



Rearranging Deck Chairs on the Titanic

Today the EIA reported the 28th addition of natural gas into underground storage of the season. As of October 9th, a mere 46 Bcf was injected. This was an **extremely weak number**, likely attributable to the disruption in LNG exports as a result of tropical weather events. The typical injection for this report is 71 ±22 Bcf and the five-year mean (interpolated) is 87 Bcf. At the end of last week on the ICE, the market was looking for a low number with the bid/ask of 48 Bcf/55 Bcf. The consensus on The Desk was 52 Bcf, while the Reuters survey was 55 Bcf. Our forecast was at 56 Bcf.

Total underground storage for the Lower 48 climbed to 3.877 Tcf. Refills for this summer have now made the clubhouse turn and the market has replaced 108% of the gas that was delivered last winter. This season's refill is up to 1.891 Tcf (18%) above the seasonally adjusted trend. Keep in mind, production shut-ins related to Hurricane Delta will affect next week's report.

As far as the NYMEX 2020-21 Winter Strip is concerned, **cracks in the bull's façade are appearing**. Over the last two weeks, the market's trend has grown on average by 0.03% per session, from \$3.118 to \$3.128. Over the last five sessions, the strip averaged \$3.163.

In contrast, the trend in the Summer Strip for 2021 has grown on average by 0.09% over the last two weeks, from \$2.825 to \$2.854, with the market peaking this past Tuesday at a 52-week high of \$2.910. As a result, the trend in the Winter Strip's premium (backwardation) to next summer has fallen on average by 0.62% from \$0.293 to \$0.274. Yesterday, the premium bottomed at a two-week low (and the second lowest low since August 03rd at \$0.217.

As we have noted over the last several weeks... the contraction in the Winter Strip to the Summer 2021 strip makes sense. Our baseline end-of-season forecast is a record 4.027 Tcf, with a low-case of 3.996 Tcf. That's a lot of gas. Therefore, short of an early start to the heating season, we suspect that the front of the curve is vulnerable to further weakness.

NYMEX natural gas is headed straight for an iceberg.

The only problem is... we do not yet know whether the bulls or the bears are at the helm. Over the last three Fridays, the contract for November delivery's discount (contango) to the December market yoyoed from -\$0.242 to -\$0.548 and then back down to -\$0.336.

Bottom line, confusion reigns for the start of the heating season.