

Early Morning Update

The Nov20 natural gas contract is trading up \$0.10 at \$2.53. The Nov20 crude oil contract is up \$1.50 at \$38.55.

Summary: The first few days of October have been a contrast of temperatures for the U.S. - above normal for the West Coast and below normal for the eastern 2/3 of the country, but that pattern looks to break down later this week. The West Coast will see a reprieve from the heat and may see some rain to help firefighters battle the persistent fires across the region. The East Coast will see large areas of very mild temps (low 70s) and a dry pattern. With these conditions in place, the market is looking at the prospect of very low demand, and with production around 87 Bcf/d, the market is expecting some large injections over the coming weeks before switching over to withdrawals in November. End-of-summer storage estimates look to be around 4.0 Tcf - a very robust supply of gas heading into winter. Reflecting this weak demand during shoulder season, index ATC power prices have been stable and low during the past month, with prices in the high 10s / low 20s in COMED, PSEG, Zone J, NEMA, and ERCOT, but in the mid-40s range in CA. With these conditions in place, low index prices seem to be the norm for the eastern U.S. until cold weather emerges or another fundamental change hits the market.

Bullish Factors

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

Bearish Factors

- Coronavirus impacts on demand
- Healthy storage levels
- Normal temperatures declining



Next Day On-Peak Power (traded for 10/5/2020)

ISO-NE Mass Hub \$22.38	MISO Indiana Hub \$20.73	NYISO Zone G \$17.94
PJM West Hub \$20.60	ERCOT North \$15.00	CAISO SP15 \$39.00
NYMEX NG	Close	Change
Nov-20	2.438	-0.089
Dec-20	2.991	-0.071
12 Month	2.821	-0.046
Cal 21	2.854	-0.036
Cal 22	2.612	-0.003

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	3,756	3,680	3,285	3,351
Diff v. Current		76	471	405
% Diff			14.3%	12.1%

