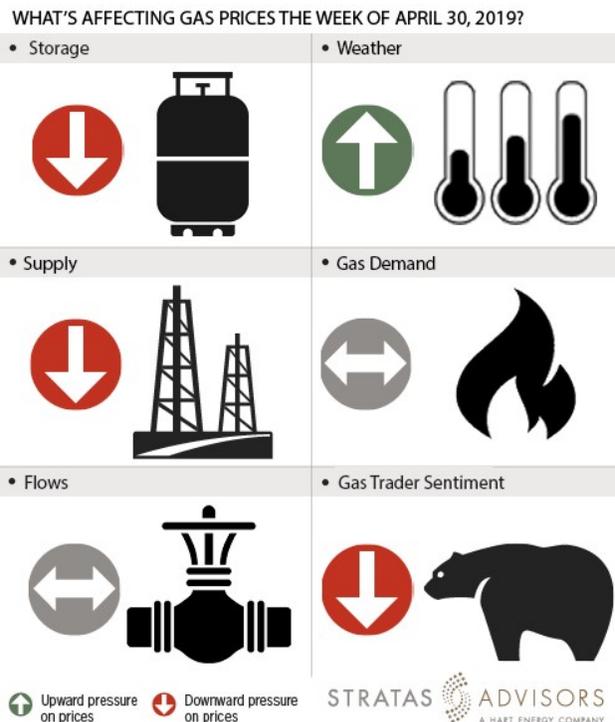


What's Affecting Gas Prices the Week of April 30, 2019?

Key Points: Field production held above 85 Bcf/d for the report week ended Apr 26. Import and export volumes of natural gas saw greater variations compared to usual. Canadian imports fell by 0.34 Bcf/d or 2.4 Bcf. Mexico exports rose by 0.5 Bcf/d or 3.4 Bcf. Demand from major categories fell by almost 3.6 Bcf/d as expected week-on-week. We expect this trend to continue for the next few weeks as well. Our analysis leads us to expect 108 Bcf storage build would be reported by EIA for the report week, in comparison to the current 108 Bcf consensus whisper expectation and almost 50% higher than the five- year average storage build of 68 Bcf.

We have seen higher than five year average storage builds for the past three weeks and we expect the trend to continue deeper into the injection season. We recognize that startups of gas-fired power plants and industrial establishments this year are likely to induce some surprises this summer, including potentially even weekly inventory withdraws from time to time, so we are keeping an eye out for this. Nevertheless, natural gas prices have stayed steady below \$2.75/MMBtu at the Henry Hub. Since February, prices haven't reached higher than \$3/MMBtu. We may see a small upside to the prices by mid-May contingent on weather conditions.



Storage – Negative

For the report week of Apr 26, the EIA reported a storage build of 92 Bcf which was the same as the prior week. After this week's injection, inventory levels are at 1,339 Bcf. For the first time since the start of winter, stocks are higher than year ago levels. For the current week, we expect to see a 108 Bcf storage build. Accordingly, we see storage changes as a negative driver for gas prices this week.

Weather – Positive

The latest NOAA 6-10 day temperature forecast shows cooler temperatures than the previous outlook. Although warmer than average temperatures are expected east of Mississippi River, much of the northern plains, Rockies and great portions of West Coast are expected to see below seasonal temperatures through second week of May. Since the weather outlook is uncertain, we are planning for a moderate increase in gas prices by mid-May. All in, we see weather as positive driver for gas prices this week.

Supply – Negative

Production levels has been extremely strong for the past couple of months and this trend continues into the current week as well. The Marcellus and Utica region have produced record volumes of natural gas in 1Q19 to the tune of 28.75 Bcf/d. Production growth hasn't helped raise prices. Accordingly, we believe supply will exert a negative pressure on gas price activity.

Demand – Neutral

As the nation switches from cooling demand to heating demand, the demand pressure from natural gas powered heating systems has declined. Yet, the summer-seasonal demand for natural gas for power generation has increased by 0.65 Bcf/d or 4.5 Bcf over the report week. Since there were no reported startups of power plants, we think that this increase could be due to increase in utilization rates in the existing gas fired facilities. We expect the overall demand impacts to be neutral for gas prices this week as we see the trends evolving from each segment tending to offset and cancel out any net change.

Flows – Neutral

The disruption on El Paso natural gas line has been resolved this week and the pipeline is back to functioning normally. As the incident didn't affect Henry Hub prices as much as it did Waha prices, we expect flows to exert a neutral pressure on gas prices this week. Since the Enbridge natural gas pipeline rupture in October, the imports into Northwest US from Canada has declined from the >1 Bcf/d levels seen before the explosion. The average flows for the year-ago week is 1.08 Bcf/d. The average for the report week is 0.75 Bcf/d with huge daily variations. We continue to track the import levels in Northwest and pipeline repair activity and will report anything significant in the future.

Trader Sentiment – Negative

Because of the mixed weather forecasts, Henry Hub prices have climbed by 6 cents to \$2.62/MMBtu as of press time. Weather outlook had similar effects on natural gas futures with marginal increases in June and July Nymex gas futures. The CFTC's 4/26/2019 commitment of traders report for NYMEX natural gas futures and options showed that reportable financial positions (Managed Money and Other) on 4/23/2019 were 60,597 net short while reportable commercial operator positions came in with a 28,418 net long position.