

Early Morning Update

The Nov20 natural gas contract is trading up \$0.13 at \$2.65. The Nov20 crude oil contract is down \$0.67 at \$40.00.

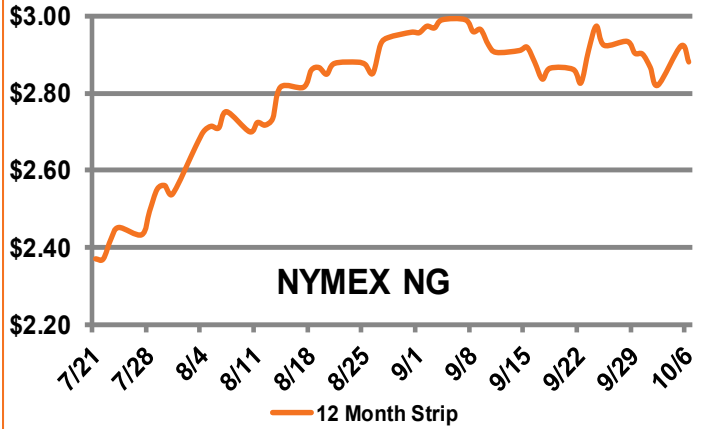
Summary: Yesterday's trading session saw NYMEX move down through the near term and the next couple of calendar strips following the broad upward movement on Monday. The prompt month contract had the largest drop, closing down 9.5 cents at \$2.52/MMBtu, with the Nov-Mar winter strip following closely behind, falling 6.4 cents. Cal '21 lost 3.2 cents and closed just above \$2.90, while 2022 lost 1.5 cents and closed at \$2.616. The sharp backwardation continues from 2021 through 2024, which is the lowest strip on the board at \$2.435, but Cals '23-'26 are trading in a narrow five-cent range. On the supply/demand side, natural gas production has fallen to below 85 Bcf/d from 87 Bcf/d earlier this week, while domestic demand is ticking down, as well, with milder temperatures across the country. Export demand, both LNG and pipeline flows to Mexico, are climbing, with LNG feedgas at 8.5 Bcf/d, and pipeline flows at 6.1 Bcf/d. In the back half of the week, Hurricane Delta is the focus, as oil and gas operators in the Gulf have begun evacuations. The storm is expected to make landfall on Saturday, likely somewhere in Louisiana as a category 3 hurricane. This hurricane season, there have been 25 named storms to date, with 8 weeks left in the season. The record for one season was set in 2005, when 28 named storms were recorded.

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 10/7/2020)

ISO-NE Mass Hub \$24.40	MISO Indiana Hub \$25.62	NYISO Zone G \$18.16
PJM West Hub \$22.67	ERCOT North \$26.30	CAISO SP15 \$44.87
NYMEX NG		
	Close	Change
Nov-20	2.520	-0.095
Dec-20	3.096	-0.065
12 Month	2.881	-0.041
Cal 21	2.903	-0.032
Cal 22	2.616	-0.016

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%

