



## Prices are Firming

Today the EIA reported a light delivery of natural gas from L48 underground storage. As of January 8<sup>th</sup>, inventories fell by 134 Bcf to 3.196 Tcf. The season-to-date delivery is up to a comfortable 762 Bcf, within 11% of the five-year mean (861 Bcf) and within 5% of the seasonally adjusted time series (801 Bcf).

Per estimates from the EIA, LNG sendout rose by 6.2% to a 10.38 Bcf/d average as of January 07<sup>th</sup>. According to the Edison Electric Institute (EEI), week-over-week L48 power production summed 78,040 GWhs, up 2.9% compared with the corresponding time series from a year ago. On a week-over-week basis, production was 4.7% higher. The EEI notes that for the past 52 weeks, U.S. power production totaled 3,929 TWhs, down 2.7% from the previous 52-week period.

The consensus surveys were looking for a small delivery with a range from -123 Bcf on Platts, -127 Bcf The Desk, -128 Bcf Dow Jones and Reuters, and -129 Bcf Bloomberg. The seasonal range for this part of the winter is a 164 ±46 Bcf delivery. Therefore, even though the report came in above the consensus, it was still light relative to normal.

As of January 13<sup>th</sup>, ICE storage futures for the next two reports (week ended January 15<sup>th</sup> and January 22<sup>nd</sup>) are -175 Bcf and -155 Bcf, respectively. This would pull storage down to 2.866 Tcf. Based on these estimates, we calculate that there is a 55% chance of hitting the EIA's updated end-of-season forecast of 1.592 Tcf, along with a 60% chance of coming in above ICE storage futures of 1.550 Tcf, and a 42% chance of finishing above the five-year mean of 1.694 Tcf.

The NYMEX Summer Strip for 2021 peaked at a 52-week high of \$3.033/MMBtu at the end of October and bottomed at \$2.484/MMBtu on December 28<sup>th</sup>. The market rebounded in the first half of January, peaking earlier this week at \$2.801/MMBtu. Gas for next winter has also found a new lease on life, with the NYMEX 2021-22 Winter strip rallying from a \$2.761 low on December 28<sup>th</sup> to a \$3.012 high at the end of last week.

As a result of this recent strength, the trend in the discount (contango) on summer 2021 gas to next winter has narrowed from -\$0.277/MMBtu to -\$0.209/MMBtu. This contraction is constructive, but hardly indicative of a market short of supply.



## End-of-winter storage revised higher.

In their latest monthly forecast (STEO), the EIA raised its estimate of end-of-winter L48 underground storage of natural gas by 3.7% to 1.592 Tcf. Despite this upward revision, the market priced in stronger winter fundamentals over the last week. For instance, the NYMEX Henry Hub futures contract for March 2021 (the final contract of the Winter Strip) traded at a premium (backwardation) to the April 2021 contract for the first time in four weeks.