

Early Morning Update

The Nov20 natural gas contract is trading down \$0.04 at \$2.73. The Nov20 crude oil contract is down \$0.13 at \$40.75.

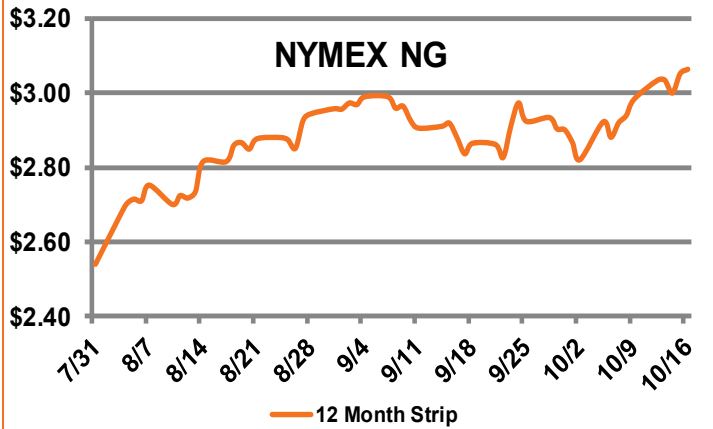
Summary: As we start a new week, the energy markets continue to focus on a few fundamentals, as the nation continues to grapple with COVID-19 uncertainty. With over 57,000 new cases reported on Oct 17, a 36% increase vs. Sept 27, the high rate of infection shows the virus is not under control as we move into winter. Is further economic stimulus and/or retightening of stay-at-home-orders on the way? If case counts continue to rise, both options are on the table. Early winter weather forecasts show a general consensus forming of a 10-year normal winter, but much colder than last year, which was the 4th warmest on record. The forecast is driven by La Nina conditions in the Pacific Ocean, leading to dry conditions in southern U.S. and increased precipitation in the northern tier. There is potential for colder-than-normal conditions for the eastern U.S. in December. The supply and demand balance continues to be a challenge for the market. Despite very strong gas storage levels heading into winter near 4.0 Tcf, production is below last year and continues to decline toward 84 Bcf/d. With the NYMEX market in a backwardated state (Cal 21 at \$3.07 and Cal 24 at \$2.47), the key lynchpin to future prices seems to be how cold this winter will be.

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 10/19/2020)

ISO-NE Mass Hub \$26.75	MISO Indiana Hub \$32.62	NYISO Zone G \$21.80
PJM West Hub \$26.00	ERCOT North \$23.84	CAISO SP15 \$50.03

NYMEX NG	Close	Change
Nov-20	2.773	-0.002
Dec-20	3.271	0.010
12 Month	3.064	0.012
Cal 21	3.081	0.015
Cal 22	2.723	0.026

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	3,877	3,831	3,489	3,524
Diff v. Current		46	388	353
% Diff			11.1%	10.0%

