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Natural Gas Market Report

October 12, 2017

| Week Ending 10-6-2017 | EIA Last Year | EIA 5-Year Avg. | Average Weekly Injection to Reach 4000 Bcf | Injection Weeks Remaining |
|-----------------------|---------------------|-----------------------|--|---------------------------|
| 87 | 79 | 87 | 101 | 4 |
| EIA Level | EIA Level Last Year | EIA 5-Year Avg. Level | EIA Prior Week | Comparison to 5 Year Avg. |
| 3595 | 3748 | 3603 | 42 | 8 |

The story this week is the weather forecast for the upcoming 2 weeks through the end of the month. Warm weather is predicted for the next 6 – 10 days and much warmer weather is predicted for the 8 – 14-day period for the eastern two-thirds of the country. Temperatures are expected to be much warmer than normal for the last two weeks of October in much of the country. As a result of these expectations, the technical support level is currently between \$2.70 - \$2.79 per dth and resistance levels are between \$3.05 - \$3.20 per dth.

| NYMEX NG Price Summary Data as of 10-11-2017 | | |
|---|-----------------|--------|
| Term | Price Per MMBtu | Change |
| Nov 17 | 2.889 | 0.020 |
| Dec 17 | 3.066 | 0.050 |
| Jan 18 | 3.181 | 0.080 |
| Feb 18 | 3.191 | 0.090 |
| Mar 18 | 3.154 | 0.012 |
| Apr 18 | 2.923 | 0.013 |
| May 18 | 2.899 | 0.015 |
| Jun 18 | 2.927 | 0.017 |
| Jul 18 | 2.956 | 0.017 |
| Aug 18 | 2.959 | 0.017 |
| Sep 18 | 2.942 | 0.017 |
| Oct 18 | 2.965 | 0.017 |

(Sources: EIA, CME Group, Baker Hughes)

The market has rallied, up 11 cents from Monday's low and was trading at \$2.934 per dth on Wednesday morning and on Thursday morning the NYMEX futures contract price for the prompt month is trading near \$2.93 per dth prior to release of the storage report. Many continue to believe that the market will rally toward the end of the month and reach levels in the \$3.20 - \$3.25 per dth area. The 12-month NYMEX natural gas strip price is down to \$3.004; the 24-month price is down to \$2.963; and, the 36-month price is trading down at \$2.921 this morning.

Natural gas production pulled back from recent highs and is averaging 73.9 Bcf per day, down 0.5% from the previous week. LNG exports from the Sabine Pass are also down 0.9%, averaging 2 Bcf per day last week. Crude oil production fell 4.6% as a result of tropical storm Nate as it impacted the Gulf of Mexico production, and oil rig counts have fallen by 18 since the start of August, suggesting a slowing pace of drilling in the last quarter of the year.

This week's injection into storage is expected to be about 75 Bcf. The actual injection reported by the EIA was 87 Bcf which is above last year's injection of 79 Bcf and equal to the five-year average. This brings the current inventory to 3.595 Tcf which is below last year's level at this time of 3.748 Tcf and below the five-year average of 3.603 Tcf.