

August 2016



Market Commentary

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

July brought relief to the energy markets after 2 months of upward price movement, but not before the bulls returned to close out the month. The 12-month natural gas strip topped out at \$3.20/Dth, then fell below \$3/Dth and again flipped to the upside just after expiration to settle at \$3.14/Dth. Overall, power and gas markets are lower today than they were at the beginning of July despite last week's one-day gain of 8%, the largest since December.

Increased production has helped offset record setting power burn (electricity generated by natural gas-fired power plants) bringing with it, an increase in net short positions (trade positions that bet prices will go down).

Natural gas storage continues to shrink from 50% at the start of the injection season, down to 15% above last year's storage through July. In the coming weeks, the market expects one more lackluster storage number before increased production translates into higher injections. With August weather models pointing toward an average temperature month, the market will be focused on near-term weather and power burn to determine forward market value.

Forward markets continue to keep a close eye on the formation of La Nina. NOAA officially categorized the pacific equator's cooling waters under a Watch advisory, which is issued when conditions are favorable for the development of a La Nina event within 6 months.

Quick Hits

- The northeast experienced a 'heat dome' which caused peak demand periods, possibly allowing PJM, NYISO, and NEPOOL ISO's to mark their capacity obligations.
- NYISO Zone-J LBMP prices spiked as high as \$1042.00/mWh in July - an indicator of how volatile power prices are during peak demand periods
- Power burn continued its unprecedented increases topping out at an all-time high of 41.6 bcf/day on Monday July 27
- Energy prices have rebounded far enough from their March 2016 lows for private equity firms to become interested in drilling and production investment
- Oil and gas markets are entering their 5th bear market since 2013, when crude prices hit over \$100/bbl

Bullish Factors

- Persistent above-average temperatures have increased natural gas demand for power generation
- The US is consistently exporting LNG (liquefied natural gas), dry natural gas, and petroleum products, which could lead to price inflation at home

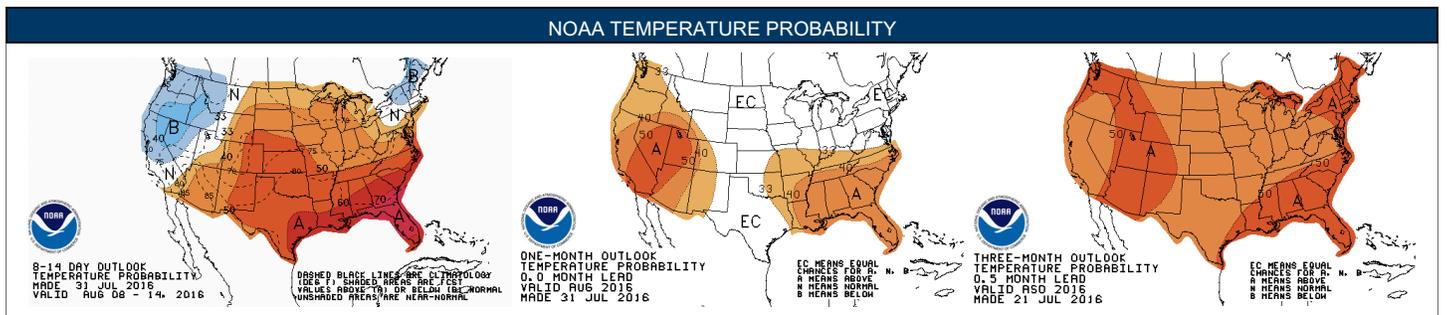
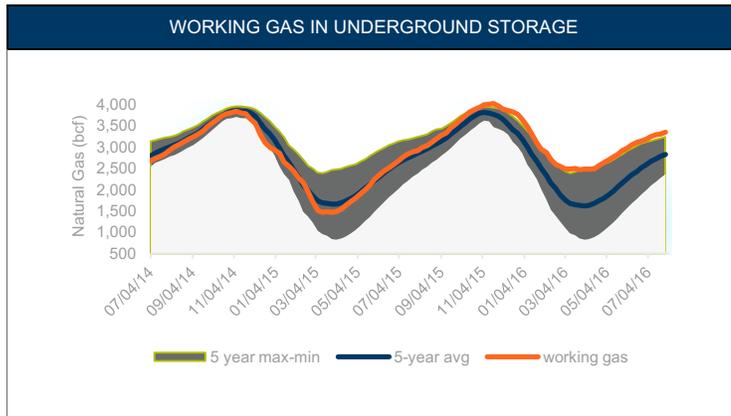
Bearish Factors

- Canadian natural gas production has come back full force, along with lower prices, after a series of wildfires diminished supply a few weeks ago
- 13 drilling rigs went into production this month, as reported by Baker Hughes



Natural Gas

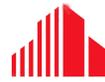
Region	CURRENT/HISTORICAL STORAGE (Bcf)						NYMEX NG FUTURES (PROMPT MONTH)					
	This Week	Last Week	% Chg.	Year Ago	5-Yr Avg.	Trade Date	Open	High	Low	Settle		Est. Vol
East	715	697	2.5% ▲	638	650	7/29/16	2.857	2.911	2.837	2.876	▼ -0.6%	120,553
West	815	801	1.7% ▲	652	678	7/28/16	2.673	2.893	2.651	2.857	▼ -6.4%	257,845
Producing	1764	1779	-0.8% ▼	1567	1443	7/27/16	2.691	2.750	2.654	2.672	▲ 0.7%	13,341
TOTAL	3294	3277	0.5% ▲	2857	2771	7/26/16	2.733	2.772	2.682	2.712	▲ 0.7%	63,358



Average Retail Electricity Price Trends (For the week ending 7/24/16 | September Start)

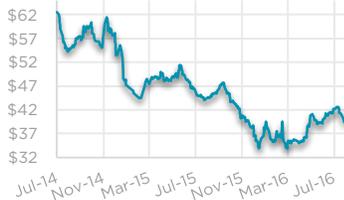
Term	New Jersey	New York	Massachusetts	Ohio	Illinois	Texas	DC	Pennsylvania	Connecticut
12-Mo.	\$0.0715	\$0.0603	\$0.0811	\$0.0704	\$0.0622	\$0.0712	\$0.0783	\$0.0837	\$0.0820
24-Mo.	\$0.0723	\$0.0620	\$0.0889	\$0.0712	\$0.0650	\$0.0738	\$0.0794	\$0.0939	\$0.0904
36-Mo.	\$0.0729	\$0.0639	\$0.0942	\$0.0722	\$0.0685	\$0.0754	\$0.0866	\$0.1027	\$0.0963
48-Mo.	\$0.0732	\$0.0644	-	\$0.0712	\$0.0702	\$0.0743	*	*	\$0.0998

*actual rates may vary by usage. Rates are aggregated from sources reflecting the General Service (GS) rate class



Historical 12-Month Electricity Prices

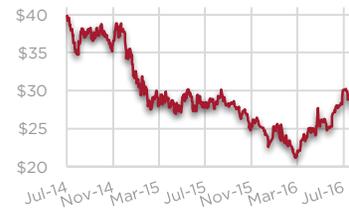
NYISO - Zone



PJM - PSEG



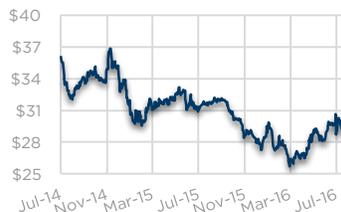
ERCOT - TX



NE-ISO - MASS



PJM - COMED



PJM - ATSI



Energy Market News

CONED crews restore power after storm

<http://bit.ly/2aHc7x3>

Oil on the cusp of a bear market

<http://on.ft.com/2apJfre>

Big gains in Texas oil fields

<http://bit.ly/2aXK2I9>

Baker Hughes rig count

<http://bit.ly/2aXK2I9>

EIA Short Term Energy Outlook

<http://bit.ly/2at2iVs>

Data Highlights

WTI crude oil futures price

↓ \$6.92 from week earlier

7/29/2016: **\$41.60/bbl**

↓ \$2.59 from year earlier

Crude oil inventories

↑ 1.7m bbl from week earlier

7/29/2016: **521.1m bbl**

↑ 61.5m bbl from year earlier

Natural gas futures price

↑ \$0.099 from week earlier

7/29/2016: **\$2.876/MMBtu**

↑ \$0.108 from year earlier

Natural gas inventories

↑ 17 Bcf from week earlier

7/22/2016: **3,294 Bcf**

↑ 436 Bcf from year earlier

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