ESI ENERGY STRATEGIES, INC.

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Natural Gas Market Report

August 10, 2017

Week Ending 8-3-2017	EIA Last Year	EIA 5-Year Avg.	Average Weekly Injection to Reach 4000 Bcf	Injection Weeks Remaining
28	24	54	74	13
EIA Level	**EIA Level Last Year**	**EIA 5-Year Avg. Level**	**EIA Prior Week**	**Comparison to 5 Year Avg.**
3038	3313	2977	20	61

The NYMEX prompt month contract ended last week at the lowest price level since late February. The low prices are attributable to both the mild temperature forecasts and the increases in natural gas production. The weather forecast calls for mild temperatures through the first 3 weeks of August, and natural gas production in the lower 48 states has steadily increased over the last three months reaching a weekly high of 72.8 Bcf per day last week. Natural gas usage by the power sector fell significantly last week by about 8% as temperatures were moderate across the eastern two-thirds of the county. In contrast, LNG exports at the Sabine Pass terminal set an all-time monthly high in July averaging 2.19 Bcf per day.

NYMEX NG Price Summary Data as of 8-9-2017		
Term	Price Per MMBtu	Change
Sep 17	2.883	0.061
Oct 17	2.920	0.060
Nov 17	2.993	0.052
Dec 17	3.137	0.048
Jan 18	3.237	0.049
Feb 18	3.228	0.047
Mar 18	3.184	0.044
Apr 18	2.869	0.019
May18	2.844	0.015
Jun 18	2.869	0.014
Jul 18	2.895	0.013
Aug 18	2.899	0.012

(Sources: EIA, CME Group, Baker Hughes)

With the increase of natural gas production over the last several months, longer term prices have also fallen. NYMEX calendar strip prices for delivery in 2019 – 2022 have decreased by 7% since reaching year-to-date highs in late April. It is expected that production of natural gas in the U.S. will continue to increase for the next couple years. LNG exports have increased in recent months and are expected to continue to grow in the coming years as more LNG export facilities come online. There is, however, a fine balance as lower prices may also impact current production which, assuming demand continues, could result in increased pricing.

The cooler weather most of the county has experienced in recent days is predicted to continue with below and in some areas, much below normal temperatures in the coming 10 – 14 days.

Today's storage injection reported by the EIA was 28 Bcf. This compares with 24 Bcf last year and the five-year average of 54 Bcf. The current storage inventory is now 3.038 Tcf which is 275 Bcf below last year and 61 Bcf above the 5-year average.

The technical indicators show support between $2.65 and $2.75 and resistance between $3.00 and $3.12.