

## Natural Gas Market Report

May 25, 2017

Week Ending 5-19-2017	EIA Last Year	EIA 5-Year Avg.	Average Weekly Injection to Reach 4000 Bcf	Injection Weeks Remaining
75	71	90	65	24
EIA Level	EIA Level Last Year	EIA 5-Year Avg. Level	EIA Prior Week	Comparison to 5 Year Avg.
2444	2815	2203	68	241

This morning, prior to the release of the EIA storage report, the June NYMEX futures contract opened at \$3.204 per dth which is about even with yesterday's close of \$3.209 per dth. It was anticipated that the EIA would report an injection between 65 and 75 Bcf. EIA reported an actual injection of 75 Bcf. This compares with last year's injection of 71 Bcf and the five-year average of 90 Bcf. The current inventory balance is now 2444 Tcf which is 371 Bcf below last year and 241 Bcf above the 5-year average.

NYMEX NG Price Summary Data as of 5-24-2017		
Term	Price Per MMBtu	Change
Jun 17	3.209	-0.010
Jul 17	3.300	-0.012
Aug 17	3.342	-0.010
Sep 17	3.322	-0.011
Oct 17	3.344	-0.013
Nov 17	3.400	-0.012
Dec 17	3.520	-0.013
Jan 18	3.593	-0.014
Feb 18	3.564	-0.015
Mar 18	3.476	-0.014
Apr 18	2.936	-0.008
May 18	2.875	0.008

(Sources: EIA, CME Group, Baker Hughes)

After Monday's 2½% price rally, significant selling occurred on Tuesday, resulting in a drop of \$0.111 per dth for the June contract. This may be related to an update of the summer forecast which calls for a cooler summer than in recent years. The prompt month has experienced greater than normal swings over the last few days as there appears to be no support of either falling or rising prices at this point. Looking ahead to July, some predict that the low side of natural gas prices will be \$3.20 per dth and the high side near \$3.50 per dth. The July contract settled on Monday up \$0.071 per dth at \$3.424 per dth. The July 2016 NYMEX settlement price was \$2.917 per dth. Price support for the June contract is at \$3.05 and \$3.15 per dth and resistance is at \$3.33 and \$3.43 per dth.

Natural gas drilling rigs increased by 8 last week to 180 active rigs. This is the largest amount in more than six months. Drilling rigs reached a 30-year low last August when there were only 81 active rigs as a result of low prices (the average NYMEX settlement price for the first 6-months of 2016 was \$2.022 per dth). Since that time, 99 rigs have been added. The expectation of higher prices (the average NYMEX settlement price for the remaining 6 months of 2017 is \$3.44 per dth) have resulted in a rebound of drilling, and production is predicted to grow as a result. The EIA has forecasted that natural gas production will average 74.1 BCF per day by the end of 2017.

As a reminder, the market will be closed on Monday, May 29<sup>th</sup> in observance of Memorial Day. The June NYMEX contract will expire tomorrow, Friday, May 26<sup>th</sup>.