



A Clear and Present Danger for Bulls

Yesterday, the EIA reported a countercyclical injection of natural gas into underground storage. This update was not good... if you are bullish gas.

As of November 13th, a massive 31 Bcf was added to L48 stocks. The typical movement for this part of the month is a delivery of -40 ± 11 Bcf, while the five-year average (interpolated) is a delivery of -24 Bcf.

Given last week's abnormally warm temps in the northern latitudes, an injection was expected, albeit not as massive as 31 Bcf. The consensus surveys ranged from a 22 Bcf injection on Reuters, down to a 10 Bcf injection on Dow Jones. Yikes!

As of last Friday, storage climbed to a refill-season high of 3.958 Tcf... 89 Bcf shy of the all-time high of 4.047 Tcf from the week of November 11th, 2016. As far as next week's report is concerned (EIA week ended November 20th), it looks like it is going to be another supremely bearish one. Cleared futures on ICE are bid at a 15 Bcf injection, offered at a 25 Bcf injection! The typical move is a delivery of -45 ± 12 Bcf, the five-year average is a delivery of -37 Bcf!

The NYMEX Summer Strip for 2021 peaked at a 52-week high of \$3.033/MMBtu at the end of last month on Friday, October 30th. Over the last two weeks, **the market has trended bearish**, shrinking on average by -0.42% per session. On Wednesday of this week, the strip settled at \$2.758.

Gas for next winter has also faded over the last two weeks. The NYMEX 2021-22 Winter Strip peaked at the beginning of this month (Monday, November 2nd), at a 52-week high of \$3.236/MMBtu. Over the last two weeks, **the market has trended bearish**, shrinking on average by -0.28% per session. On Wednesday of this week, the strip settled at \$3.029.

In return, the trend in the discount (contango) on summer gas to next winter has grown over the last two weeks by 1.53% per session, rising from $-\$0.213$ /MMBtu to $-\$0.249$ /MMBtu. The market continues to signal ample supply by virtue of the growth in the summer 2021 discount to the following winter.



This is not the start nat gas bulls were hoping for.

The NYMEX three main winter contracts (December 2020, January 2021, and February 2021) are trading bearishly, reflective of current fundamentals. Over the last two weeks, the trend in the December 2020 contract's discount to the January 2021 contract rose by 2.1%, while the trend in the January 2021 contract's premium to February 2021 contract narrowed by 20.8%.