ESI ENERGY STRATEGIES, INC.

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Natural Gas Market Report

August 3, 2017

Week Ending 7-28-2017	EIA Last Year	EIA 5-Year Avg.	Average Weekly Injection to Reach 4000 Bcf	Injection Weeks Remaining
20	-3	-9	71	14
EIA Level	**EIA Level Last Year**	**EIA 5-Year Avg. Level**	**EIA Prior Week**	**Comparison to 5 Year Avg.**
3010	3289	2923	17	87

Natural gas prices took a tumble early this week due to bearish short-term temperature forecasts. Both the 6-10 day and the 8-14 day outlooks show expectations of below normal temperatures across the middle of the continent. As a result, the September NYMEX contract declined $.147 per dth on Monday to a nearly five month low of $2.794 per dth and this 5% drop was one of the largest daily declines this year.

NYMEX NG Price Summary Data as of 8-2-2017		
Term	Price Per MMBtu	Change
Sep 17	2.811	0.008
Oct 17	2.851	0.004
Nov 17	2.936	0.000
Dec 17	3.094	0.001
Jan 18	3.184	0.002
Feb 18	3.175	0.004
Mar 18	3.132	0.005
Apr 18	2.826	0.020
May18	2.802	0.022
Jun 18	2.827	0.023
Jul 18	2.852	0.024
Aug 18	2.857	0.024

(Sources: EIA, CME Group, Baker Hughes)

Last week, the August contract expired at $2.969 per dth, only the second monthly settlement in 2017 below $3.00. Now with the September contract penetrating the $2.80 support level, new support is at $2.75 and $2.65 and resistance is at $3.00 and $3.12.

Although temperature forecasts are providing the downward pressure on prices, other factors continue to provide support. As mentioned last week, power demand has risen to year-to-date highs with the recent hot temperatures and LNG and Mexico exports remain notably above last year's levels. In addition, the continued uncertainty at FERC puts pipeline projects, and the associated potential production increases, at risk of further delay. On the flip side, natural gas rig counts continue to rise with the most recent total at 192, up 6 from the prior week and up over 120% from last year's count of 86.

This week's storage injection was expected to be around 24 Bcf. This is still below average due to last week's warmer temperatures. The actual volume reported by the EIA was an injection of 20 Bcf. The current inventory is now 3.010 Tcf, which is 279 Bcf below last year and 87 Bcf above the 5-year average. As the surplus to the 5-year average inventory continues to narrow, prices are more skittish and an unexpected weather event and/or pipeline disruption could result in increased prices.