



Bullish

Driving Prices Up

Short-Term

Natural Gas—Storage Supply

- ◆ The injection of 20 Bcf was as expected. Currently, storage stands at 3,010 Bcf, which is 9% less than year-ago levels and 3% greater than the five year average.

Weather—Demand

- ◆ Temperatures averaged 77° Fahrenheit, which was 2° above normal. The weather prediction is for cooler than normal temperatures, thus pricing could push down.

Texas Concerns

- ◆ In August, ERCOT will meet to review wholesale cost changes to better incentivize thermal generators. Also, of note, is a downgrade of the reserve margin from 15.5% to 15% this summer. Growth in the state has been the major contributor.

Economy—Demand

- ◆ July's PMI came in at a 56.3, down from 57.8 in June. The overall economy grew for the 98th consecutive month.

Long -Term Drivers

Export Growth to Mexico

- ◆ Platts Analytics predicts US natural gas exports to grow by 58% by 2021. 2016 averaged 2.1 Bcf/d, thus growth is predicted to be 5.7 Bcf/d by 2021.

LNG Growth

- ◆ Platts Analytics predicts growth to 10.1 Bcf/d by 2020 as the first shipments of LNG started in March 2016.

Bearish

Driving Prices Down

Short-Term

Natural Gas –Production Supply

- ◆ Baker Hughes reports natural gas rig count is currently at 192, up 6 from last week and up more than 123% from last year at this time.

Texas—Far West Transmission

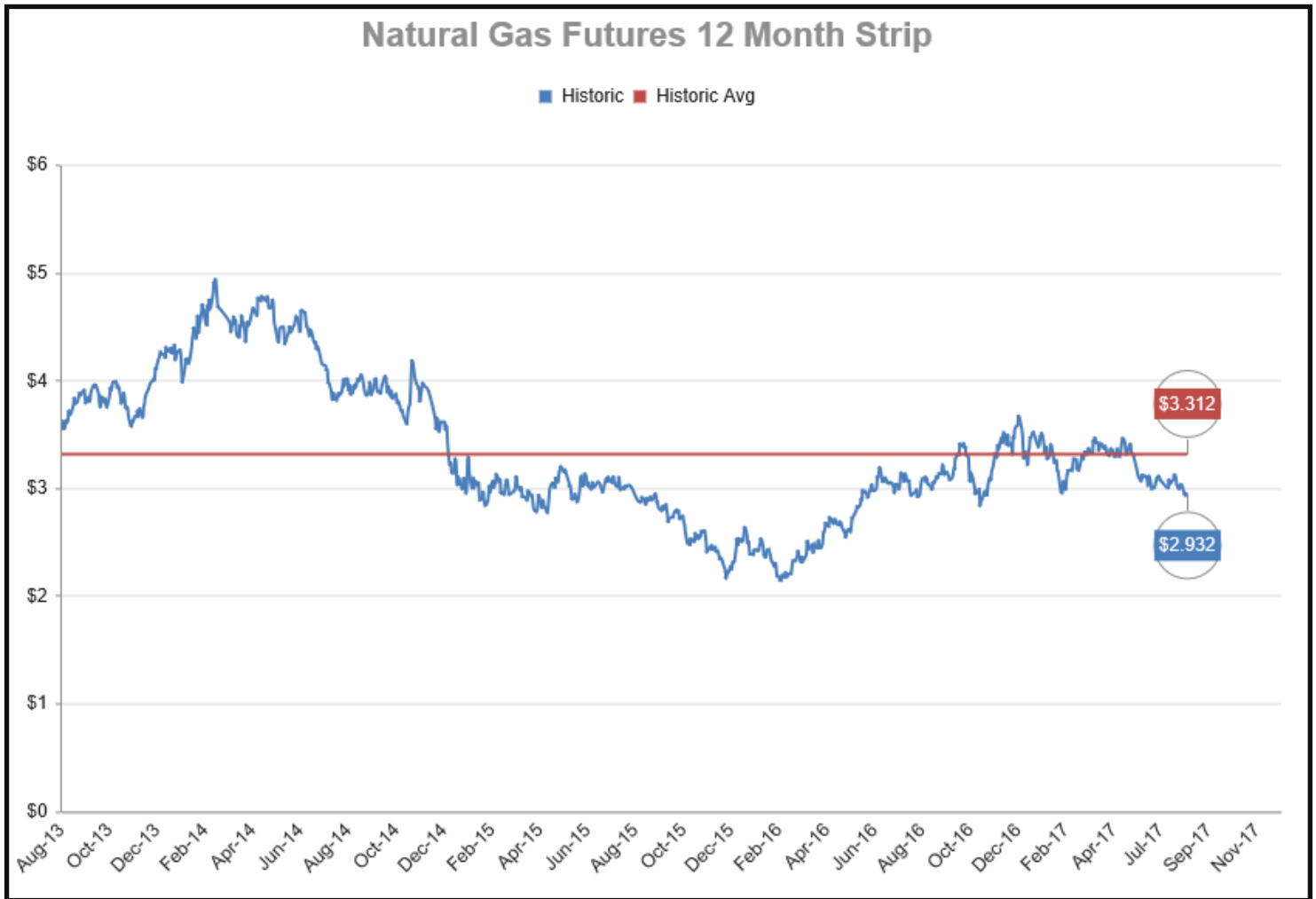
- ◆ Two 345 kV transmission line projects were approved. The projects will accommodate the growing demand from drilling and the expected addition of over 1,600 mW of solar farms by 2020.

Long -Term Drivers

Wind Generation

- ◆ Capacity to grow over 20% by 2019. 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.

Current Market Pricing—Mild Weather has pushed market below \$3



Future Price Predictions—Upper Level \$5 per mmBTU and Lower \$2

