



Natural Gas Bulls are in Trouble

Today, the EIA reported the 26th injection of natural gas into underground storage of the season. As of Friday, September 25th, 76 Bcf were injected. This is a solid number, i.e. the seasonally adjusted trend for this report is 68 ± 23 Bcf. The consensus ranged from the low 70s to the mid-80s Bcf. Our forecast was 79 Bcf. Total underground storage for the Lower 48 climbed to 3.756 Tcf. **For the month of September, storage is going to smash 2016's record 3.705 Tcf!**

This season's refill is up to 1.770 Tcf which is 22% above the seasonally adjusted trend. We are around 80% of the way through refills, and the market has replaced 101% of the gas that was delivered last winter. As far as next week's report goes, the typical injection is 78 ± 24 Bcf and the five-year mean (interpolated) is 86 Bcf. The early consensus runs from 70 Bcf to 90 Bcf. In 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 3.978 Tcf, offered at 4.012 Tcf; we like the over, i.e. based on yesterday's report, our baseline end-of-season model is now 4.062 Tcf.

As far as the NYMEX 2020-21 Winter Strip is concerned, market volatility is robust. Over the last week the strip peaked at a 52-week high of \$3.265 (on September 24th) but ended the month \$0.219 cents (6.7%) lower at \$3.046.

Comparatively, volatility for next summer is tame. The NYMEX Summer 2021 Strip peaked at \$2.856 (on Thursday, September 24th) and bottomed this past Wednesday, September 30th at \$2.797. As a result, the Winter Strip's premium (backwardation) to Summer 2021 plunged \$0.249 (25%).

The likelihood of entering this winter with record inventories is, for all intents and purposes, a given. Short of an early start to the heating season, we suspect that the front of the curve is vulnerable to further weakness.

Nat Gas is flying through a severe pocket of turbulence.

Over the last two weeks, the Winter 2020-21 Strip has yo-yoed in between \$3.033 and a 52-week high of \$3.265. The market's average daily statistical volatility — the likely daily price movement of the strip — surged by 51% to \$0.57 cents. Expect this instability to remain high as we transition to the heating season.