

Natural Gas Market Report

September 8, 2017

Week Ending 9-1-2017	EIA Last Year	EIA 5-Year Avg.	Average Weekly Injection to Reach 4000 Bcf	Injection Weeks Remaining
65	84	125	87	9
EIA Level	EIA Level Last Year	EIA 5-Year Avg. Level	EIA Prior Week	Comparison to 5 Year Avg.
3220	3432	3205	30	15

As hurricanes enter the Gulf of Mexico and threaten the East Coast, NYMEX prices remain 'stuck' between \$2.80 and \$3.20 per dth, where they've traded for the past three months. This week's storage report was expected to provide some guidance as it includes a partial indication of Hurricane Harvey's impact upon natural gas supply and demand. In addition, three additional hurricanes in the Atlantic are being monitored and may again impact natural gas supply and demand.

The absence of hurricane impact on prices is indicative of the shift in supply regions in the USA. In 2005 over 25% of U.S. natural gas production came from the Gulf of Mexico. Currently, EIA reports this region supplies only 5% of total U.S. production. Ten years ago, a GOM hurricane might have impacted prices by dollars, whereas the recent impact was only in nickels.

NYMEX NG Price Summary Data as of 9-7-2017		
Term	Price Per MMBtu	Change
Oct 17	2.981	0.019
Nov 17	3.053	0.016
Dec 17	3.203	0.013
Jan 18	3.304	0.011
Feb 18	3.303	0.010
Mar 18	3.260	0.008
Apr 18	2.928	0.003
May 18	2.893	0.004
Jun 18	2.919	0.004
Jul 18	2.944	0.004
Aug 18	2.948	0.005
Sep 18	2.924	0.005

Expectations of this week's storage injection were near 65 Bcf. The actual injection reported by the EIA matched expectations at 65 Bcf. Last year's injection was 84 Bcf and the 5-year average is an injection of 125 Bcf. This brings the current inventory balance to 3.220 Tcf which is 212 below last year and 15 above the 5-year average. As we enter the final weeks of the storage injection season, it will be important to watch the weekly injection levels and the corresponding impact on prices.

On the demand side, U.S. power demand has declined due to both Harvey and associated cooler weather. LNG exports and Mexico exports are also lower due to the storm.

Natural gas transportation patterns will be impacted by the recent regulatory approval for a portion of the long-awaited Rover Pipeline to start up in Ohio as of August 31.

(Sources: EIA, CME Group, Baker Hughes)

The technical outlook shows support at \$2.92 and \$2.87 per dth and resistance at \$3.05 and \$3.14 per dth. Weather forecasts are still bearish due to the cooling effects from the hurricane activity.