

Weekly Energy Report

for the week of July 19, 2018

Week Ending 07-13-2018	EIA Last Year	EIA 5-Year Avg.	Average Weekly Injection to Reach 4000 Bcf	Injection Weeks Remaining
+46	+31	+62	117	15
EIA Level	EIA Level Last Year	EIA 5-Year Avg. Level	EIA Prior Week	Comparison to 5 Year Avg.
2249	2959	2784	+51	-535

Natural Gas – Over the past week the August NYMEX contract dropped to the \$2.73 per dth level, taking out multi-month lows. After Thursday's lower-than-expected injection into storage, there was a slight increase to \$2.77 per dth but the trading range remains limited to 5-6 cents per dth. Support at \$2.74 per dth has gradually eroded under milder weather forecasts with the next level developing near \$2.69 per dth. In similar manner, the 2018-

NYMEX NG Price Summary Data as of 07-18-2018

Term	Price \$/MMBtu	Change
Aug 18	\$2.721	(0.019)
Sep 18	\$2.689	(0.018)
Oct 18	\$2.705	(0.015)
Nov 18	\$2.755	(0.014)
Dec 18	\$2.870	(0.014)
Jan 19	\$2.954	(0.014)
Feb 19	\$2.925	(0.013)
Mar 19	\$2.836	(0.011)
Apr 19	\$2.578	(0.008)
May 19	\$2.554	(0.008)
Jun 19	\$2.587	(0.008)
Jul 19	\$2.619	(0.009)

(Sources: EIA, CME Group, Baker Hughes)

2019 winter strip has not moved above the \$3.00 per dth price level. Increases in natural gas production to record levels is still offsetting the storage deficit which remains stuck near 500 Bcf below the five-year average.

Looking ahead, the National Weather Service is forecasting below-average temperatures in the Midcontinent but above-average temperatures in the Southeast and West. The storage deficit is still viewed with potential for increasing

prices, but an upward price movement will require some sustainable hot weather trends or some tropical storm activity and neither are currently on the horizon.

Technical indicators have taken a tumble with support at \$2.69 and \$2.66 per dth and resistance now at \$2.85 and \$2.97 per dth.

Storage – Expectations for this week's EIA report ranged between 56 Bcf and 59 Bcf. The actual injection was significantly lower at 46 Bcf. This week's injection is below the five-year average injection of 62 Bcf but above last year's injection of 31 Bcf. Inventories are now at 2.249 Tcf is 710 Bcf below last year's level and 535 Bcf below the five-year average.

Natural Gas Production – Production remains near record highs in July. The EIA is reporting an initial estimate of 81.2 Bcf per day through July 11 which is up 10 Bcf per day over last year.

Power Generation – The ongoing hot weather continues to impact power generation demand which is up 14% from last year and reached a seasonal high of 37 Bcf per day during the week of July 4.

Exports to Mexico – In June, two new pipelines in Mexico were placed into service. Pipeline exports of natural gas to Mexico from the U.S. have increased by 3.1 Bcf per day since 2016. There are six major pipelines under construction and scheduled to come into service in 2018. Some of these pipelines have been delayed for a year or more due to opposition on the local level.

The August NYMEX contract will settle on Friday, July 27. ■