



A U-Turn that Puts Other U-Turns to Shame!

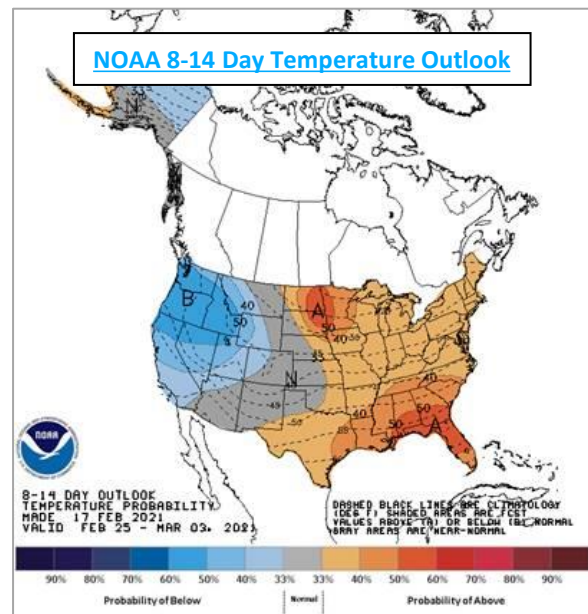
Through the third week of January the cross-seasonal (delivery season to refill season) March 2021/April 2021 Henry Hub futures spread peaked at a life-of-contract high discount (contango) with March \$0.047/MMBtu below April. As we stated last week, this could only be interpreted as bearish, given that traders were unwilling to pay a premium to own gas for delivery in the final month when we see a net withdrawal of gas from underground storage.

Since then, the spread has narrowed (moved to backwardation, i.e., March premium to April) on average by a staggering 8.5% per session! On Wednesday of this week, March closed at an \$0.187/MMBtu premium to April! Accordingly, traders have been scrambling to own March gas.

We expect this rush to continue into next week's expiration, especially with Texas Governor Greg Abbott's announcement yesterday [banning](#) the state's producers from selling gas outside of its borders through February 21st.

However, **bulls beware**...warmer weather is on the way. Two weeks ago, the 50-Day volume-weighted moving average crossed below the 100-Day. This pattern is the so-called "[death cross](#)", a sell signal that is popular with technical traders.

Given the market's bullish momentum, there is no immediate concern, but watch for any new developments and remember the old Wall Street adage that **markets fall faster than they rise**.



The answer is a resounding yes!

Last week we posed the question—Did bears jump the gun on the end of winter?

Through the first two months of winter, heating degree days in the Houston market area were 17% below normal. Over the last three weeks, heating degrees days were 101% above normal. Accordingly, as of this week, season-to-date space heating demand has morphed from 17% below normal, to 5% above normal!