



What a Difference a Week Makes

Today the EIA reported a large delivery of natural gas from L48 underground storage. As of December 11th, 122 Bcf was withdrawn. The typical delivery is 109 ±30 Bcf, the five-year average is 105 Bcf.

According to the EEI, week-over-week L48 power production fell by 0.6% to 75,475 GWh, down 2.3% compared with the corresponding seven days from a year ago. LNG sendout rose by around 0.5% and space heating demand in the East finally made an appearance, e.g., degree days in NYC jumped by 51%, although mean temps of 44°F in the Big Apple were still 9.6% above-normal. The consensus delivery ranged from 119 Bcf Bloomberg, 120 Bcf Reuters, 123 Bcf The Desk, and 127 Bcf Platts.

As far as next week's report is concerned (EIA week ended December 18th), we are going to see an abnormally large draw on inventories. The typical delivery for this week is 99 ±28 Bcf, the five-year mean is 127 Bcf. Early market chatter is looking for a delivery in the high 150s Bcf.

In light of these updates, we venture that the probability of finishing this season above the EIA's forecast (STEO) of 1.535 Tcf plunged over the last week from 75% to 50%.

The NYMEX Summer Strip for 2021 peaked at a 52-week high of \$3.033/MMBtu at the end of October. Over the next five weeks the market traded with a strong bearish skew, falling on average by 0.76% per session and bottoming on Monday, December 07th at a five-month low of \$2.505. However, over the last week the bulls have stormed back, rallying on average by 1.48% per session. On Wednesday of this week the strip settled at a two-week high of \$2.776.

Gas for next winter has also found new life. The NYMEX 2021-22 Winter Strip peaked at the beginning of November at a 52-week high of \$3.236/MMBtu but, the strip fell on average by 0.61% per session over the next five weeks and bottomed two Mondays ago, December 07th, at a four-month low of \$2.793/MMBtu.

Over the last two weeks the trend in the discount on summer gas to next winter has narrowed by an average of 0.31% per session, from -\$0.259/MMBtu to -\$0.243/MMBtu. Nevertheless, the market is still pricing in weaker fundamentals for 2021.



Gas bulls pin their hopes on Asia.

After plunging to a greater than two-year low last summer, U.S. LNG exports rose to a record high of 9.4 Bcf/d (93% of peak capacity) in November, with demand in Asia forging the path higher. [Reuters](#) reports that "benchmark Asia spot LNG prices LNG-AS have soared sevenfold since May to six-year highs."

Here at home, winter premiums for Asian gas (NYMEX Japan Korea Marker) to the NYMEX Henry Hub have quadrupled since the start of last summer.