

Early Morning Update

The Aug20 natural gas contract is trading up \$0.06 at \$1.88. The Aug20 crude oil contract is down \$0.10 at \$40.80.

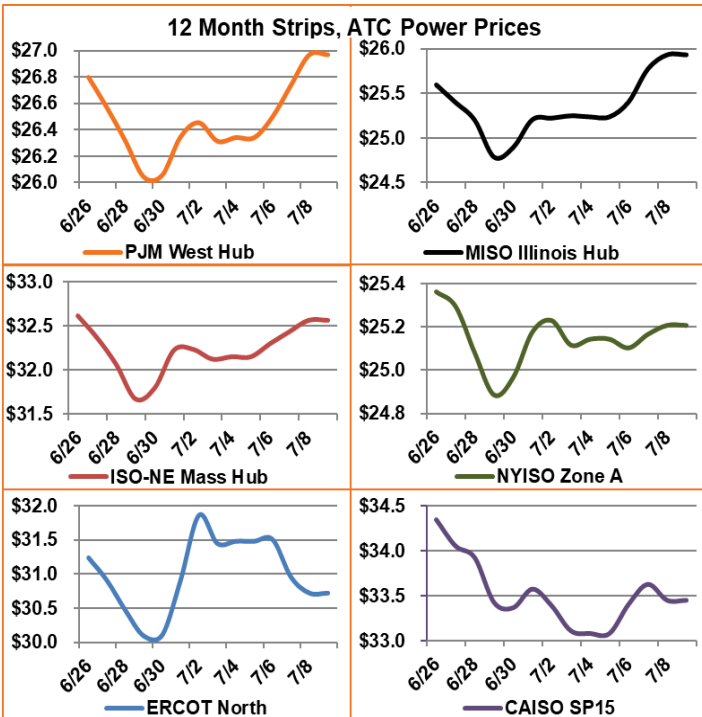
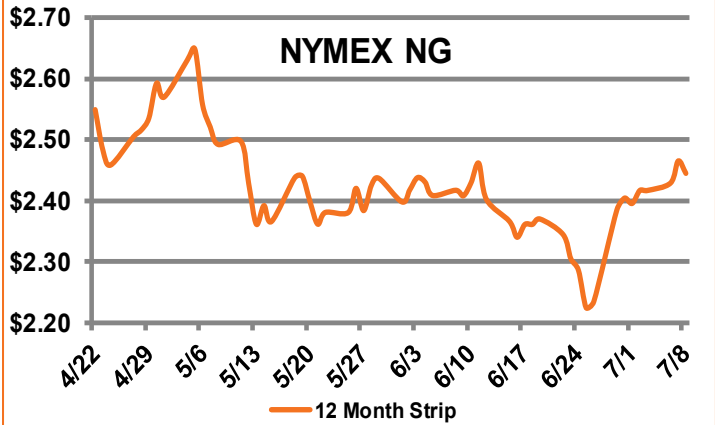
Summary: A healthier supply outlook amidst weakened forecasted demand ended the recent natural gas rally that lasted almost a week. Despite reports of falling rig counts, production in associated gas plays is at an eight-week high, as producers begin bringing curtailed wells back on line. The production rebound can be attributed to bullish crude prices, now in the \$40/bbl range after months of depressed prices. Gas production is forecasted to grow by 2-3 Bcf/d by August, while industrial and LNG demand are expected to limp forward at lowered levels. After gaining 20 cents between July 1st and July 7th, the August contract adjusted to this bearish outlook and lost \$0.05/MMBtu throughout Wednesday's trading activity, settling at \$1.824/MMBtu. The EIA storage report is expected to show an injection within the range of 53-57 Bcf, slightly below the five-year average. If injections continue at the five-year average pace throughout the summer, storage may reach record levels by October, above 4.0 Tcf. Uncertainty regarding how long the supply rally will last seems to be priced into the September and October forwards, which are still about \$0.25/MMBtu above their lows from late June.

Bullish Factors

- Curtailed production
- Above-normal temperatures
- High power burns

Bearish Factors

- Coronavirus impacts on demand
- Healthy storage levels
- Increasing renewables



Next Day On-Peak Power (traded for 7/9/2020)

ISO-NE Mass Hub \$28.00	MISO Indiana Hub \$44.15	NYISO Zone G \$30.29
PJM West Hub \$37.35	ERCOT North \$25.45	CAISO SP15 \$28.33
NYMEX NG	Close	Change
Aug-20	1.824	-0.052
Sep-20	1.876	-0.063
12 Month	2.445	-0.020
Cal 21	2.636	0.000
Cal 22	2.463	0.015

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	3,077	3,012	2,365	2,611
Diff v. Current		65	712	466
% Diff			30.1%	17.8%

