



Fasten Your Seatbelts

Today, the EIA reported the 25th injection of natural gas into underground storage of the season. As of Friday, September 18th, 66 Bcf were added. This is a solid number, i.e., the seasonally adjusted trend for this report is 62 ±13 Bcf. Given the disruptions to production and LNG shipments stemming from tropical weather impacts along the Gulf Coast, the projected build was especially difficult to forecast. To wit, the consensus heading into the report ranged from 65 Bcf to 86 Bcf.

Total underground storage for the Lower 48 climbed to 3.680 Tcf. This season's refill is up to 1.694 Tcf, which is 22% above the seasonally adjusted trend. We are a little more than three quarters of the way through refills and the market has replaced 97% of the gas that was delivered last winter. As far as next week's report goes, the typical injection is 68 ±23 Bcf and the five-year mean (interpolated) is 78 Bcf. The early consensus runs from 80 Bcf to 101 Bcf.

Per their latest monthly update, the EIA expects L48 underground storage to finish this season at 3.942 Tcf. Cleared futures for the end-of-season balance on ICE are currently bid in 3.986 Tcf, offered at 4.010 Tcf; we like the over, i.e. based on today's report, our baseline end-of-season model is now 4.055 Tcf.

As far as the NYMEX 2020-21 Winter Strip is concerned, market volatility on the front-end of the price curve spiked this week. This past Tuesday the strip settled at \$3.063 and then surged the following day, closing at \$3.168. A \$0.105 (3.4%) overnight move is significant! **This sudden upswell is a telltale of bullish money moving into the market.**

Further out along the curve, volatility was muted. The NYMEX Summer 2021 Strip saw much more modest trading, from \$2.801 on Tuesday to \$2.834 on Wednesday.

As a result, the Winter Strip's premium (backwardation) to next summer jumped by 41% to a two-week high of \$0.33.4 cents.



It's going to be a bumpy ride.

Since the start of the week, the market's daily statistical volatility — the likely daily price movement (up or down) of the contract — surged by more than two-fifths, from \$0.129 to \$0.184. The captain has just turned on the fasten seatbelt sign... and it's not likely to be turned off until the start of the heating season.