

Month	Settle	12/8/2017	Strip Avg.
Jan-18	2.772	Q1 2018	2.777
Feb-18	2.792	Apr18-Oct18	2.755
Mar-18	2.767	Nov18-Mar19	3.008
Apr-18	2.698	Apr19-Oct19	2.705
May-18	2.704		
Jun-18	2.742	Calendar 2018	2.790
Jul-18	2.782	Calendar 2019	2.817
Aug-18	2.788	Calendar 2020	2.804
Sep-18	2.772	Calendar 2021	2.825
Oct-18	2.798	Calendar 2022	2.842
Nov-18	2.863	Calendar 2023	2.880
Dec-18	3.001	Calendar 2024	2.920

**NEXT DAY GAS PRICES (ICE weighted average):**

TETCO M2 (rec)	2.1624	Henry Hub	2.7465	Dom-SP	2.1803
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**ICE BASIS FUTURES PRICES:**

Tetco M2 Basis	12/8/2017	Dominion-South Basis	
Jan-18	-0.4325	Jan-18	-0.4700
Feb-18	-0.3975	Feb-18	-0.4350
Mar-18	-0.4275	Mar-18	-0.4450
Apr18-Oct18	-0.6614	Apr18-Oct18	-0.6271
Calendar 2018	-0.5875	Calendar 2018	-0.5744
Calendar 2019	-0.5990	Calendar 2019	-0.5835
Calendar 2020	-0.6575	Calendar 2020	-0.6219
Calendar 2021	-0.6833	Calendar 2021	-0.6417

**Market Commentary:** This week began with a deceptive head-fake by the NG market, as prices gapped up on Sunday night's open which suggested that higher prices were likely the theme. After a quiet night of chop around the 3.10 level, Monday morning saw bears decisively regain control of the natural gas market, knocking the price down toward 3.00 initially, which was not the expectation given the weather forecast and that the outlook had actually cooled off further over the course of the weekend. The move that began on Monday instead has had the look and feel of a major shift in the market, with tight supply/demand balances throughout the summer helping to underpin the market and keep it well bid, over fear of potential supply snafus this winter given that we are going into the heating season with less of a cushion than we have had in recent years, and with demand growing so meaningfully, there was understandable unease around the possibility for another winter like the one four years ago to overwhelm available supply and send prices shooting higher (just as we saw 4 years ago, which resulted in the NG market remaining well bid throughout most of the rest of 2014 after the Polar Vortex events in Jan and Feb of that year). Coal retirements continue to be offset by additional gas-fired generation capacity, and LNG demand has become a significant source of aggregate demand in the Gulf Coast region, with Sabine Pass now attracting 3 Bcf/day on many days, and Dominion's Cove Point facility in Maryland has begun taking in feed gas this week which represents one

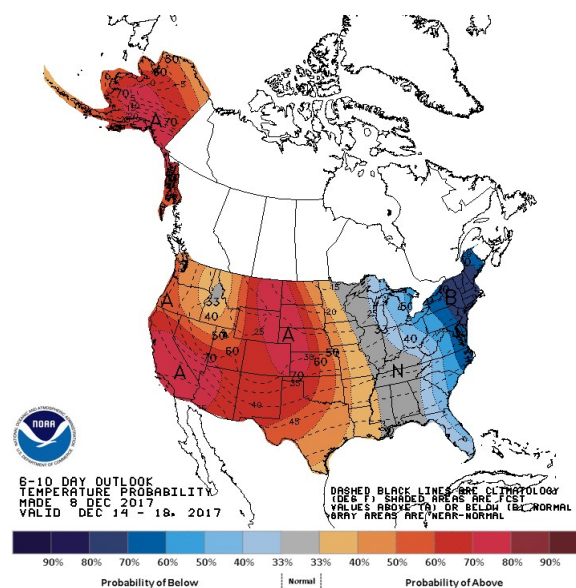
**NYMEX NG 240-MIN CHART 12/01/2017 - 12/08/2017**



Snyder Brothers Inc., Gas Marketing  
 1 Glade Park East, P.O. Box 1022  
 Kittanning, PA 16201  
 Ph: 724-548-8101  
 Fax 724-545-8243  
[www.snyderbrothersinc.com](http://www.snyderbrothersinc.com)

As of Week Ending:	12/1/2017	Build/(Draw)
Current Storage	3,695 Bcf	+2 Bcf
		Surplus/(Deficit)
Last Year Storage	3,959 Bcf	(264) Bcf
5-Year Avg. Storage	3,731 Bcf	(36) Bcf

of the last steps before it enters production later in Dec to begin shipping cargoes overseas to meet international demand. Weather conditions in the Northeast are set to cool off and stoke demand in the region, with the 6 to 10 day outlook from NOAA (included below) showing widespread below normal temps in the Northeast right up through the population heavy I-95 corridor, but the 8 to 14 day outlook now shows more mild conditions. Despite natural gas being a weather-driven market, and despite the fact that winter demand is so much more important to balances than summer, the recent decline appears to be the result of a significant shift in the outlook for supply/demand balances going forward. Specifically, while the market's prior concern had been that demand might overwhelm supply this winter and send prices spiking higher, the concern now seems to be that supply has already responded more than it needed to, and the risk is now skewed toward oversupply and lower prices. In a matter of days the market has gone from one where the preferred approach was to "buy the dips", to now being in a mode where many will be looking to instead "sell the rips". It is still only December 8<sup>th</sup> and there is still plenty of time for cold air to turn things around, but with record and growing production the argument for holding long positions seems to have abated for the time being for some players.



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