



## Market Commentary

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

For most of the country, Spring has finally sprung after an unseasonable extended freeze that seemed intent on lingering throughout most of April. As of today, we are faced with projections of above average temperatures for the next two weeks, and we are seeing natural gas prices shift momentum to the upside as the commodity has moved, once again, above the \$2.80 mark. While we should continue to see healthy injections (triple digits) on a weekly basis over the next few months, the question remains as to whether that will be enough to make a dent in the significant storage deficit (26.6% from 5-year average) for this time of the year. The next few weeks should prove to be instrumental in determining the price ceiling for natural gas, as the delicate balance of supply and demand will either suppress futures below or catapult them beyond the elusive \$3 mark.

However abbreviated the duration of Spring may be, it surely has not disappointed from an activity perspective. While record-setting natural gas production continues to duke it out with the rippling effects of shifting weather patterns and retiring base-load (coal/nuclear) generation to determine daily power price swings, there have been several regulatory matters that are worth noting. Firstly, the New Jersey legislature passed a major piece of energy legislation that effectively increased the state's renewable portfolio standard to 50% by 2030, increasing costs to the end-user approximately \$3.50/MWh. The bill also establishes a retail service charge that supports the nuclear generation fleet within the state and should be viewed as another way of responding to mounting pressure from Washington D.C. to ensure grid reliability. Yet it remains difficult to agree considering grid operators maintain that propping up uneconomical generation assets is unnecessary for our grid reliability. In a largely unprecedented move, Secretary Perry has considered invoking a 1950's wartime measure called the Defense Production Act that forces the temporary nationalization of private sector entities in the name of national security, despite the potential cost increases for end consumers.

In other news, California recently passed a new building code that will require all residential homes constructed after January 1, 2020 to be equipped with solar panels. While it brings some unique challenges as to how exactly this new generation will be utilized, there are incentives built into the code for on-site and/or off-site energy storage and is yet another measure recently enacted in the state of California to move away from fossil fuel dependence. It's been a busy month in the industry, and the common thread continues to be one of bucking the trend.

## Quick Hits

- The EIA reported Thursday morning that, for the week ending May 4th, U.S. inventories increased by 89 Bcf, slightly smaller than the expected injection of 92 Bcf. This is almost twice the injection year over year, and slightly higher than the 5-year average.
- On Wednesday of last week, Secretary of Energy Rick Perry disclosed to a House committee that the Department of Energy is considering invoking a law from the Cold War era, the Defense Production Act of 1950, to prevent coal-fired and nuclear power plants from closing.
- On the demand side, power burn is starting to become the largest demand variable, while heating demand continues to fall as weather moderates. LNG exports started the week lower before rebounding to ~3.8 Bcf/d yesterday.

## Bullish Factors

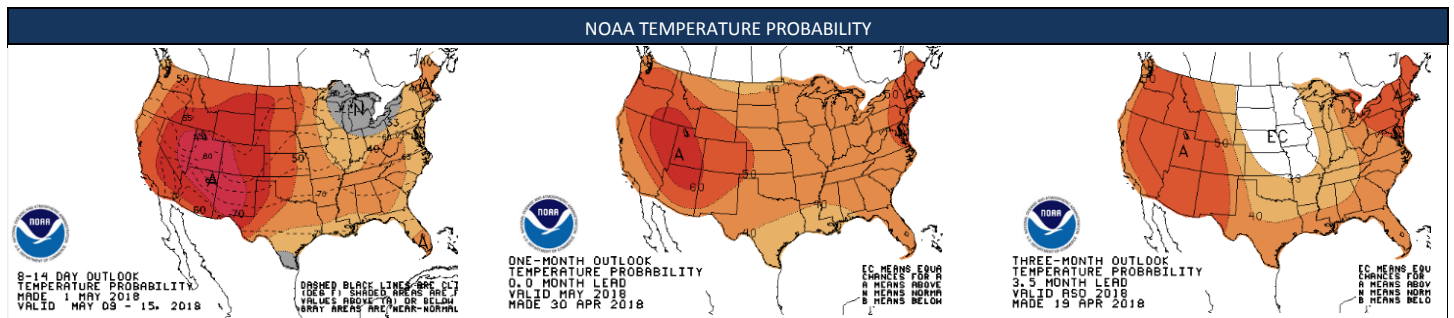
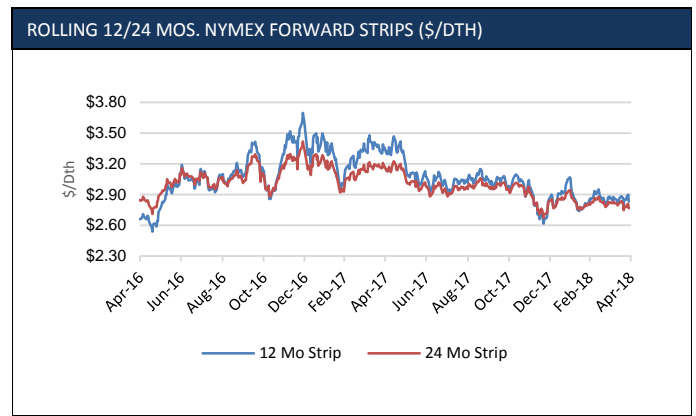
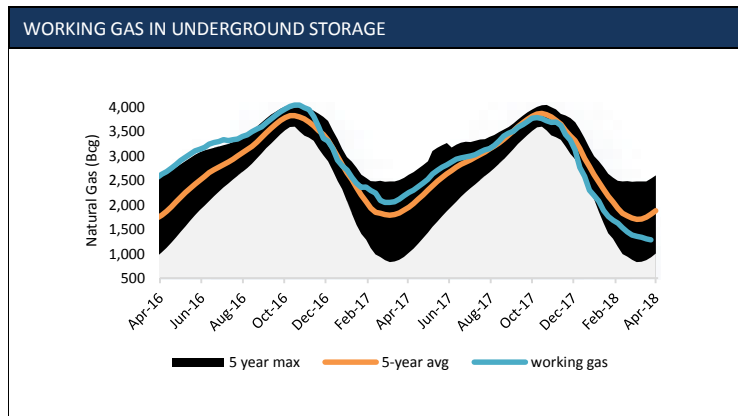
- According to a report from the EIA released on Tuesday, the one storage injection this April was the smallest April injection since 1983 because of the colder-than-normal weather.
- Futures for June delivery traded around \$2.757/MMBtu in advance of the EIA's storage report and immediately jumped by 3 cents in response to the bullish inventory data.
- Warm temperatures are projected throughout the continental U.S. over the 6-to-10-day forecast period. Above-average temperatures are expected to continue across the Lower 48

## Bearish Factors

- Production remains high, estimated to be 80.5 bcf/day for all of 2018, and is thus likely to limit the upside potential for prices.
- As per Baker Hughes, the number of active U.S. oil drilling rigs moved higher again this past week.
- For the week of 5/11, we are currently forecasting a storage build of 105 Bcf, which would be compared to previous builds of +68 Bcf last year and +87 Bcf for the five-year average.

## Natural Gas

CURRENT/HISTORICAL STORAGE (Bcf)						HENRY HUB PROMPT MONTH NAT GAS SETTLEMENTS								
Region	This Week	Last Week	% Chg.	Year Ago	5-Yr Avg.	Trade Date	Open	High	Low	Settle	% Chg.	Est. Vol		
East	205	207	-0.97%	▼	374	324	5/1/2018	2.764	2.82	2.759	2.802	▲	1.37%	171,546
West	472	486	-2.88%	▼	837	698	4/30/2018	2.763	2.778	2.728	2.763		0.00%	134,367
Producing	606	603	3.59%	▲	806	807	4/27/2018	2.826	2.834	2.768	2.771	▼	-1.95%	135,962
<b>TOTAL</b>	<b>1484</b>	<b>1472</b>	<b>0.82%</b>	<b>▲</b>	<b>1952</b>	<b>1878</b>	<b>4/26/2018</b>	<b>2.812</b>	<b>2.844</b>	<b>2.799</b>	<b>2.839</b>	<b>▲</b>	<b>0.96%</b>	<b>163,059</b>

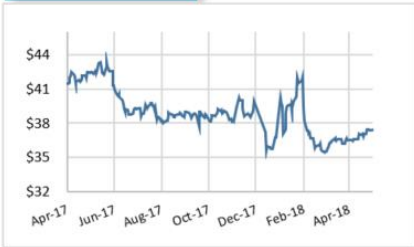


## Average Retail Electricity Price Trends (Jun Start)

Week Ending	New Jersey	New York	Massachusetts	Ohio	Illinois	Texas	DC	Pennsylvania	Connecticut
3/23/2018	\$0.0981	\$0.0564	\$0.1102	\$0.0564	\$0.0537	\$0.0510	\$0.0737	\$0.0649	\$0.0935
4/13/2018	\$0.0964	\$0.0575	\$0.1111	\$0.0576	\$0.0534	\$0.0536	\$0.0741	\$0.0660	\$0.0939
4/20/2018	\$0.0994	\$0.0578	\$0.1120	\$0.0576	\$0.0532	\$0.0524	\$0.0742	\$0.0657	\$0.0950

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

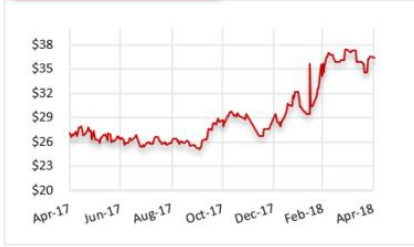
**NYISO - Zone J**



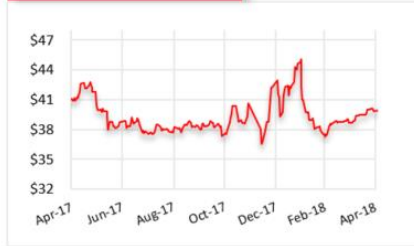
**PJM - PSEG**



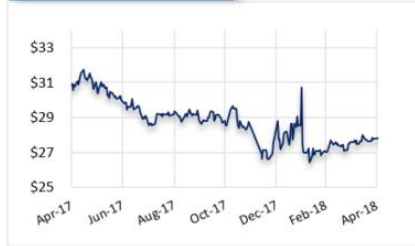
**ERCOT - TX NORTH**



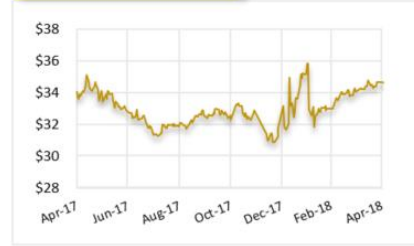
**NE-ISO - MASS HUB**



**PJM - COMED**



**PJM - ATSI**



## Energy Market News

Extreme Texas heat forecasts bullish pricing for natural gas

<https://bit.ly/2GgOeKM>

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

05/01/2018: **\$67.25/bbl**

↓ \$0.45 from week earlier

↑ \$18.41 from year earlier

### Natural Gas Inventories

04/20/2018: **1,281 Bcf**

↓ 18 Bcf from week earlier

↓ 908 Bcf from year earlier

### Natural gas futures price

05/01/2018: **\$2.802/MMBtu**

↑ \$0.021 from week earlier

↓ \$0.413 from year earlier

### Weekly coal production

04/21/2018: **14.117 million tons**

↓ 0.84 million tons week earlier

↑ 0.374 million tons year earlier

## For more Information:

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