



The Math Continues to Favor Nat Gas Bulls

Today the EIA reported the 30th addition of natural gas into underground storage of the season. As of October 23rd, a miniscule injection of 29 Bcf was reported. The typical injection for this report is 57 ± 18 Bcf and the five-year average is 67 Bcf. The consensus on the survey from The Desk was 37 Bcf, albeit with a massive range from 17 Bcf to 45 Bcf. The Reuters survey average was 37 Bcf.

Total underground storage for the Lower 48 climbed to 3.955 Tcf and the market has replaced 113% of the gas that was delivered last winter. However, talk in the market is that last week's injection was the final addition of the season. If so, this would be an early end to refills. For instance, the seasonally adjusted norm for next Thursday's report (week ended October 30th) is an injection from 25 Bcf to 49 Bcf, with a five-year mean of 52 Bcf. We typically do not see the season's first delivery until the first week of November.

The early consensus for next week's report is a delivery in the low 20s Bcf. The impact from Hurricane Zeta and extant well freeze-offs through the Mid-Continent will make estimates on the next two EIA storage updates a bit tricky. Complicating the assessments even further, the National Hurricane Center is tracking yet another system which has a 70% chance of developing into a hurricane over the next five days.

As far as the NYMEX 2020-21 Winter Strip is concerned, the market remains strong with winter gas growing on average by 0.42% per session. Two Wednesdays ago the strip posted a 52-week high of \$3.315/ MMBtu. The strip settled this past Wednesday at \$3.259.

The trend in the Summer Strip for 2021 has grown on average by 0.42% over the last two weeks. This market also peaked at a 52-week high two Wednesday's ago at \$3.004/MMBtu. This was the first time since September 2016 that summer 2021 gas traded above \$3.00/MMBtu. As of Wednesday of this week the strip inched lower to \$2.968.



The calculus has changed.

It is now apparent the market will enter winter with underground storage of around 3.96 Tcf. While this is still a formidable level, it is lower than the >4.0 Tcf target that appeared assured just a couple of weeks ago.