

MONTHLY MARKET UPDATE

January 2016



MARKET COMMENTARY

Powered by: *Premiere Energy Auctions* & Gary Graham, Director of Energy Management

2016 is finally here, and with it comes turbulence in the energy markets. The headlining act in December was the performance of crude oil, dipping way below the \$40 mark, bottoming out at \$36.05. This is the weakest Brent crude has seen since 2004. Gas futures followed suit, marking a low point of \$1.68 for the January prompt month contract, the lowest prompt month natural gas price in almost 20 years. As a result of the continued price destruction we saw in 2015, rotary rig counts have also plummeted, with a net loss of 968 combined on and offshore operations since the beginning of the year. That's a 57% drop in drilling rigs since Jan 1 2015. Despite those reductions in rigs, global oil production remains flat as OPEC refuses to pull back, and domestic natural gas drilling still outpaces demand. Winter has finally arrived which begins an expected upward draw on natural gas storage reserves and has brought the bulls back into the natural gas markets. Wholesale electricity prices tend to follow suit, and have bounced back from their lows across all ISO zones. Despite that, and the first natural gas well head freeze-offs, fundamentals continue to point toward storage levels settling

QUICK HITS

- Colder temperatures are affecting demand across the U.S., despite a persistent Strong El Nino
- Geo-political influence on the production and flow of crude oil into the global marketplace
- International benchmark for petroleum oil, Brent crude, hit a remarkable low of \$36.05
- Natural Gas futures trading on the NYMEX break away from their historical low prices from 2015

BULLISH FACTORS

- Colder Temperatures finally arrive in the U.S.
- Short- Term interest rates increase, making borrowing more expensive
- Well head freeze - off's assist in tightening supply
- Oil and natural gas rigs going off-line

BEARISH FACTORS

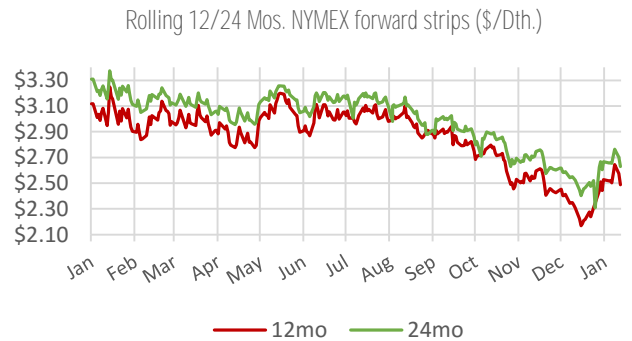
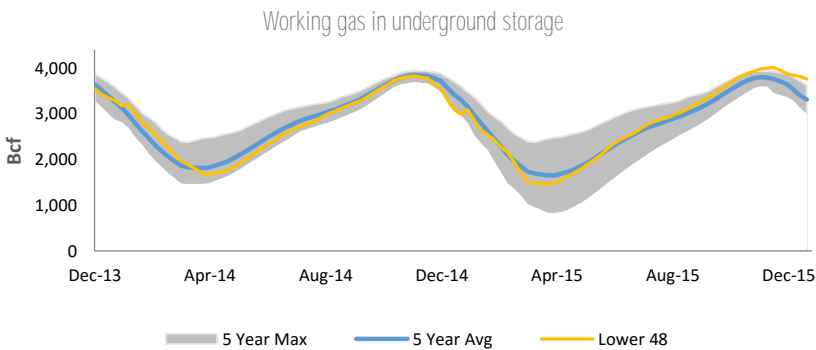
- Oversupply still persistent in energy markets
- Consumer demand stagnating
- Jan - March weather models still point toward above avg. temps
- Continuing strength on U.S. dollar

NATURAL GAS

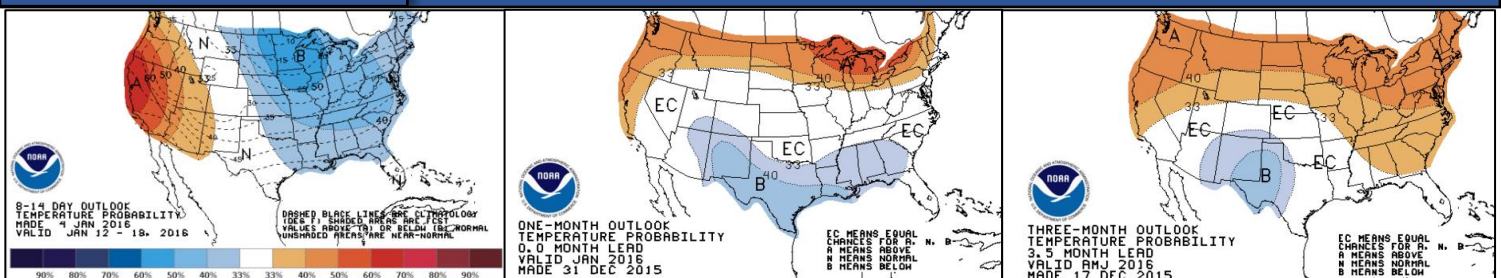
CURRENT/HISTORICAL STORAGE (Bcf)

Region	This Week	Last Week	% Chg	Year Ago	5-Yr. Avg.	Trade Date	Open	High	Low	Settle	% Chg	Est. Volume
East	857	876	-2.2% ↓	741	756	1/12/16	2.362	2.366	2.241	2.257 ↓	-4.4%	153,613
West	1481	1558	-4.9% ↓	1323	1348	1/11/16	2.446	2.48	2.355	2.36 ↓	-3.4%	143,866
Producing	1305	1322	-1.3% ↓	1045	1077	1/8/16	2.397	2.495	2.377	2.477 ↑	3.3%	171,375
TOTAL	3643	3756	-3.0% ↓	3109	3181	1/7/16	2.267	2.429	2.271	2.382 ↑	5.1%	223,201

NYMEX NG FUTURES (PROMPT MONTH)



NOAA TEMPERATURE PROBABILITY



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CUSHMAN & WAKEFIELD



PREMIERE ENERGY AUCTIONS

AVERAGE RETAIL ELECTRICITY PRICE TRENDS

*actual rates may vary by usage and utility rate class

For Week ending 1/1/2016 | February Start

Term	New Jersey	New York	Massachusetts	Ohio	Illinois	Texas	DC	Pennsylvania
12-Mo.	\$0.0987	\$0.0687	\$0.0815	\$0.0646	\$0.0647	\$0.0426	\$0.0821	\$0.0745
24-Mo.	\$0.0997	\$0.0707	\$0.0869	\$0.0650	\$0.0665	\$0.0444	\$0.0820	\$0.0753
36-Mo.	\$0.1031	\$0.0726	\$0.0929	\$0.0672	\$0.0683	\$0.0455	\$0.0876	\$0.0770
48-Mo.	\$0.0990	*	*	*	*	\$0.0442	*	\$0.0724

ROLLING 12-MONTH ELECTRICITY PRICES

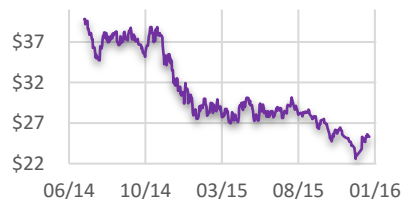
NYISO - Zone J



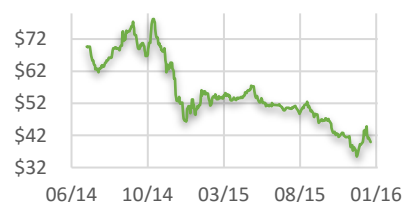
PJM - PSEG



ERCOT - TX NORTH



NE-ISO - MASS HUB



PJM - COMED



PJM - ATSI



ENERGY MARKET NEWS

Data Highlights

WTI crude oil futures price

1/8/2016: **\$33.16/bbl**

↓ \$3.88 from week earlier

↓ \$15.63 from year earlier

Natural gas futures price

1/8/2016: **\$2.472/mmBtu**

↑ \$0.135 from week earlier

↓ \$0.455 from year earlier

Weekly coal production

1/2/2016: **11.717 million tons**

↓ 0.185 million tons from week earlier

↓ 5.693 million tons from year earlier

PJM 2016 Load Forecast Report

<http://bit.ly/1R826Ky>

PJM Board Approves \$490m in Transmission Investment

<http://bit.ly/1Z22YQ7>

FERC 2015-2015 Winter Energy Market Assessment

<http://1.usa.gov/1RcRLNj>

Short Term Energy Outlook

<http://www.eia.gov/forecasts/steo/>

U.S. lifts 40 year old ban on crude exports

<http://bv.ms/1wQ1tp6>

for more information

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