



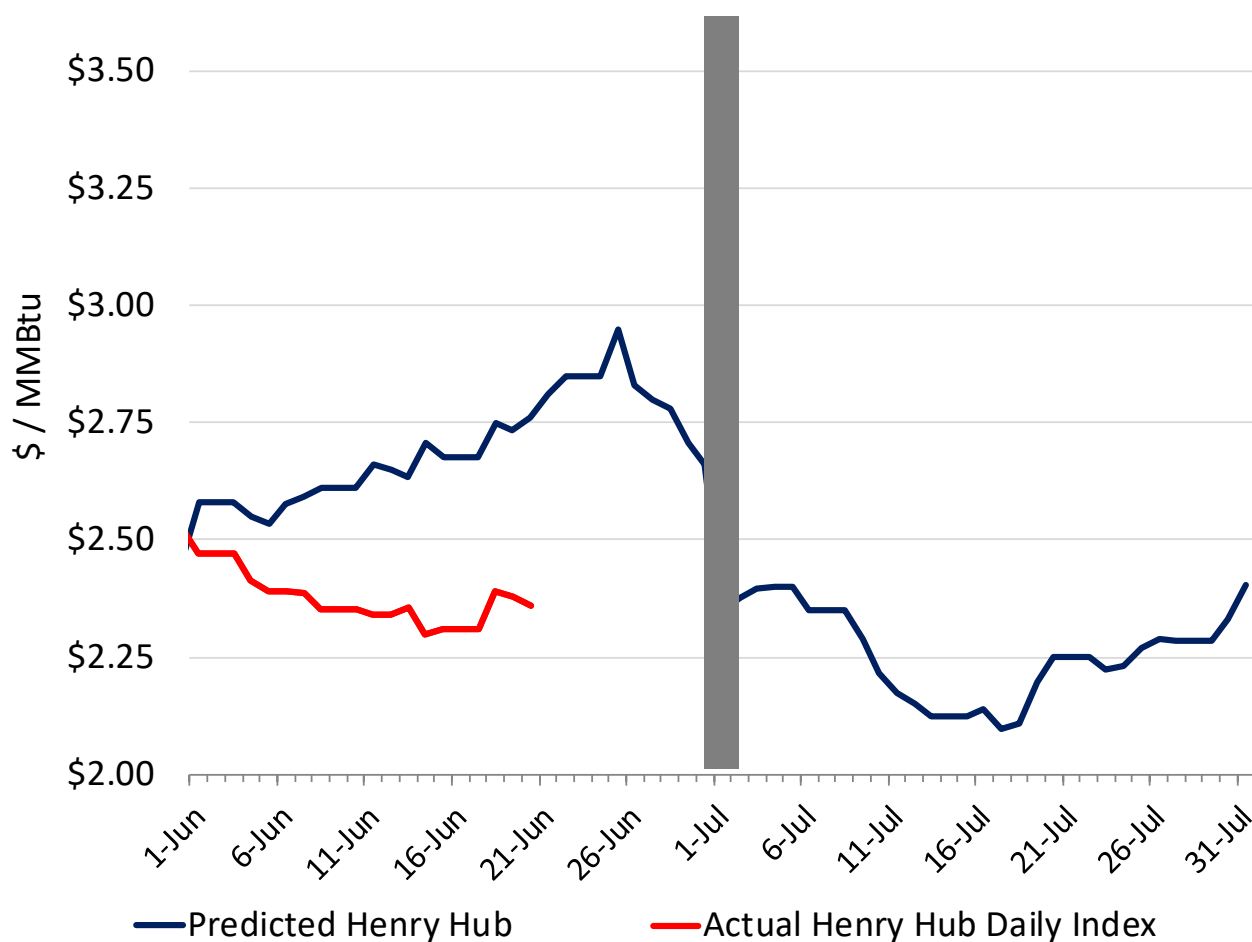
DELIVERY MONTH	July 2019
Daily Pricing	Recommended
Monthly Index Pricing	
Price Exposure Band	\$1.75 to \$2.75

RECOMMENDATION SUBSTANTIATION

Prices crashed going into June and never recovered thanks to large storage injections and mild weather. Steady production and a failure to sustain additional summer heat going into July is expected to allow storage to keep making up ground on 5-year average levels. Although there are a few demand factors such as fuel switching and growing exports that should provide price support, they have yet to take a significant chunk out of the market's oversupply. July is often a month of weak daily pricing thanks to the annual "summer slide". Even though prices are already at 3-year lows, there is not much to suggest that the market will see a strong recovery next month and break with its historical trend.

Gelber Recommends Daily

Prior Month and Coming Forecast

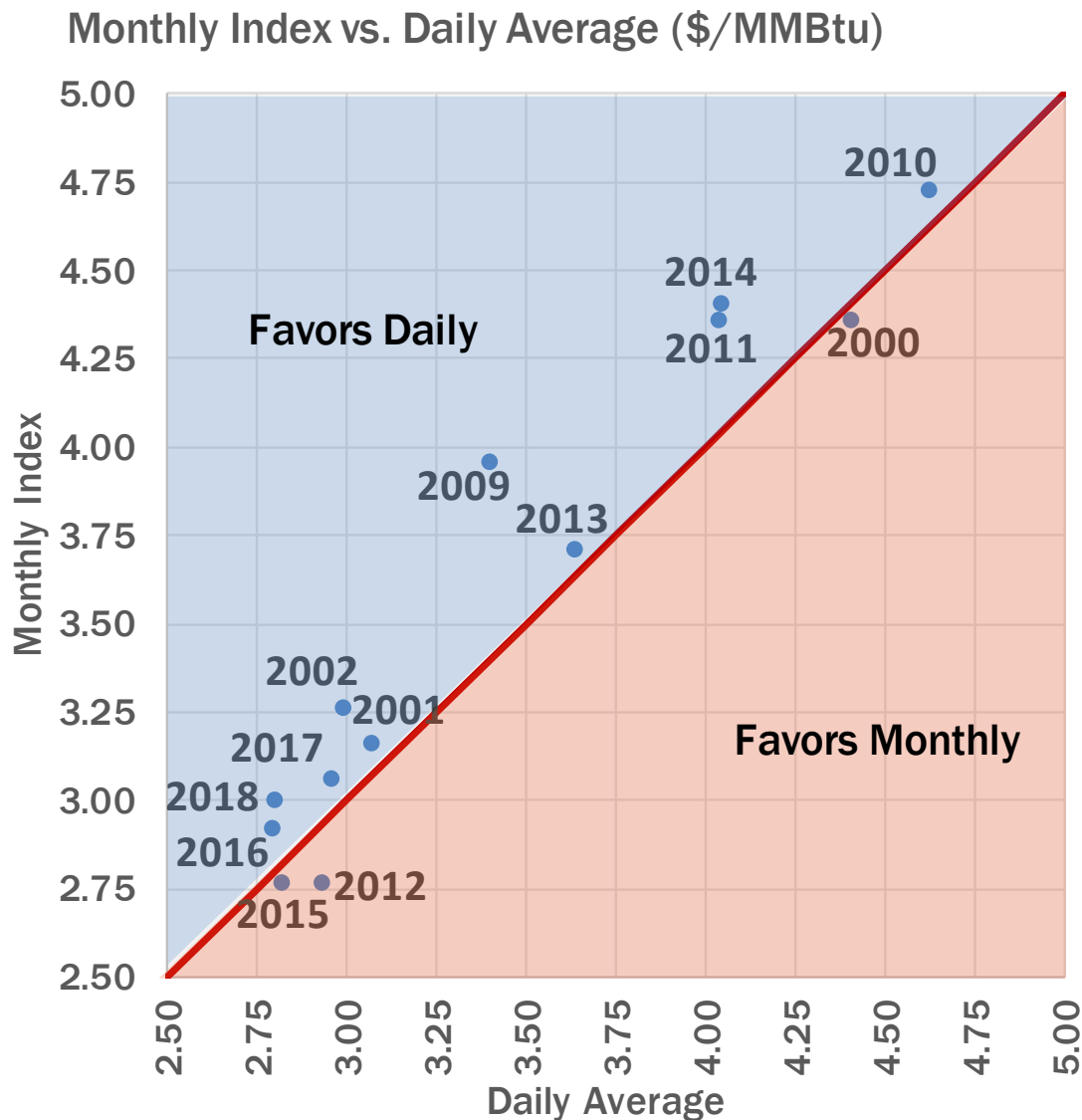


HENRY HUB CRASHES IN JUNE

Above shows the actual Henry Hub spot price for June and the forecast for July.

Mild weather never allowed for the expected early summer rally and sent daily prices slipping to 3-year lows in June. For July, a month of historically weak pricing, daily prices may continue to drift without any particularly strong bullish factors in the marketplace.

Monthly Index vs. Daily Average

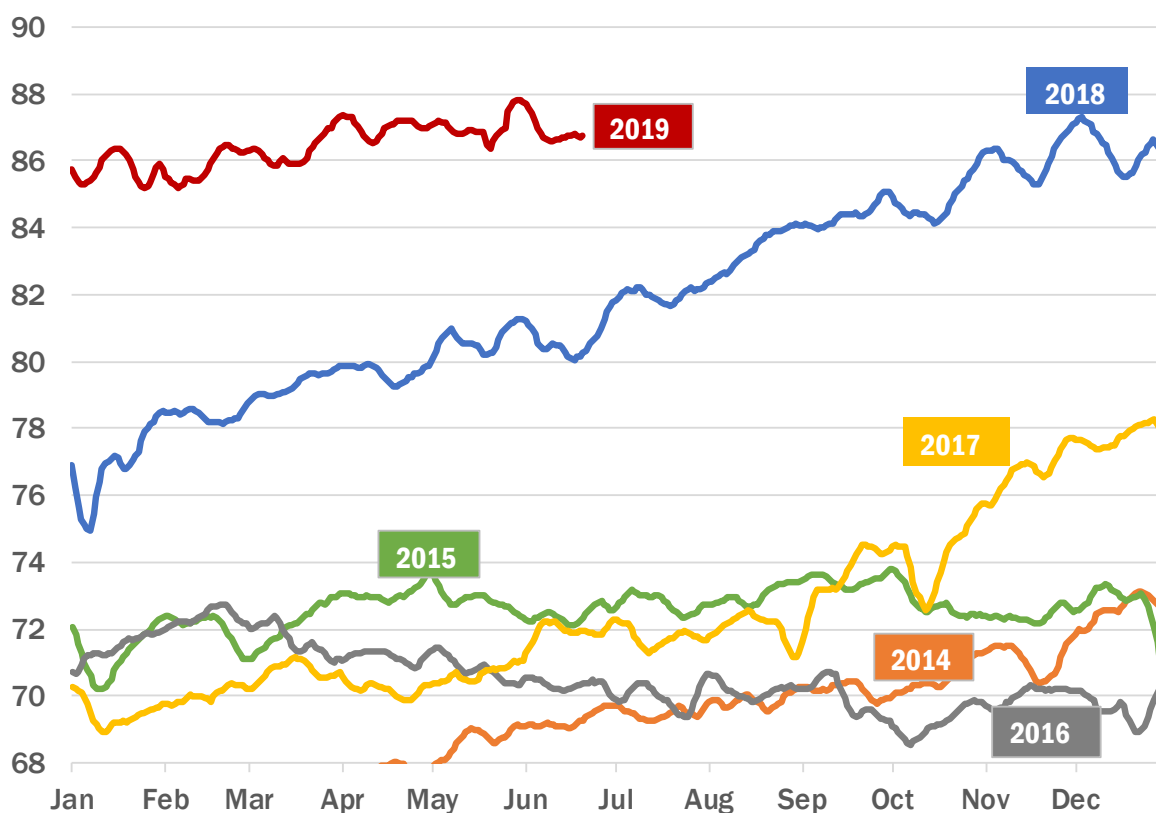


DAILY FREQUENTLY FAVORED

The above chart compares the average daily price in July against the monthly index. Daily prices frequently average under the monthly index and have been favored seven out of the last ten years. However, it is notable that no July monthly index has been set under \$2.50 since the year 2000.

Elevated Production

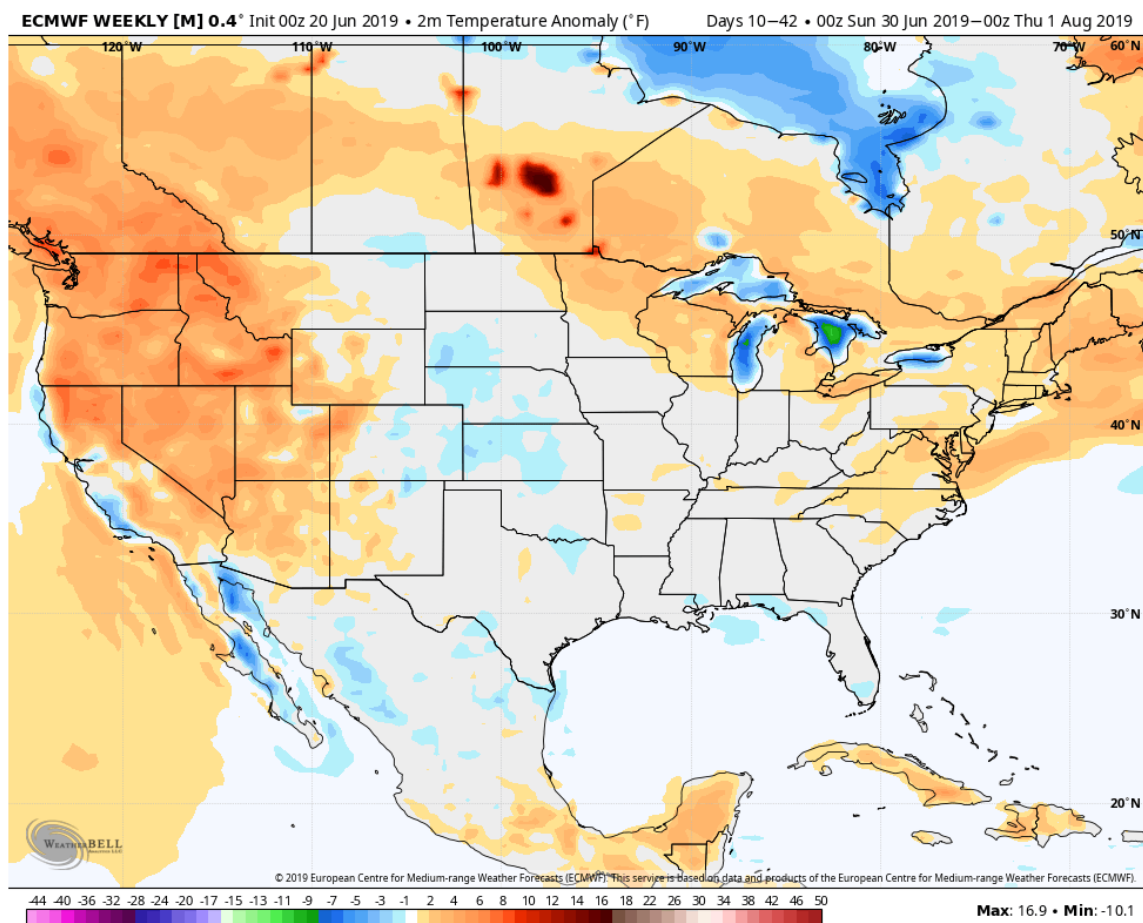
US Dry Gas Production - Bcf/D



PRODUCTION HOLDS STEADY DESPITE SLOW GROWTH

Production still hasn't grown appreciably for the year but it also has not cut back much. Sustained prices under \$2.50 may lead to more moderate growth late in the year but for now the steady, elevated production levels have the market strongly oversupplied.

Slightly Warmer July Forecasts



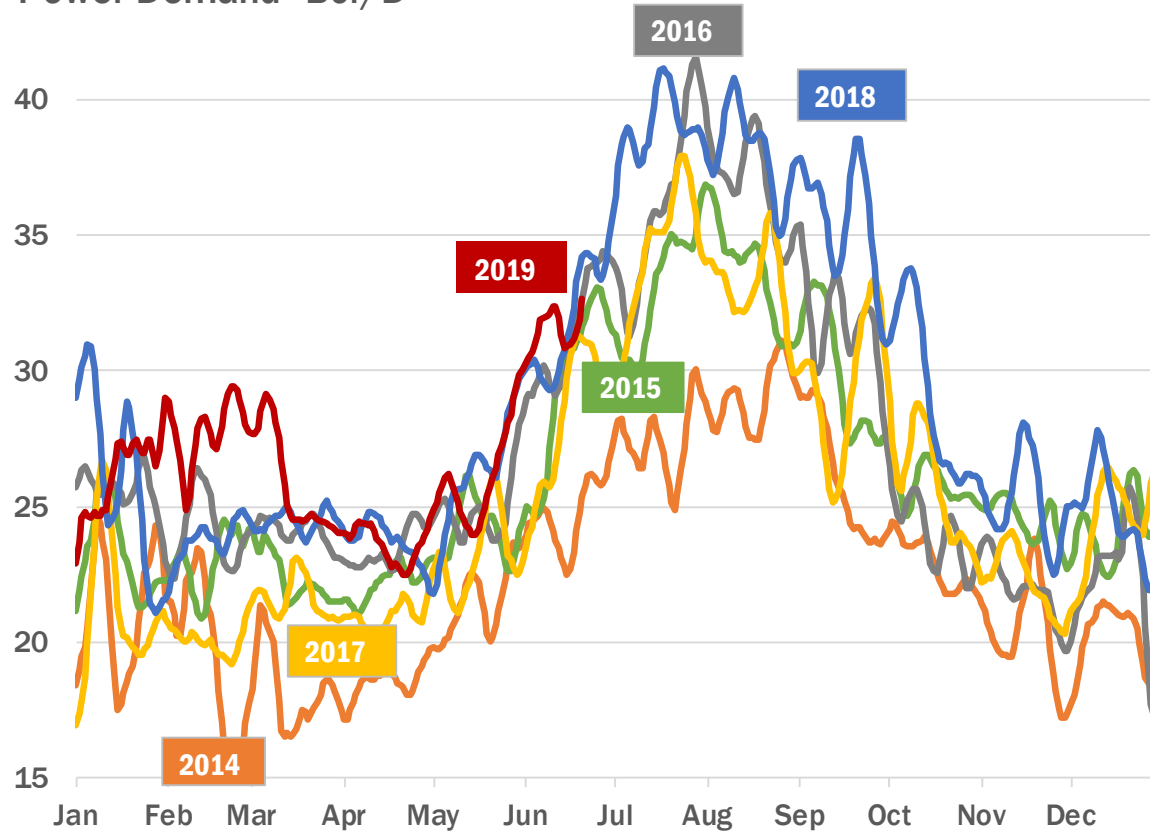
Shown above is a 32-day temperature anomaly forecast that covers July. (Weather Bell)

JULY WEATHER STILL A MIXED-BAG

After a very mild June, July is expected to be slightly warmer relative to averages. However, weather forecasts still predict a wide swath of normal and below-normal temperatures in the middle and southern parts of the country. This is not very promising for significant, sustained heat in the Midwest or eastern US, which would be necessary for a substantial price recovery.

Power Demand

Power Demand- Bcf/D

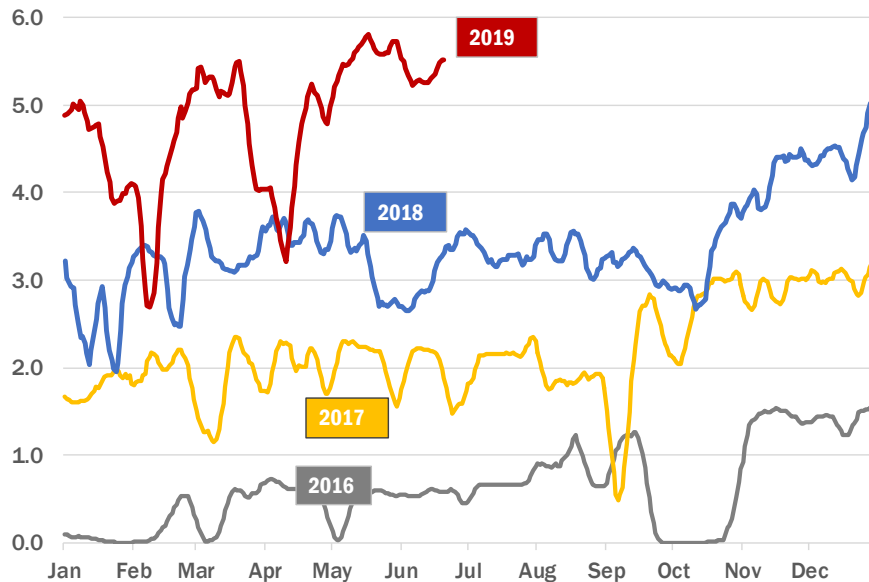


FUEL SWITCHING KEEPS POWER DEMAND STRONG

Despite one of the coolest Junes of the last ten years (relative to normal), power demand has been running at record levels above even last year. Sub-\$2.50 pricing has led to a swath of fuel switching from coal-to-gas and contributed to these strong levels. Fuel switching will be evident should sustained summer heat finally appear, but as it stands right now it has not made a significant dent in the market's oversupply.

Growing Export Demand

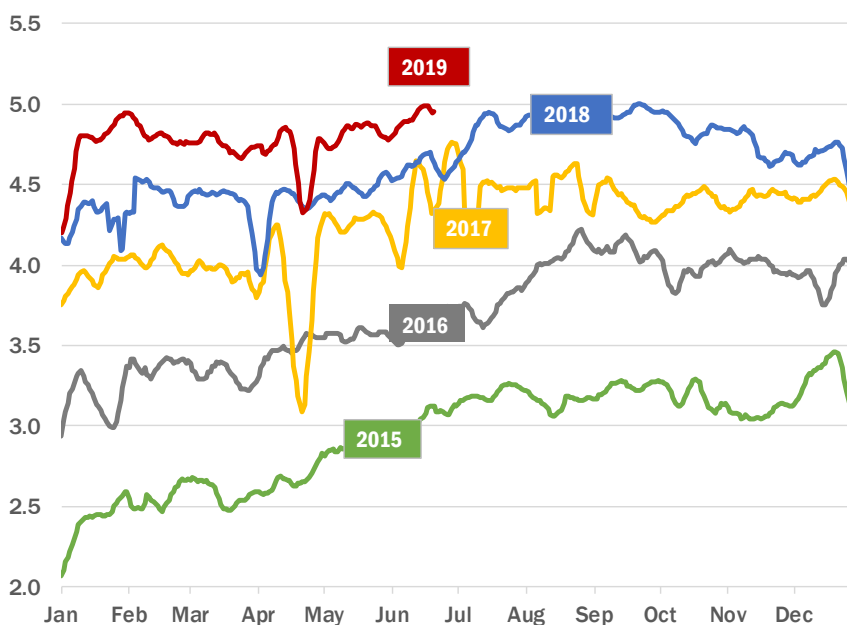
Gas Demand for LNG Exports - Bcf/D



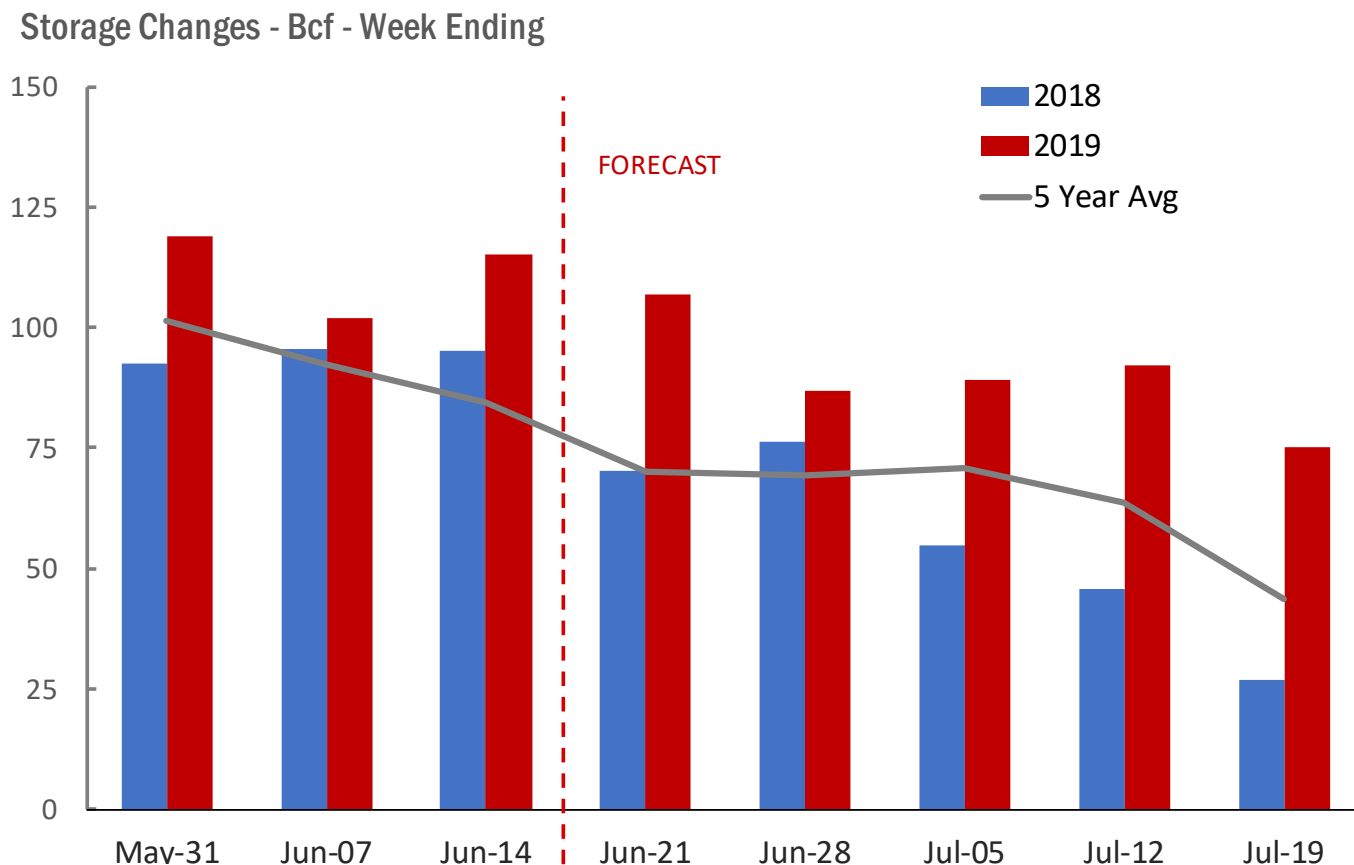
EXPECTED GROWTH FROM LNG AND MEXICO THIS SUMMER

Exports via LNG (above) and by pipeline to Mexico (below) are key growth areas for demand that are needed to reduce the oversupply in the market this summer. LNG feedgas demand is expected to surpass 6 Bcf/d in coming weeks as Cameron LNG comes fully online and Corpus Christi Train 2 continues commissioning. Exports to Mexico are also likely to grow consistently above 5 Bcf/D by next month as deliveries ramp up through the newly completed Sur de Texas-Tuxpan marine pipeline.

Mexican Exports - Bcf/D



Above-Average Summer Injections Continue



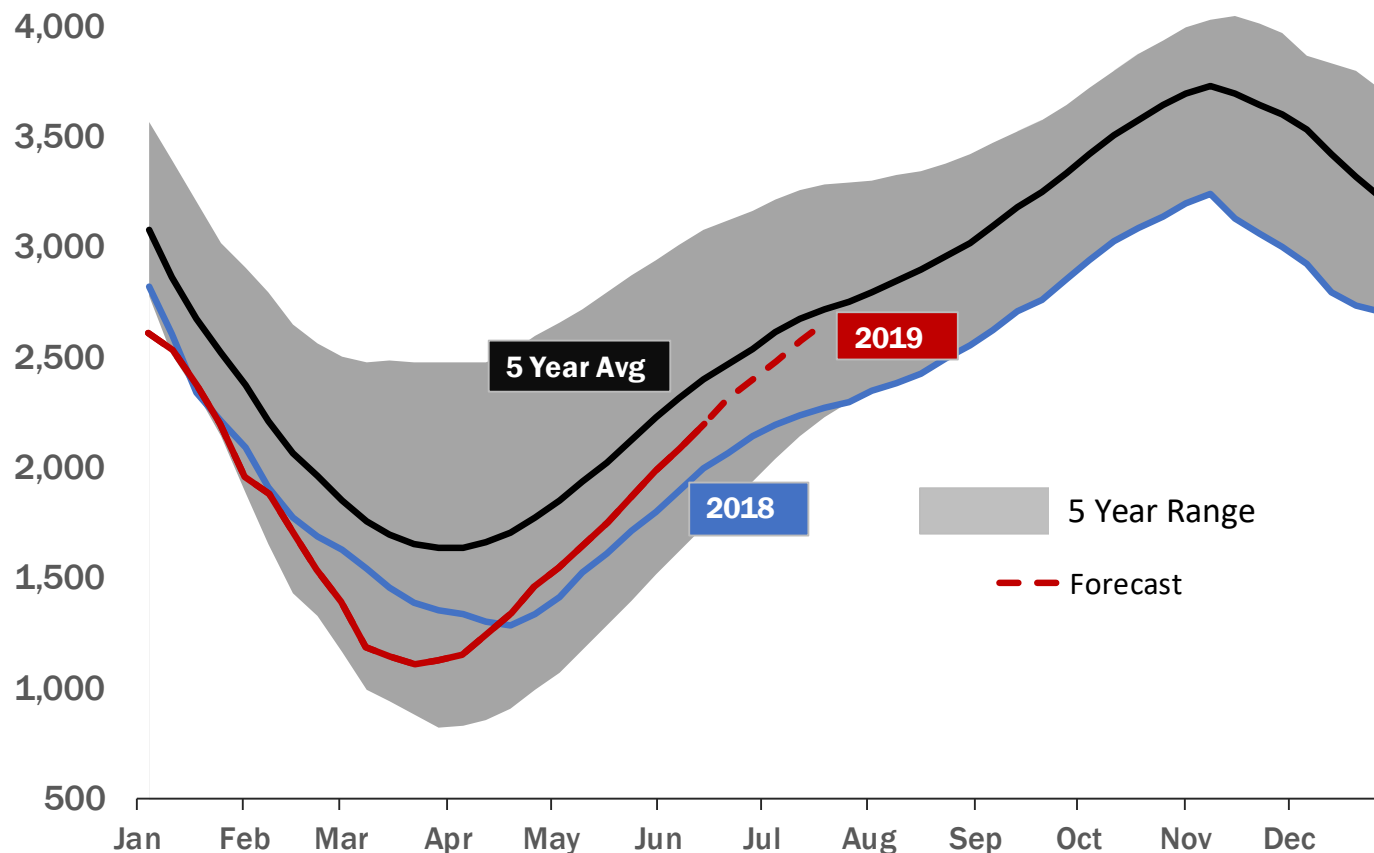
RECORD REFILL SEASON

So far this year, more gas has been injected into storage than in any other year on record. This includes seven triple-digit injections which is likely to grow to eight by next week. Warmer seasonal temperatures and rising demand should finally be strong enough to curb injections below the 100 Bcf mark in late June, but the lack of anomalously strong summer heat should allow builds to remain stronger than last year and the five-year average in July.

Week Ended	5-Year Avg	Last Year	Storage Δ Forecast (Bcf)
June 21	70	70	107
June 28	70	76	87
July 5	71	55	89
July 12	63	46	92
July 19	44	27	75

Storage Closes in on 5-Year Average

US Gas Storage - Bcf

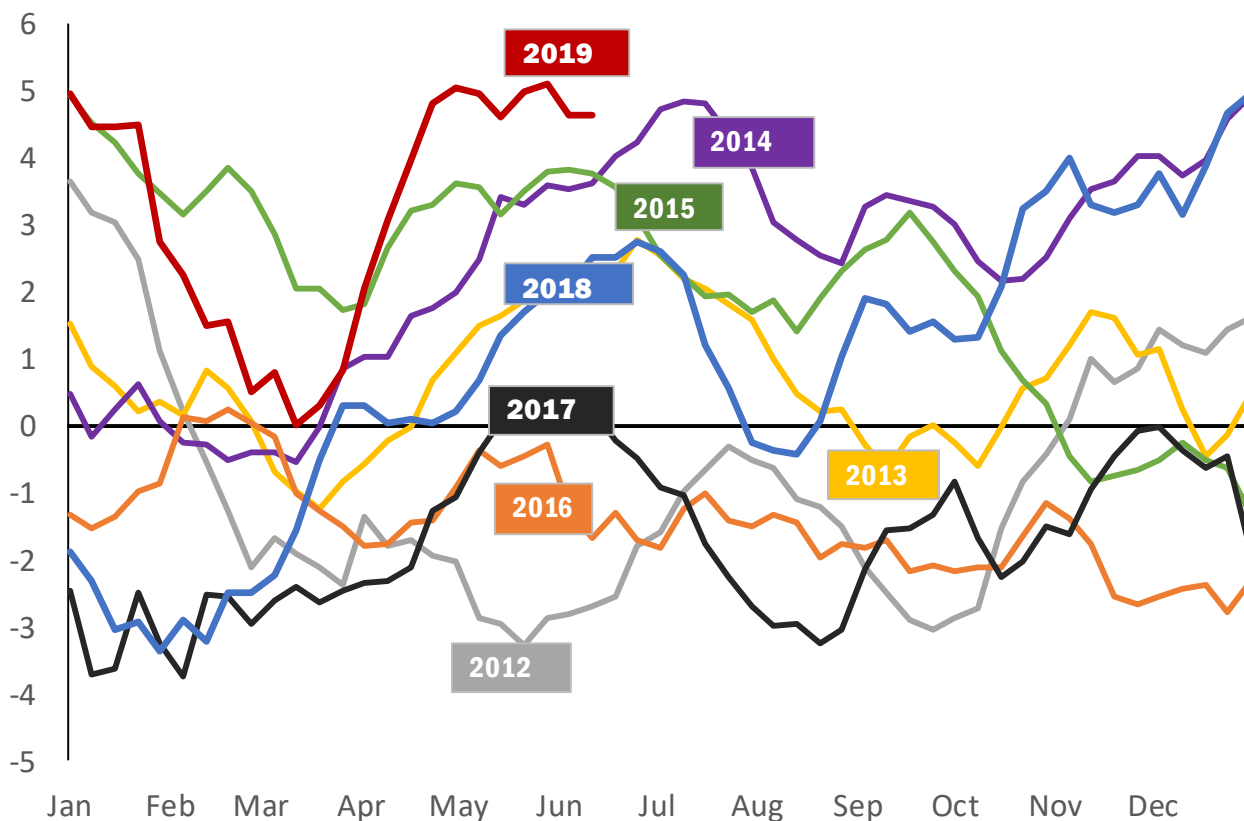


INVENTORIES REDUCE DEFICIT FURTHER IN JULY

In the most recent storage report, inventories passed the halfway point between the 5-year average and last year's levels. Storage is now 10.5% higher than last year and only 8.3% below average. The deficit under will continue to be whittled away in July as storage is expected to nearly catch up with average levels by the end of the month.

Storage Residuals

Storage Model Residuals (Bcf/D)



RESIDUALS VARIABLE BUT ELEVATED

Gelber's storage model residuals have shown volatility in recent injections, likely due to balancing of EIA estimates. Nevertheless, one thing is clear: highly positive residuals are here to stay for the time being. The market remains substantially oversupplied and will stay this way until export demand and fuel switching are able to make stronger gains.

*Storage Model Residual Definition:

The above chart shows storage model residuals. Storage model residuals are created by subtracting Gelber's weather based storage estimate from the actual weekly storage change. This essentially removes the weather component from storage changes, leaving the non-weather balance of supply and demand. Positive residuals imply an oversupplied market and negative residuals imply an under-supplied market.

Heat Map - Daily vs FOM

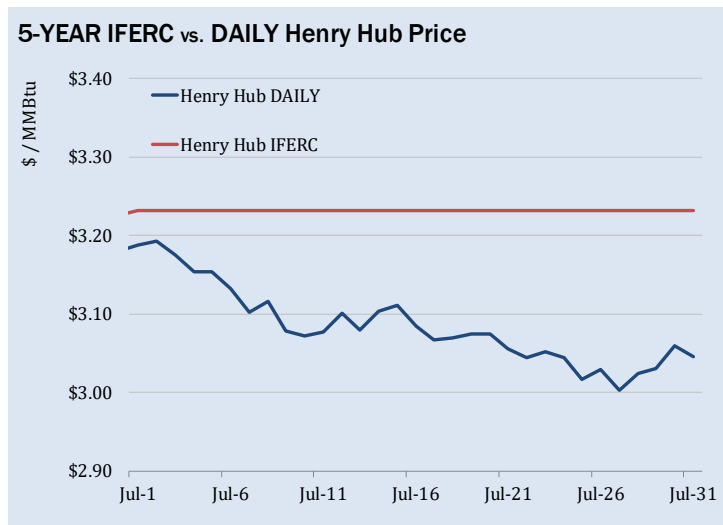
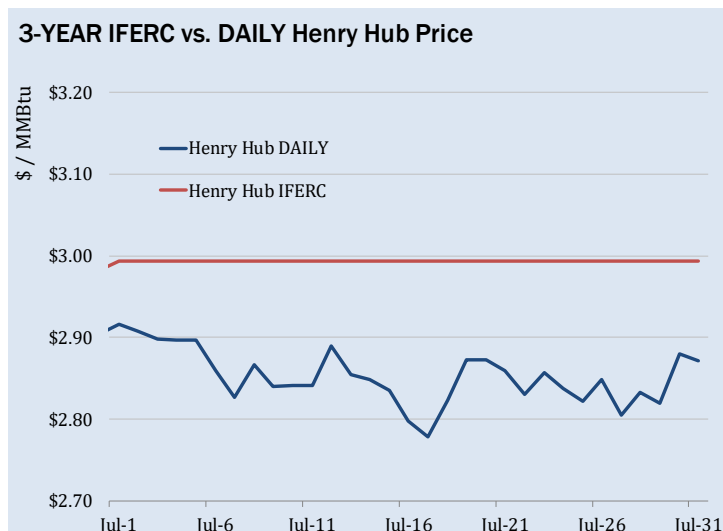
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1-Jul	1%	-6%	-4%	-2%	-1%	-4%	0%	0%	-1%	-4%	-3%
2-Jul	1%	-8%	-4%	-1%	-1%	-5%	0%	1%	-2%	-4%	-3%
3-Jul	2%	-12%	0%	-1%	-1%	-2%	0%	1%	-2%	-4%	-4%
4-Jul	-1%	-12%	0%	-1%	0%	-5%	-3%	1%	-2%	-4%	-4%
5-Jul	-1%	-12%	0%	-1%	0%	-5%	-3%	1%	-2%	-4%	-4%
6-Jul	-1%	-12%	0%	1%	5%	-3%	-3%	1%	-3%	-5%	-5%
7-Jul	-1%	-18%	2%	0%	6%	-3%	-3%	-1%	-6%	-6%	-5%
8-Jul	-1%	-17%	0%	-3%	6%	-3%	-4%	-1%	-2%	-5%	-5%
9-Jul	-5%	-19%	-3%	-4%	6%	-1%	-6%	-2%	-5%	-5%	-5%
10-Jul	-8%	-15%	-8%	-4%	1%	0%	-6%	-3%	-5%	-5%	-5%
11-Jul	-10%	-18%	-8%	-4%	4%	-1%	-7%	-1%	-5%	-5%	-5%
12-Jul	-7%	-18%	-8%	0%	-2%	-2%	-7%	-1%	-3%	-2%	-6%
13-Jul	-7%	-18%	-6%	0%	2%	-3%	-7%	-1%	-6%	-3%	-5%
14-Jul	-7%	-20%	-6%	2%	4%	-3%	-7%	4%	-4%	-4%	-7%
15-Jul	-12%	-17%	-7%	1%	4%	-3%	-7%	6%	-5%	-4%	-7%
16-Jul	-10%	-15%	-6%	3%	4%	-1%	-7%	5%	-9%	-4%	-7%
17-Jul	-15%	-19%	-1%	3%	5%	-1%	-7%	5%	-9%	-4%	-9%
18-Jul	-13%	-14%	-1%	3%	2%	-1%	-9%	3%	-9%	-1%	-7%
19-Jul	-20%	-14%	-1%	5%	3%	-1%	-11%	3%	-4%	1%	-9%
20-Jul	-20%	-14%	-4%	6%	8%	2%	-11%	3%	-4%	1%	-10%
21-Jul	-20%	-12%	-3%	7%	9%	2%	-12%	2%	-7%	1%	-8%
22-Jul	-19%	-12%	-1%	5%	9%	2%	-13%	4%	-7%	-1%	-8%
23-Jul	-23%	-12%	-1%	2%	9%	0%	-14%	5%	-5%	-1%	-8%
24-Jul	-25%	-8%	-1%	2%	10%	-1%	-14%	5%	-5%	-1%	-10%
25-Jul	-26%	-15%	-1%	2%	14%	0%	-14%	2%	-5%	-3%	-9%
26-Jul	-29%	-15%	-1%	2%	15%	-1%	-14%	2%	-4%	-3%	-8%
27-Jul	-29%	-15%	-2%	2%	13%	-3%	-14%	2%	-7%	-4%	-8%
28-Jul	-29%	-13%	0%	2%	12%	-3%	-14%	2%	-4%	-4%	-7%
29-Jul	-29%	-12%	1%	1%	12%	-3%	-13%	4%	-5%	-5%	-7%
30-Jul	-30%	-14%	1%	1%	12%	-6%	-15%	5%	1%	-5%	-7%
31-Jul	-31%	-16%	1%	1%	14%	-6%	-15%	3%	1%	-5%	-8%

HEAT MAP LEANS DAILY

The above heat map shows the historical comparison between the daily price and the monthly index for July. A positive percentage (red) means that the daily price traded above the monthly index, while a negative percentage (blue) means that the daily price traded below the monthly index.

The heat map goes cold as daily prices often trade under the monthly index in July (blue). There are several strong downward trending years that suggest more favorable daily prices, and even the few years that lean monthly are only slightly positive.

Historical Henry Hub FOM vs. Daily



SLIDING DAILY PRICES

Both the three- and five-year histories of Henry Hub daily prices show a strong downtrend in July thanks to the seasonal summer slide.