



Short-Term Market Drivers

Bullish

Driving Prices Up

Natural Gas—Storage Supply

- ◆ The injection of 85 Bcf was below pundit expectations, but mild weather sent prices down. Currently, storage stands at 2,525 Bcf, which is 13% less than year-ago levels and 10% greater than the five year average.

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

Weather—Demand

- ◆ Temperatures averaged 60° Fahrenheit, which is normal. Temperatures are moderate and are forecasted to be moderate until mid-June.

Natural Gas –Production Supply

- ◆ Increased prices are driving producers to increase rig counts as Baker Hughes reports natural gas rig count is up 113% from last year and stands at 185 active rigs.

U.S. natural gas consumption - Gas Week: (5/25/17 - 5/31/17)

	Average daily values (Bcf/d):		
	this week	last week	last year
U.S. consumption	53.5	56.5	57.6
Power	24.0	25.7	29.7
Industrial	19.9	20.0	19.7
Residential/commercial	9.6	10.8	8.2
Mexico exports	4.0	4.2	3.6
Pipeline fuel use/losses	6.0	6.4	6.5
LNG pipeline receipts	1.6	2.1	0.5
Total demand	65.1	69.2	68.2

Source: OPIS PointLogic Energy, an IHS Company

Note: LNG pipeline receipts represent pipeline deliveries to LNG export terminals.

Pricing Bottom Line:

Demand from all sectors was down, thus pricing trended down.

Long-Term Market Drivers

Bullish

Driving Prices Up

Natural Gas Consumption Grows

- ◆ EIA's forecast of U.S. total natural gas consumption averaged 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.

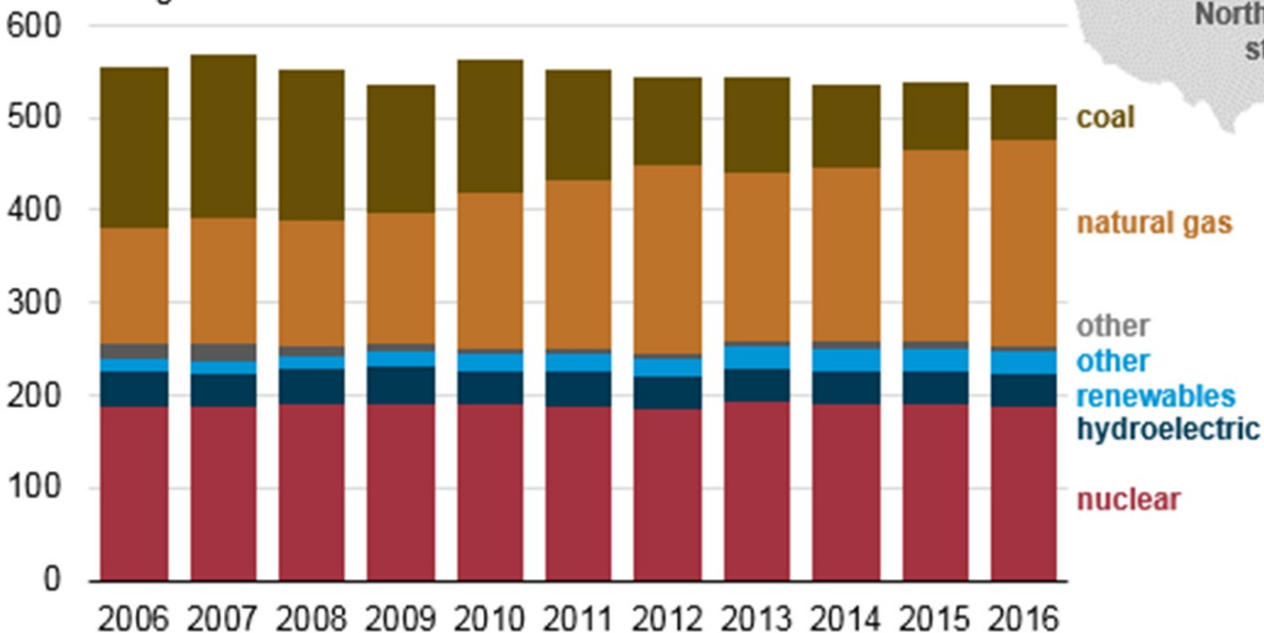
NE Pipeline Expansion

- ◆ 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](#)