

# Monthly Update

November 2017



## Market Commentary

*Powered by Transparent Energy and Gary Graham,  
Director of Energy Management*

As we move out of the natural gas injection season and into the withdrawal season, let's first take a look back at the energy markets in the month of October and the first few weeks of November. Very mild weather compared to seasonal norms resulted in significantly depressed heating demand nationwide for almost the entirety of October, providing consumers with ample opportunities to take advantage of low shoulder-month pricing. With natural gas dry production numbers regularly setting record highs (or coming close to), and with daily power burns remaining relatively stable, wholesale electricity markets experienced very little volatility and day-over-day price movement remained highly sensitized to any significant adjustments to short-term weather outlooks. All of this resulted in a rare extension of the storage season as we moved into the first two weeks of November.

November has been fairly predictable thus far and the market has largely behaved in similar fashion to what we witnessed in October. Short-term weather sensitivity remains the driving force in projected natural gas and power demand and in turn, corresponding price movement. Given that the first withdrawal of the season came in mostly where expected (-18 Bcf), there was very little price movement as production remains stable and demand has been relatively flat nationwide, though a cold snap in the upper Midwest and Northeast held any downside movement in check. At this point, the longer term bearish view is beginning to seem most viable, but it is important to note that LNG exports will continue to reduce available supply – within a few weeks, the U.S. will open its second LNG export station, currently in the final stages of construction in Cove Point, Maryland. With increasing global demand for LNG and the relatively high margins enjoyed on exports out of Sabine Pass, the expectation is that more and more terminals will be approved for constructions in 2018 and beyond.

Moving forward, it will be important to keep an eye on pending regulatory activity and a “show cause” issued by FERC to ISOs to incorporate mechanisms within their tariffs to keep at-risk coal and nuclear generations online. While speculative for the time being, markets have already reacted to this with 2%-5% increases in wholesale power prices – capacity markets are expected to be adjusted similarly.

## Quick Hits

- Pending regulatory activity issued by FERC to have ISOs incorporate mechanisms to keep at risk coal and nuclear generation online, trading speculation has pushed wholesale power prices 2-5% higher
- Mild October weather resulted in depressed heating demand nationwide
- Stable production and demand has led to relative flat prices in the first few weeks of November
- With high margins from LNG exports, expectations for increased exports are high

## Bullish Factors

- US gas inventories have become relatively tight year over the course of 2017
- Lower gas availability will tighten storage injections and Nov withdrawals likely to be higher than usual
- Within a few weeks, US will open its second LNG export station, sending supply overseas

## Bearish Factors

- Rig counts have more than doubled since the lows back in May 2016
- New Appalachian pipeline capacity emerging in November signaling increasing production levels to ease constraints – especially in Northeast

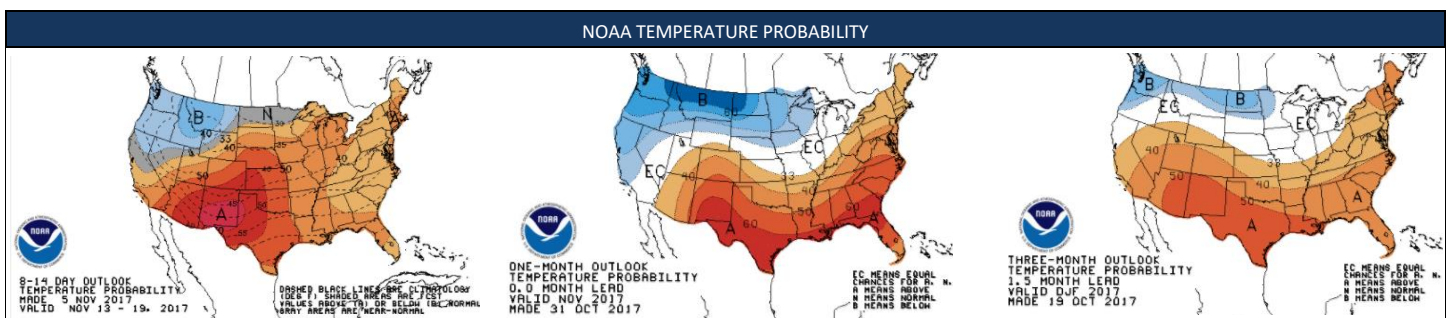
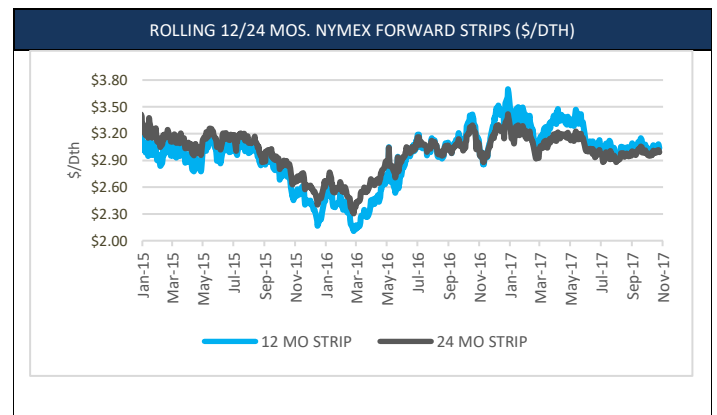
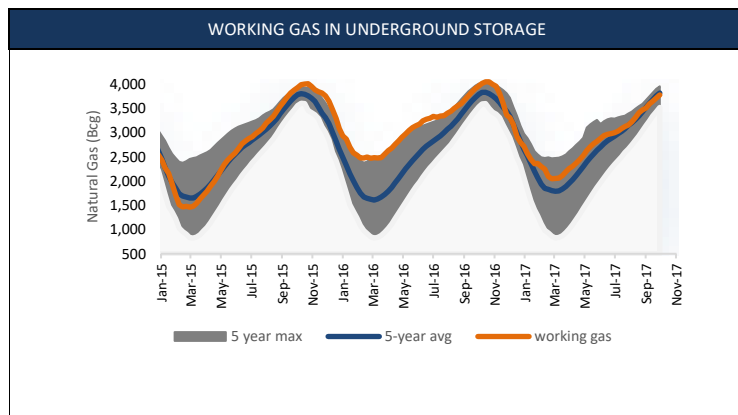
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## Natural Gas

| Region       | CURRENT/HISTORICAL STORAGE (Bcf) |             |              |          |             | HENRY HUB PROMPT MONTH NAT GAS SETTLEMENTS |                   |              |              |              |              |          |               |                |
|--------------|----------------------------------|-------------|--------------|----------|-------------|--|-------------------|--------------|--------------|--------------|--------------|----------|---------------|----------------|
|              | This Week                        | Last Week   | % Chg.       | Year Ago | 5-Yr Avg.   | Trade Date                                 | Open              | High         | Low          | Settle       | % Chg.       | Est. Vol |               |                |
| East         | 1107                             | 1082        | 2.31%        | ▲        | 940         | 921  | 11/3/2017         | 2.935        | 2.998        | 2.93         | 2.984        | ▲        | 1.67%         | 149,070        |
| West         | 1650                             | 1621        | 1.79%        | ▲        | 1705        | 1662                                       | 11/2/2017         | 2.9          | 2.957        | 2.881        | 2.935        | ▲        | 1.21%         | 191,806        |
| Producing    | 1199                             | 1174        | 2.13%        | ▲        | 1318        | 1234                                       | 11/1/2017         | 2.906        | 2.929        | 2.847        | 2.893        | ▼        | -0.45%        | 199,170        |
| <b>TOTAL</b> | <b>3956</b>                      | <b>3877</b> | <b>2.04%</b> | <b>▲</b> | <b>3963</b> | <b>3817</b>                                | <b>10/31/2017</b> | <b>2.988</b> | <b>3.005</b> | <b>2.882</b> | <b>2.896</b> | <b>▼</b> | <b>-3.08%</b> | <b>204,635</b> |

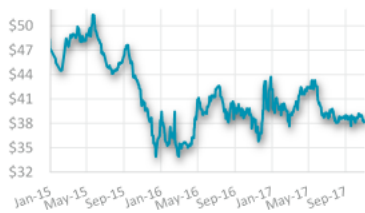


## Average Retail Electricity Price Trends ( Dec Start)

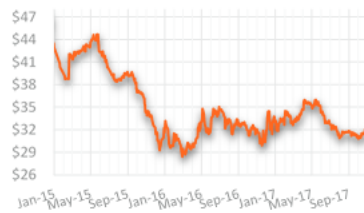
| Week Ending | New Jersey | New York | Massachusetts | Ohio     | Illinois | Texas    | DC       | Pennsylvania | Connecticut |
|-------------|------------|----------|---------------|----------|----------|----------|----------|--------------|-------------|
| 10/27/2017  | \$0.1002   | \$0.0632 | \$0.1136      | \$0.0619 | \$0.0595 | \$0.0465 | \$0.0753 | \$0.0703     | \$0.0944    |
| 10/20/2017  | \$0.0998   | \$0.0634 | \$0.1141      | \$0.0621 | \$0.0600 | \$0.0458 | \$0.0771 | \$0.0705     | \$0.0948    |
| 9/29/2017   | \$0.0984   | \$0.0638 | \$0.1116      | \$0.0611 | \$0.0600 | \$0.0432 | \$0.0757 | \$0.0696     | \$0.0918    |

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

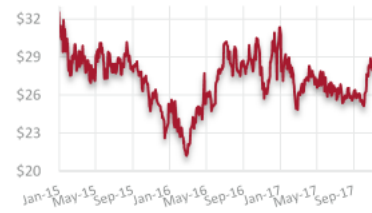
NYISO - Zone J



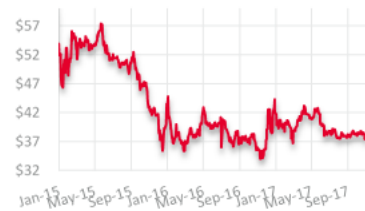
PJM - PSEG



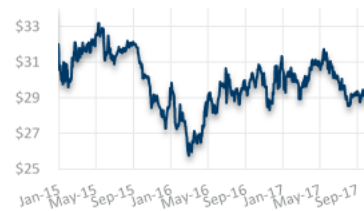
ERCOT - TX



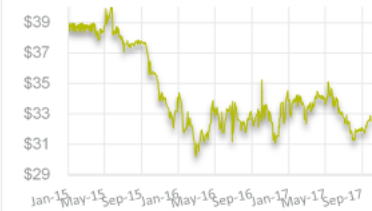
NE-ISO - MASS HUB



PJM - COMED



PJM - ATSI



## Energy Market News

Major Natural Gas Indicators are Bullish  
<https://bloom.bg/2yZS2JN>

Baker Hughes North American rig count  
<http://bit.ly/1elov2d>

NOAA – US Seasonal Drought Outlook  
<http://bit.ly/1fx4jgF>

EIA Short Term Energy Outlook  
<http://www.eia.gov/forecasts/steo/>

## Data Highlights

### WTI crude oil futures price

↑ \$1.74 from week earlier

11/03/2017: **\$55.64/bbl**

↑ \$10.98 from year earlier

### Natural Gas Inventories

↑ 65 Bcf from week earlier

10/27/2017: **3,755 Bcf**

↓ 180 Bcf from year earlier

### Natural gas futures price

↑ \$0.232 from week earlier

10/28/2017: **\$2.984/MMBtu**

↑ \$0.028 from year earlier

### Weekly coal production

↓ 0.469 million tons week earlier

10/28/2017: **14.458 million tons**

↓ 1.106 million tons year earlier

## For more Information:

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