

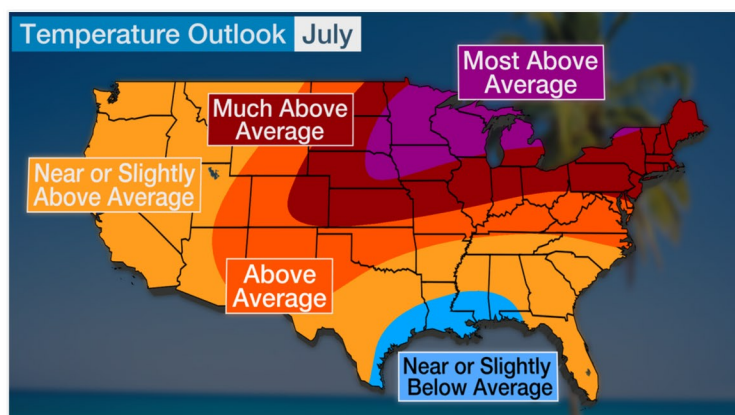
### MARKET SUMMARY

#### BIGGEST FACTORS: WEATHER

An abundance of natural gas in storage with moderate production means weather will be the primary pricing driver as summer wears on. July is expected to be warmer than average for most of the U.S.

#### WEATHER (BULLISH)

**TAKEAWAY** - Weather continues to drive volatility; fluctuating forecasts for hot days create short rallies, as hot weather drives an increase in gas-fired electricity generation.



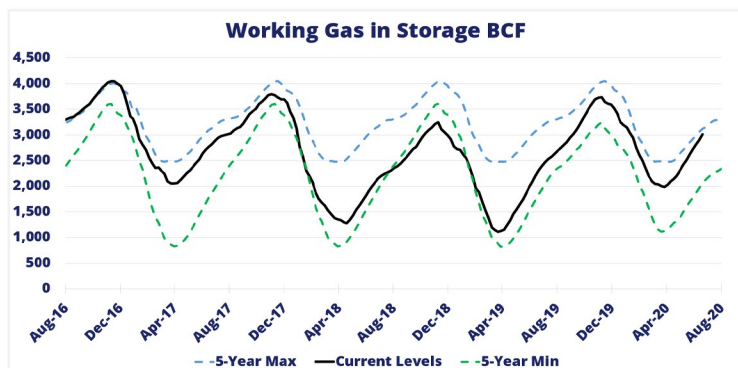
Source: The Weather Company

Early July forecasts call for hotter weather patterns pushing prices up, as weather-related demand will be high. July is expected to be especially warm in the Midwest and Northeast.

La Niña and drying soils are to blame for the increased temperatures. La Niña is a cooling of water temperatures in the Pacific Ocean close to South America that often leads to global changes in temperature and precipitation.

#### STORAGE (BEARISH)

**TAKEAWAY** - COVID-19's effect on demand is preventing normal exports. Consequently, storage is significantly higher than the 5-year average.



Source: EIA

#### PROCUREMENT TAKEAWAY

With hot weather resulting in potential summer volatility, look to hedge for about 12 months. Recent market lows and unwinding backwardation make this an attractive time to minimize exposure.

#### STORAGE (CONTINUED)

Early June saw storage inventories bulging before summer, which is a typically strong season for exporting (now impacted by coronavirus).

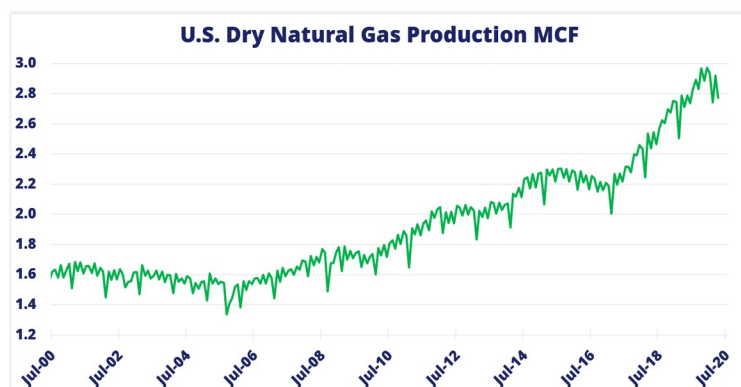
The average rate of injections into storage is 18% higher than the 5-year average so far in the refill season (April through October).

Late June inventory injection saw prices tumble 9% and hit a 25-year low.

The net injections into storage totaled 120 Bcf for the week ending June 19. Working natural gas stocks totaled 3,012 Bcf, which is 466 Bcf more than the five-year average and 739 Bcf more than last year at this time.

#### PRODUCTION (BEARISH)

**TAKEAWAY** - Production hit a record in 2019, and while there has been a decline in 2020 for multiple reasons, it should still outpace demand.

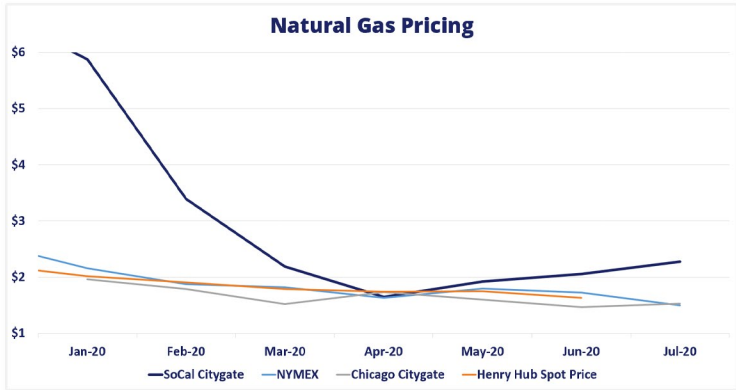


Source: EIA

Prices have traded 20% lower this year even with high demand expected for summer and slight increases in economic activity as parts of the country get back to work – but a supply glut (36% higher than last year levels as of mid-June) has stymied lower production.

The June Short-Term Energy Outlook (STEO) forecasts dry production to continue declining steadily, reaching a low of 84.2 Bcf/d in May 2021. Declines in natural gas production will put upward pressure on the Henry Hub price in the coming months. The June STEO expects higher natural gas prices by the end of 2020, forecasting Henry Hub to average \$2.95/MMBtu in December.

### PRICING



Source: EIA

### IN THE NEWS

Chesapeake Energy, once the nation's #2 natural gas producer, has become the biggest oil/gas bankruptcy of the pandemic.

A recent report shows how PG&E still needs gas/diesel generators for redundancy in fire-prevention blackouts as solar + battery storage alone cannot meet current needs.