



Short-Term Market Drivers

Bullish

Driving Prices Up

Natural Gas—Storage Supply

- ◆ The injection of 106 Bcf was above pundit expectations but mild weather sent prices downward. Currently, storage stands at 2,631 Bcf, which is 11% less than year-ago levels and 10% greater than the five year average.

Weather—Demand

- ◆ Temperatures averaged 67° Fahrenheit, which was 1° above normal. According to the Weather Channel, the 6 to 10 day forecast is calling for above normal conditions.

Economy—Demand

- ◆ May's PMI index was 54.9. Anything over 50 indicates growth in the economy. The overall economy has grown for the 96th straight month.

Bearish

Driving Prices Down

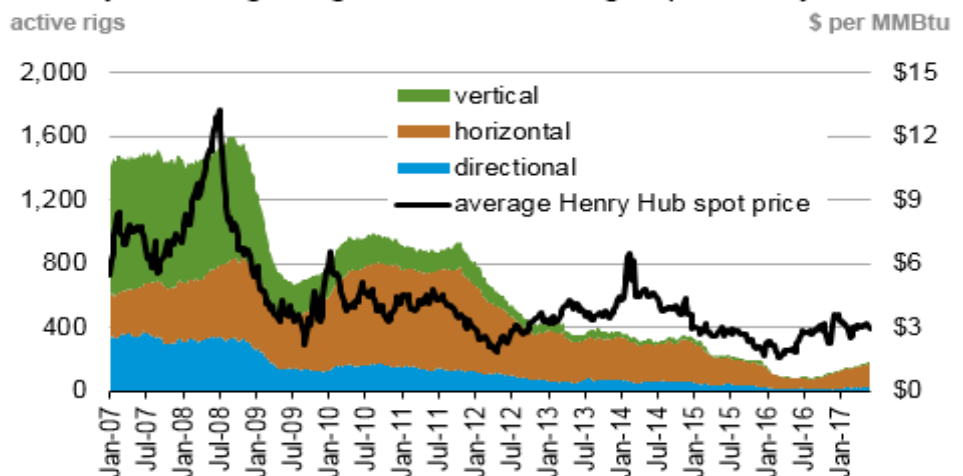
Natural Gas –Production Supply (See Chart Below)

- ◆ Increased prices and drilling efficiencies are driving producers to increase rig counts. Baker Hughes reports the natural gas rig count is currently at 182, which is up 122% from last year.

Pricing Bottom-Line:

A healthy injection in storage kept the market 'in check' as prices were up slightly. This is due to the prediction of above normal weather coming in the next two weeks.

Weekly natural gas rig count and average spot Henry Hub



Long-Term Market Drivers

Bullish

Driving Prices Up

Natural Gas Consumption Grows

- ◆ EIA's forecast of U.S. total natural gas consumption averages 76.6 Bcf/d in 2016 and is predicted to be 77.8 Bcf/d in 2017. The chart below represents the continued growth from the power sector as natural gas fueled plants grew from 23% to 41% in the northeast.

Export Growth to Mexico

- ◆ Platts Analytics predicts US natural gas exports to grow by 58% by '21. 2016 averaged 2.1 Bcf/d, thus growth is predicted to 5.7 Bcf/d by '21.

US Economy

- ◆ ITR Economics (<https://itreconomics.com/>) predicts strong GDP growth of 3.7% in '17 from a relatively flat 2.1% growth in '16.

LNG Growth (Chart)

- ◆ Platts Analytics predicts growth to 10.1 Bcf/d by 2020 as the first shipments of LNG started in March of '16.

Bearish

Driving Prices Down

Capacity Auction Results

- ◆ (NEISO) June '20 to May '21 contract **price dropped by 22%** from the previous year. This is due to growth of demand response program.

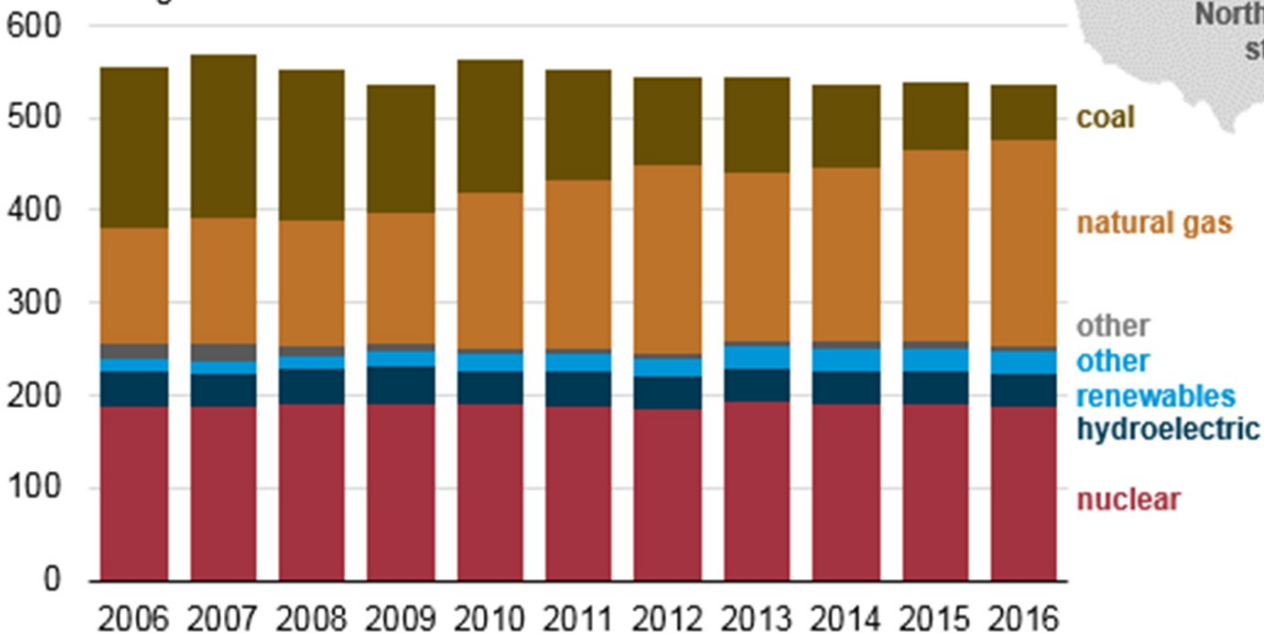
NE Pipeline Expansion

- ◆ Texas Gas Transmission OH-LA pipeline with capacity of 758 MMcf/d will help mitigate congestion on NE pipeline system.

Wind Generation

- ◆ Capacity to grow over 20% by '19. Fourth quarter of 2016 was the second most installed capacity in the nation. Texas led the nation and currently has half of all construction projects.

Net electricity generation by fuel in Northeast states, 2006-2016
million megawatthours



Source: U.S. Energy Information Administration, [Power Plant Operations Report](#)