

Monthly Update

July 2016



Market Commentary

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

On June 9th, the NOAA confirmed the end of the 2015-16 El Niño weather event. This marks the end to more than a year of descending market prices, resulting from mild weather that persisted throughout last summer and inspired the warmest winter on record. Since El Niño began its decent, June unexpectedly brought above average temperatures, pushing prompt month gas up over 76% since we hit 17 year lows in early March. The warmer weather, lower natural gas production, and the resulting lackluster natural gas storage injections have contributed to the current upward market. The NYMEX July natural gas contract settled at \$2.917, the highest monthly settlement price in 18mos and almost a full dollar above the June settlement. This is the largest 1 month spread between prompt month settlement prices since Nov/Dec 2010 and marks the first time a monthly settlement price in 2016 settled above the same month from 2015. The back end of the curve for both power and gas has moved up as well, with every ISO and Zone trading 10-20% above their all-time lows.

In addition to the production and storage price indicators, participants are also closely watching the development of La Niña. The Pacific equator is likely to become cooler than normal due to a strong upwelling Kelvin wave - an eastward moving impulse underneath the surface that brings cooler water toward the surface along its path. Upwelling Kelvin waves often feed into the development of La Niña, as one seems to be doing right now. This weather event will have the opposite effect on weather/prices, expecting to drive a hot summer and extreme winter. With that, an increase in demand is expected to outpace production, a major driver for the current upward speculative positions.

Quick Hits

- The Brexit brought about an immense amount of volatility in the commodity markets, however, price action has calmed since the initial market reaction
- Upgrades to critical gas and electricity infrastructure in the Southwest are assisting the export of natural gas to Mexico
- 8 natural gas drilling rigs, and 5 oil rigs in North America came online this past June, indicating the market still has room for supply

Bullish Factors

- Summer cooling season has started early this year, increasing demand at a time when production is flat
- Above average temps are being forecasted across most of the U.S. in the coming weeks
- Gas exports to Mexico are increasing, and net imports from other countries are decreasing sharply

Bearish Factors

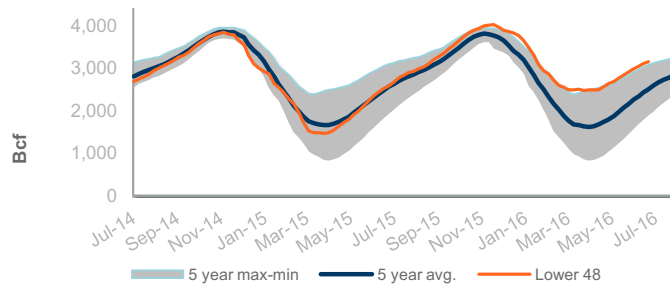
- Brexit vote temporarily led to a futures sell-off, taking oil and gas prices downward worldwide
- Working gas inventories are still 23% above the year-ago level, and 25% above the 5-year average
- 13 Drilling rigs went into production this month, as reported by Baker Hughes
- As the market price of natural gas rises, power plants could switch to coal as a primary fuel source, putting downward pressure on demand for gas



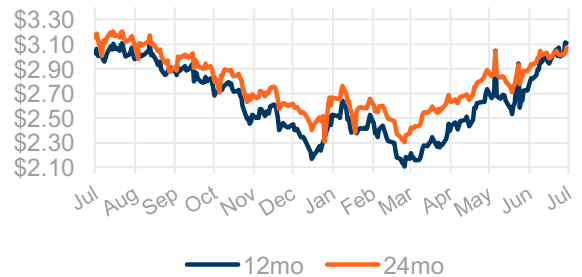
Natural Gas

CURRENT/HISTORICAL STORAGE (Bcf)							NYMEX NG FUTURES (PROMPT MONTH)					
Region	This Week	Last Week	% Chg.	Year Ago	5-Yr Avg.	Trade Date	Open	High	Low	Settle		Est. Vol
East	632	612	3.3% ▲	544	569	6/30/16	2.863	2.945	2.851	2.924	▲ 0.02%	166,544
West	742	724	2.5% ▲	538	575	6/29/16	2.875	2.974	2.844	2.863	▼ -0.6%	150,845
Producing	1766	1767	-0.1% ▼	1477	1359	6/28/16	2.726	2.934	2.721	2.917	▲ 7.0%	13,040
TOTAL	3140	3103	1.2% ▲	2559	2503	6/27/16	2.636	2.736	2.631	2.716	▲ 3.0%	52,416

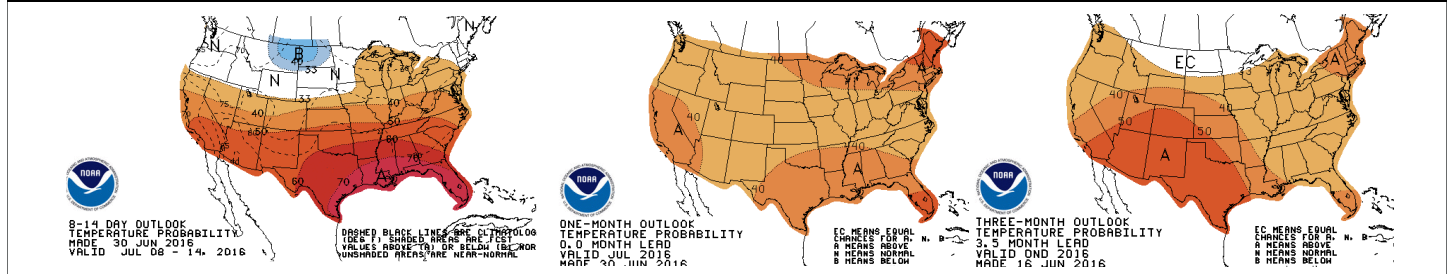
WORKING GAS IN UNDERGROUND STORAGE



ROLLING 12/24 MOS. NYMEX FORWARD STRIPS (\$/DTH)



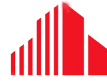
NOAA TEMPERATURE PROBABILITY



Average Retail Electricity Price Trends (For the week ending 6/24/16 | August Start)

Term	New Jersey	New York	Massachusetts	Ohio	Illinois	Texas	DC	Pennsylvania	Connecticut
12-Mo.	\$0.0730	\$0.0607	\$0.0800	\$0.0711	\$0.0618	\$0.0716	\$0.0787	\$0.0823	\$0.0825
24-Mo.	\$0.0735	\$0.0623	\$0.0885	\$0.0740	\$0.0647	\$0.0742	\$0.0793	\$0.0928	\$0.0911
36-Mo.	\$0.0737	\$0.0644	\$0.0944	\$0.0728	\$0.0684	\$0.0759	\$0.0862	\$0.1025	\$0.0978
48-Mo.	\$0.0731	\$0.0654	*	\$0.0716	\$0.0702	\$0.0747	*	*	\$0.1031

*actual rates may vary by usage and utility rate class

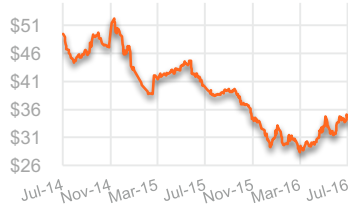


Historical 12-Month Electricity Prices

NYISO - Zone J



PJM - PSEG



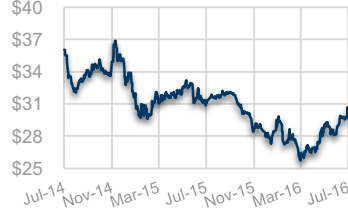
ERCOT - TX NORTH



NE-ISO - MASS



PJM - COMED



PJM - ATSI



Energy Market News

EIA Short Term Energy Outlook

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

The Methane rule, and the Cost of Regulation

<http://bit.ly/293MjIX>

Oil Stripper Wells, and their role in production

<http://bit.ly/296KKLF>

How Does Rig Count Impact Gas Prices?

<http://bit.ly/29uzTvs>

Data Highlights

WTI crude oil futures price

6/29/2016: **\$49.88/bbl**
 ↑ \$0.75 from week earlier ↓ \$9.59 from year earlier

Crude oil inventories

6/29/2016: **526.6m bbl**
 ↓ 4.1m bbl from week earlier ↑ 61.2m bbl from year earlier

Natural gas futures price

6/29/2016: **3,140Bcf**
 ↑ \$0.186 from week earlier ↑ 582 BCF from year earlier

Natural gas inventories

5/27/2016: **2,907 Bcf**
 ↑ 37 Bcf from week earlier ↑ 712 Bcf from year earlier

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