

NYMEX UPDATE

2017 OUTLOOK

HOUSTON, TEXAS

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PAPER TOPIC:



MARKET

The NYMEX Outlook takes into consideration current market conditions and projected supply and demand levels. The below factors were considered in the NYMEX Settlement projection.


- Forecasts are projecting normal to above normal temperatures for the upcoming 2016-2017 winter. Additionally the short term, 30 day, and 90 day forecast all show above normal temperatures for the majority of the United States which would mean less natural gas needed for heating demand.
- As of week 42 in 2016, natural gas storage resides at 3,836 Bcf, which is the second highest recorded storage level for that time period. This figure is above inventories levels from a year ago (3,813 Bcf) and the five-year average (3,683 Bcf). In 2015 the US reached a record high for natural gas in storage when it peaked at 4,009 Bcf in week 47.
- Production levels are strong even with recent the recent plateau of production
 - July 2016 U.S. Marked Production/Imports was 78.89 Bcf/Day per the EIA

- EIA is forecasting production to be above 80 Bcf/Day throughout 2017, peaking at 83.20 in December

- The Baker Hughes rig count has slowly increased from the historic lows seen earlier this year. As of the 10/14/2016 report, rig counts now total 539 with 105 of those rigs dedicated to natural gas. Rigs have risen by 135 since mid-May, representing a 33.4% increase in the last four months.
- LNG exports started in 2016 from Cheniere's Sabine Pass terminal. LNG exports peaked this year at nearly 1 Bcf/Day leaving the United States, but that is expected

to grow in 2017. The completion of two additional trains at Sabine Pass will bring the export capacity up to 2.1 Bcf/Day in 2017. Additional export terminals are not expected to come online till 2018.

- U.S. exports into Mexico have increased dramatically in recent years and are expected to grow. The growth is due to greater need for natural gas fueled power generation replacing oil, and declining natural gas production within Mexico. U.S. exports into Mexico are already above 3.5 Bcf/Day, and are expected to reach 4.5 Bcf/Day by mid-2017.

NYMEX OUTLOOK			
		EIA -Henry Hub Spot Price Oct Outlook	Forward Curve (10/19/2016)
Jan-17	\$3.30	\$3.31	\$3.57
Feb-17	\$3.40	\$3.32	\$3.58
Mar-17	\$3.15	\$3.22	\$3.54
Apr-17	\$2.80	\$2.95	\$3.31
May-17	\$2.90	\$2.90	\$3.27
Jun-17	\$3.00	\$2.89	\$3.30
Jul-17	\$3.20	\$2.91	\$3.33
Aug-17	\$3.20	\$2.98	\$3.32
Sep-17	\$2.90	\$2.99	\$3.30
Oct-17	\$3.00	\$3.04	\$3.32
Nov-17	\$3.25	\$3.14	\$3.37
Dec-17	\$3.50	\$3.20	\$3.51