Energy Directions, Inc.

Energy Market Assessment

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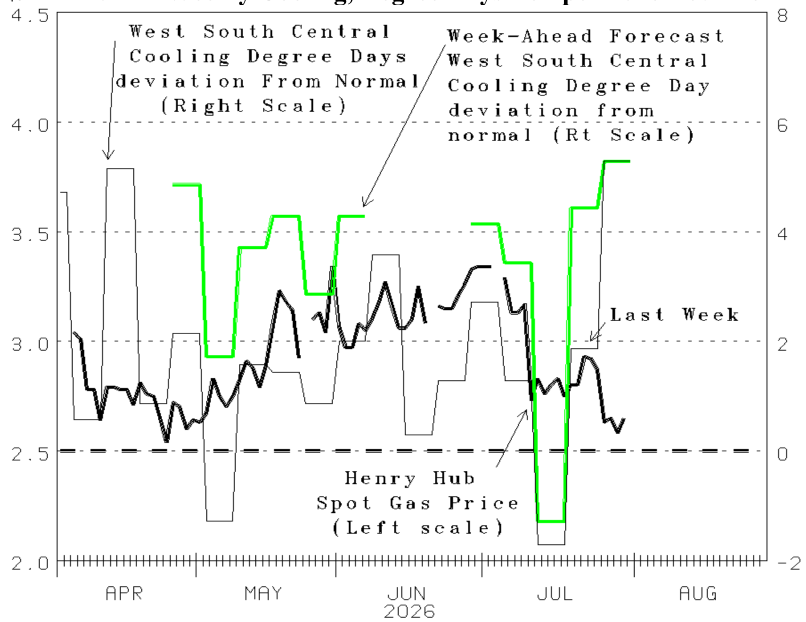
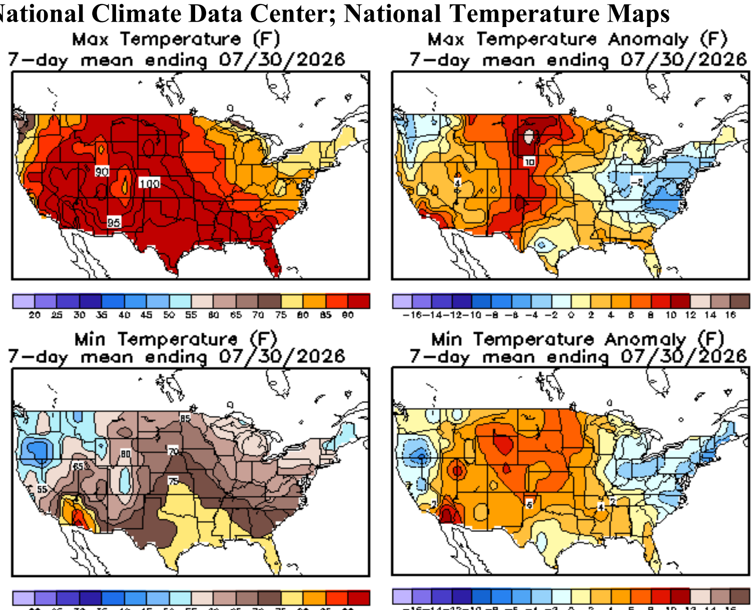
While Natural Gas Prices Minimized By Rainfall And Temperatures Still Hide The Market Firming, Infrastructure Trends Show It Happening.

Figure 1
Henry Hub Spot Gas Price & Smolinski-Strip versus weekly, West South-Central Region, Population-Weighted Cooling-Degree-Day-Deviation from Normal (Src: Gas Price-DOE; Degree Day-Calc. from NOAA data)
$/mmBtu Weekly Cooling, Degree Days Temperature Deviation °F



Natural gas prices being minimized continue to minimize interest in being natural-gas-supply invested. The Henry Hub spot market price back down toward $2.50 per mmBtu this week has expectations low and interest in being a natural gas supply investor/investing low.

Figure 2
National Oceanic And Atmospheric Administration (NOAA) National Climate Data Center; National Temperature Maps



We credit The Climate Changing to cooler-than-normal where many people live for prices deflated this week. High Summer temperatures are in the news. However, the Eastern third of the U.S., where many people live has been cooler than normal (Figure 2, top-right and bottom-right graphs, shades of blue). And much of Texas that includes Dallas, Houston and San Antonio has experienced temperatures only 0 to 2 °F warmer than normal (yellow). This looks like it is another week where the actual temperature experienced will be a couple of degrees cooler than Monday's forecast (Figure 1).

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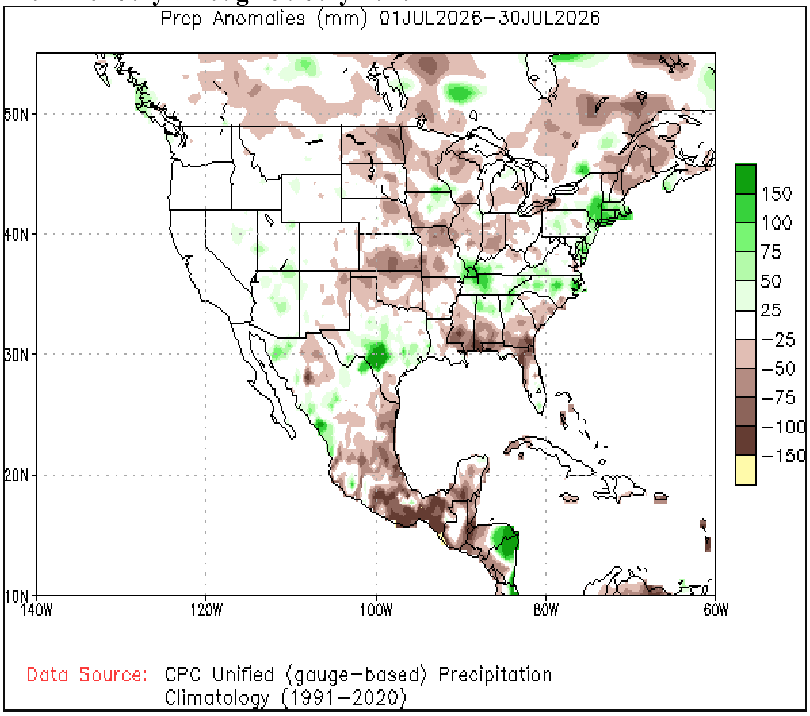
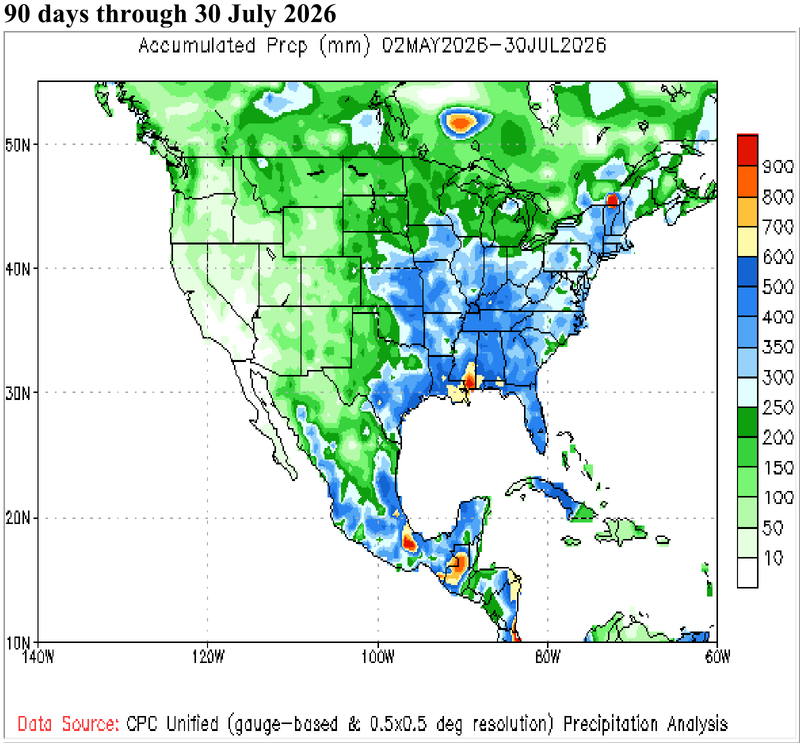
Figure 3
National Oceanic And Atmospheric Administration (NOAA)
National Climate Data Center; National Precipitation Maps
Month of July through 30 July 2026



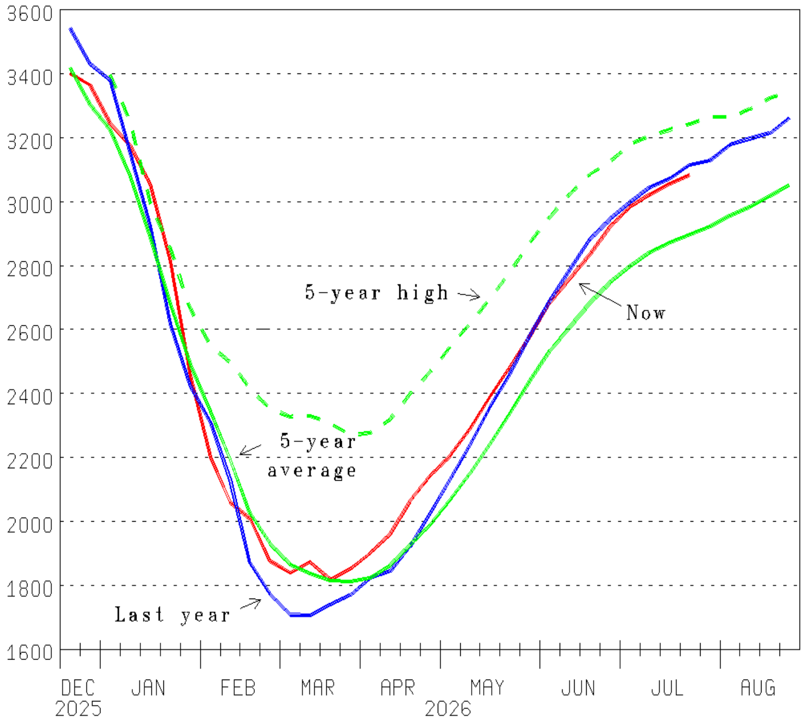
Natural gas demand to generate electricity has been minimized where most Americans live by notable rainfall, minimizing temperatures and air conditioning demand. Hours of sunlight maximized by the way the Earth is positioned relative to the Sun give us our Seasons, of which Summer is our favorite. We credit temperature data showing decades of temperatures trending higher to the steady increase in manmade structures and surfaces that turn sunshine into heat. Surfaces that replace plant life that absorb sunshine, stores carbon, releases oxygen and moderates heat. Rainfall and cloud cover minimizes heat produced by sunshine. Especially on manmade surfaces.

Figure 5
National Oceanic And Atmospheric Administration (NOAA)
National Climate Data Center; National Precipitation Maps
90 days through 30 July 2026



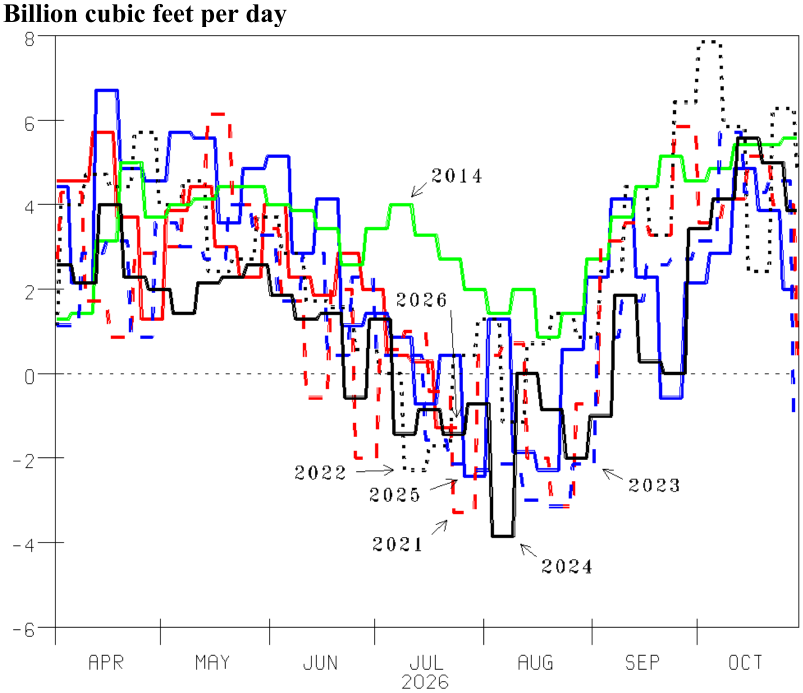
We much credit the notable rainfall and cloud cover since May, where most Americans live, for natural gas inventory as high as it is and prices as low as they are. While drought is troubling and being reported where it is, the area of the U.S. where most people live has experienced considerable rainfall since the beginning of May (Figure 5, shades of blue). The large area with a deep shade of blue has us conclude that natural gas inventory would be notably less if the rainfall had been more widely distributed.

Figure 5
U.S. Working Natural Gas Inventory
(Src: U.S. Energy Information Administration)
Billion cubic feet



While natural gas production is setting new record highs and considerable rainfall has been minimizing natural gas demand to generate electricity, natural gas inventory still shows the gas market tightening. Despite not many weeks colder than normal this past Winter, working natural gas inventory bottomed in March (Figure 5, red line). Even with the average the last five years (green line). We credit mild weather conditions dominating for inventory since April being clearly above the 5-year average. Nevertheless, despite all the rain (Figure 4) inventory now has switched from being 75 Bcf more than last year (blue line) May 1st to 32 less than last year last Friday.

Figure 6
Weekly Change in South Central Region Working Gas Inventory
(Src: Calculated from U.S. Energy Information Administration data)
Billion cubic feet per day



Natural gas supply/demand infrastructure change is evident in the need to now take gas out of inventory to fuel Summer air conditioning during the injection season while preparing for Winter. Back during the Summer of 2014 every week had natural gas injected into storage in the South-Central Region (Figure 6, green line). Its minimum then was in August (Figure 6, green line). Infrastructure changes since then has natural gas consistently needed from storage during July and August. Summer 2021 has needed the most (red dash). Supply was needed at a 1.29 Bcf per day (Bcf/d) rate two weeks ago (red line).

Figure 7
Temperature Forecast – August 7 to 13, 2026
8-14 Day Outlook; Departure from Normal
(Src: National Oceanographic and Atmospheric Admin. [NOAA])

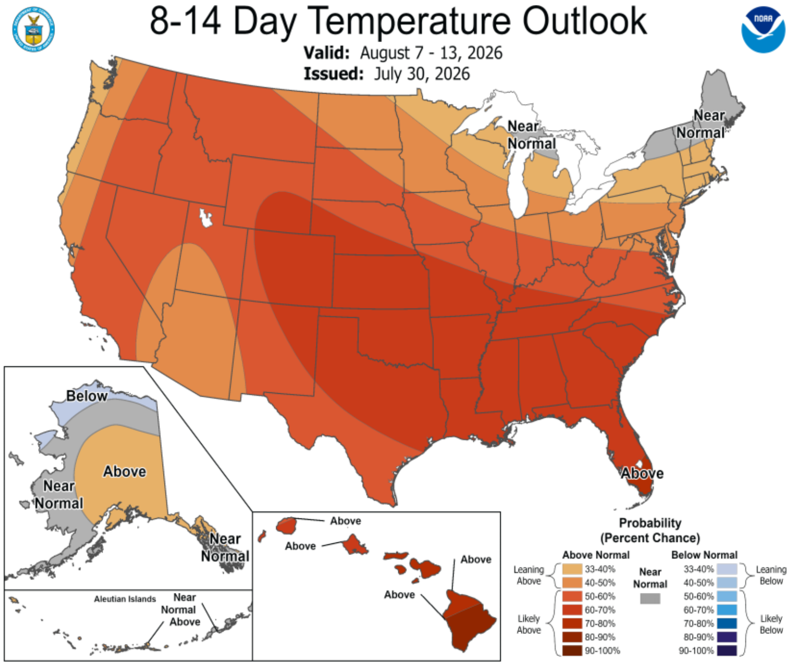
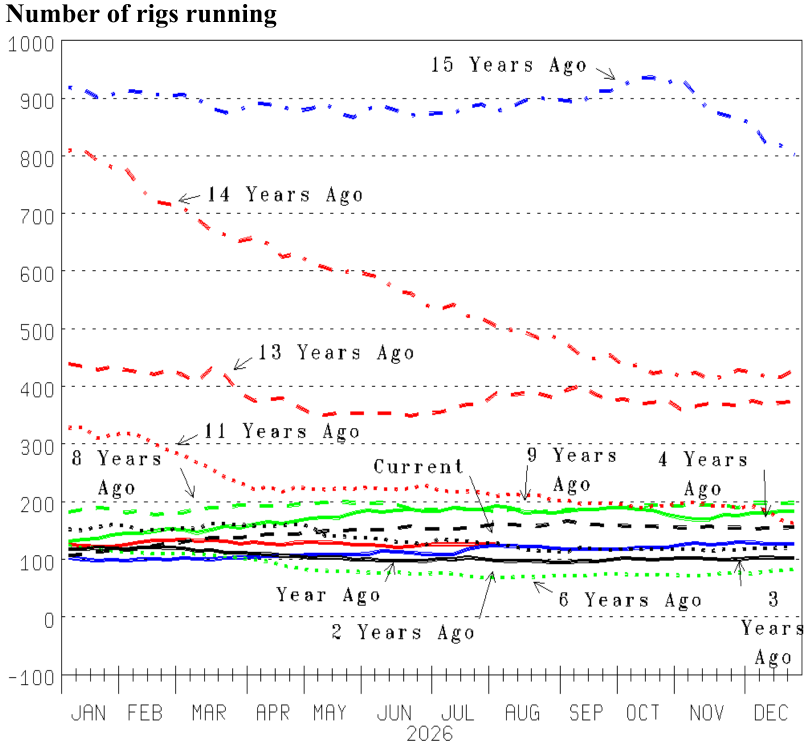


Figure 8
U.S. Rotary Rigs Drilling for Natural Gas—Weekly
(Src: Baker Hughes)
Number of rigs running



Natural gas prices and owning/being gas-supply-invested interest low has many set up to soon be caught short. Change being the normal part of the weather experienced, natural gas interest low and the latest temperature forecast (Figure 7, above normal temperatures dominating) supports our bullish outlook. Much more natural gas looks to soon be needed with solar, wind and hydroelectric generation also declining seasonally.

Our bullish natural gas outlook is also powered by concluding that natural gas production growth has fallen behind demand growth. Seeing consensus-beating economic growth the direction we head and natural gas the dominant energy source fueling it drives our bullish outlook. Bullish is also fueled by concluding that a Drilling Boom is needed to meet growth and offset depletion record high. 127 rigs drilling for natural gas this week (Figure 8, red line), 6 fewer than March and only 3 more than last year (blue line) will be slowing production growth.
Infrastructure trends, much of late minimizing, AI activity increasing, Over There growing too with work to end/restore war destruction, conventional energy expectations low, + much poorly understood has conventional-energy-Bullish happening. We rate nat gas, crude oil, oil-focused E&P and Drilling & Oil Service Overweight Strong Buy; and Oil-Refining BUY.