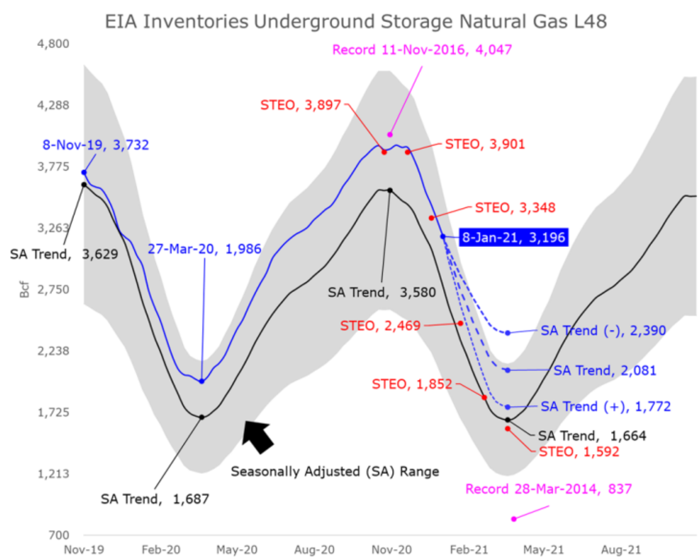
The Bulls Are Running Out of Winter

Due to Martin Luther King, Jr. Day and Inauguration Day, the EIA will release the weekly natural gas storage report and petroleum status report tomorrow at 10:30 a.m. and 11:00 a.m., respectively.

In last Thursday's update on L48 underground storage of natural gas, as of January 08th, inventories fell to 3.196 Tcf. This season's hitherto 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).

For the onext two reports (weeks ended January 15th and 22nd) ICE storage futures traded at -175 Bcf and -155 Bcf, respectively. This would pull storage down to 2.866 Tcf. Based on these estimates, we calculate a 55% probability of hitting the EIA's updated end-of-season forecast of 1.592 Tcf, along with a 60% likelihood of coming in above ICE storage futures of 1.550 Tcf, and a 42% chance of finishing above the five-year mean,1.694 Tcf.



Over the last month-and-a-half, the cross-seasonal (delivery season to refill season) March 2021/April 2021 Henry Hub futures spread has traded in contango (March discount to April) more often than in backwardation (March premium to April). Earlier this week, March gas closed at a life-of-contract high discount (-0.029) against April gas!

The fact that traders are unwilling to pay a premium to own gas for delivery in a month when we see a net withdrawal of gas from underground storage is as <u>fundamentally bearish as it gets!</u>

<u>THIS</u> is how bear markets trade.

The contango (discount) between these two seasonal strips is now trading at a year-to-date low (Summer 2021 below Winter 2021-22) of around -$0.260/MMBtu. **This is a clear telltale that traders do not currently foresee any bullish issues regarding the summer refill season**.