



Market Commentary for July 10, 2018

NATURAL GAS

Henry Hub

Day change: **\$0.040, down 1.4%** | Settle \$2.788 | August 2018

Waha Basis:

Day change: narrowed **\$0.01** | Settle: **-\$1.04** | August 2018

Low point on curve: **-\$1.656** | April 2019

TTF

Day change: **\$0.00, unch 0%** | Settle \$7.820 | August 2018

Cryo-spread*

Day change: **\$0.06, down 1.0%** | Settle \$5.682 | August 2018

- CME and Cheniere agreed to develop a LNG futures contract for the Sabine pass terminal which will bolster HenryHub pricing as a key global benchmark
- Osaka gas announced plans for more U.S. upstream investments following its June purchase of 35% working interest in Haynesville assets in East Texas...
- ...Osaka said ownership in U.S. producing assets provides a natural gas price hedge for feedgas supply into it's Freeport LNG export position...
- ...the attractiveness of U.S. supply rose in June along with Japan spot LNG prices that increased \$1.10 to \$9.30/mmbtu
- EIA noted strong production growth is keeping a lid on gas prices despite reduced expectations of inventory refill to end the season 9% lower than average (3.5 Tcf)
- Citi also dispelled bullish storage signs in favor of stronger oil prices and associated production resulting in a \$.10 drop to the 2019-2021 price forecast to \$2.50/mmbtu
- Inpex reportedly extended delays at the Ichthys LNG project in offshore Australia due to safety concerns identified by regulators during inspections
- Despite expectations for strong gas demand post-2020, Pertamina has reportedly decided to not proceed for now with plans to build an LNG import terminal in Indonesia due to sluggish infrastructure development and cheap coal

*Cryo-spread = Gulf Coast LNG netback price less the front-month NG contract price, implying the gross margin of exporting LNG on the Gulf Coast

OIL

Brent

Day change: **\$0.79, up 0.8%** | Settle: \$78.86 | September 2018

WTI

Day change: **\$0.26, up 0.3%** | Settle: \$74.11 | August 2018

- Unconstrained living has drawn producer interest to the Eagle Ford. Platt's reports recent \$76 spot prices in the Eagle Ford exceed WTI-Midland by \$15/barrel
- Mexico's President elect Obrador told industry leaders he plans to fix lower energy prices, improve energy infrastructure and reverse the crisis of low oil output...
- ...further, the general secretary of Mexico's industrial federation (CONCAMIN) said energy reform will stay on course as low cost U.S. gas supply is part of the equation
- A trade in the right direction- EIA identified China as the largest importer of U.S. crude (330,000 b/d), exceeding the 3rd and 4th largest importers combined...
- ...since 2017, China is also the 3rd largest importer of U.S. propane and LNG
- CNBC identified Texas as the number 1 state to do business with 350,000 jobs added on the back of resurgent growth in the energy sector
- meanwhile deep in West Texas - Bloomberg reports a boom in sand is underway as new sand mines extracted 22 million tons of sand for Permian oil production...
- ...at current levels, this is 25% of U.S. sand and Bloomberg analysis projects Texas sand production could rise to 50 million tons as Permian growth continues



Subscribe Here