            |                             |                         |
|----------------------------|-----------------------------|-------------------------|
| ISO-NE Mass Hub<br>\$42.11 | MISO Indiana Hub<br>\$25.50 | NYISO Zone G<br>\$40.38 |
| PJM West Hub<br>\$28.07    | ERCOT North<br>\$19.93      | CAISO SP15<br>\$42.00   |

| NYMEX NG | Close | Change |
|----------|-------|--------|
| Jan-21   | 2.305 | -0.213 |
| Feb-21   | 2.326 | -0.186 |
| 12 Month | 2.481 | -0.147 |
| Cal 22   | 2.517 | -0.073 |
| Cal 23   | 2.427 | -0.041 |

| EIA Natural Gas Storage    |           |           |           |             |
|----------------------------|-----------|-----------|-----------|-------------|
| EIA Reported Storage (Bcf) | This Week | Last Week | Last Year | 5-Year Avg. |
| Total                      | 3,574     | 3,726     | 3,296     | 3,356       |
| Diff v. Current            |           | -152      | 278       | 218         |
| % Diff                     |           |           | 8.4%      | 6.5%        |

