Friday, February 19, 2021
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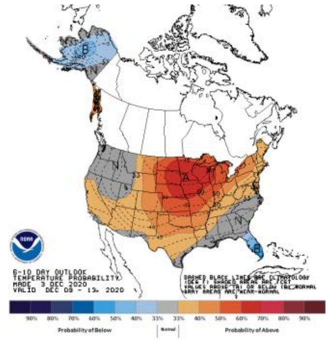
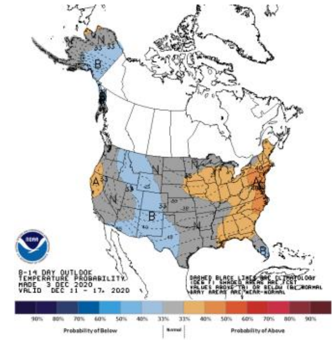
EIA Weekly Petroleum Status Report				
Stocks Δ (Mbs)	EIA 05-Feb	Seasonally Adjusted Norm	EIA 12-Feb	Bias
Crude Oil	(6,645)	1,400 ± 2,900	(7,257)	Bullish
Cushing	(658)	100 ± 800	(3,028)	Bullish
Mogas	4,259	1,000 ± 1,400	672	Neutral
Distillate	(1,732)	(3,200) ± 1,700	(3,422)	Neutral
Net	(4,118)	(800) ± 6,000	(10,007)	Bullish

NOAA Outlook



Temperature 6-10 Day



Temperature 8-14 Day

Note Bene: Dallas Morning News—*The Frisco-based natural gas producer (Comstock Resources) owned by Dallas billionaire Jerry Jones is cashing in on a surge in prices for the fuel as a brutal freeze grips the central U.S., leaving millions without power. Gas from Comstock's Haynesville wells was sold on the spot market for between $15 and $179 per thousand cubic feet, chief financial officer Roland Burns said Wednesday on an earnings call. That translates to between $15.55 and $186 per million British thermal units*.

Jerry's minions don't do humility… wonder where they learned that from?

Continued… "*This week is like hitting the jackpot with some of these incredible prices," Burns said. "Frankly, we were able to sell at super premium prices for a material amount of production*."

Hmm, you would think that with millions of Cowboy fans still suffering in the dark and cold, Jerry's employees would be a little less vociferous with their "*incredible*" fortune.

Omnium Gatherum

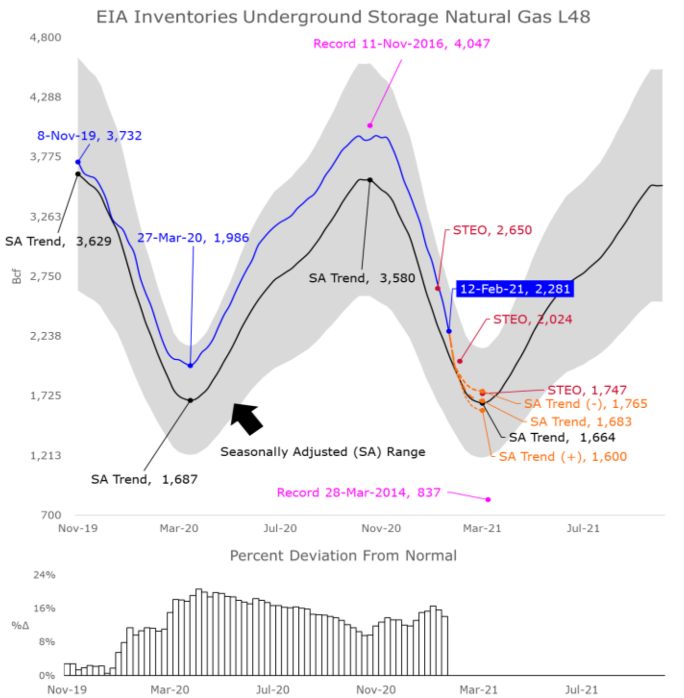
PRICES WERE WEAK YESTERDAY… oil and gas markets faded their respective weekly status updates from the EIA. March natural gas on the NYMEX peaked at $3.298/MMBtu but closed 5 ticks below our $3.087 first daily support and 1 tick below our $3.083 first weekly resistance, down 13.7 cents on the session. Over on the ICE, Brent crude oil futures peaked at $65.52/b in overnight trading, bottomed in the final 30 minutes of the session on our $63.22 first daily support and 1 penny below our $63.23 first weekly resistance and finished 8 cents above our $63.85 ultimate monthly resistance.

EIA Natural Gas Review

Yesterday the EIA reported a heavy—albeit a smaller than expected—delivery of natural gas from L48 underground storage. As of February 12th, inventories fell by 237 Bcf to 2.281 Tcf.

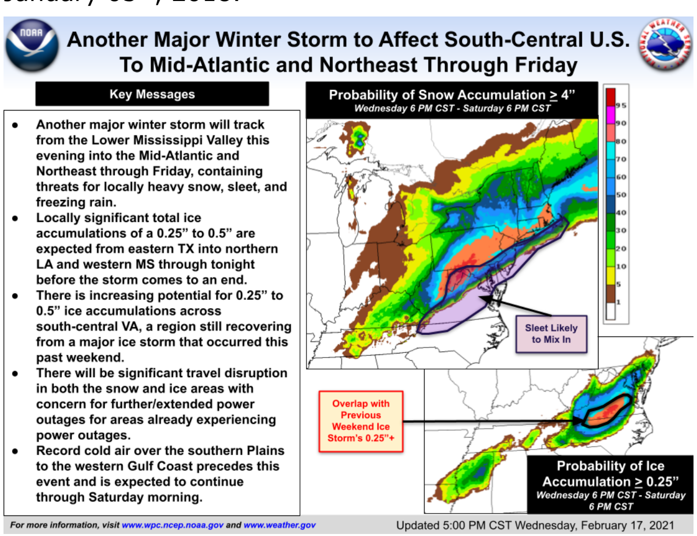
The cognoscenti was looking for a mammoth delivery with a range from -251 Bcf on the Dow Jones and Platts' surveys, -252 Bcf on Reuters, -253 Bcf on Blomberg, and -257 Bcf per The Desk. The typical delivery for this report is -130 ±37 Bcf. This season's hitherto delivery is a large 1.6770 Tcf which is 4% above the five-year mean, 12% above the seasonally adjusted time series, and 21% above last year's weather/COVID-19 addled pace.

Last week, degree days in the all-important Chicago market area surged to 45% above normal, while in Houston degree days jumped to 41% above normal. While it was cold last week in these two markets, this week's cold is off the charts. Through the first five days of this week, degree days in Chicago are 52% above normal, while down in Houston a mean temperature of 28°F (50% below normal) equates to degree days at a staggering 341% above normal!



The odds of ending winter above the seasonally adjusted time series of 1.683 Tcf fell to 18.2% (9:2 odds).

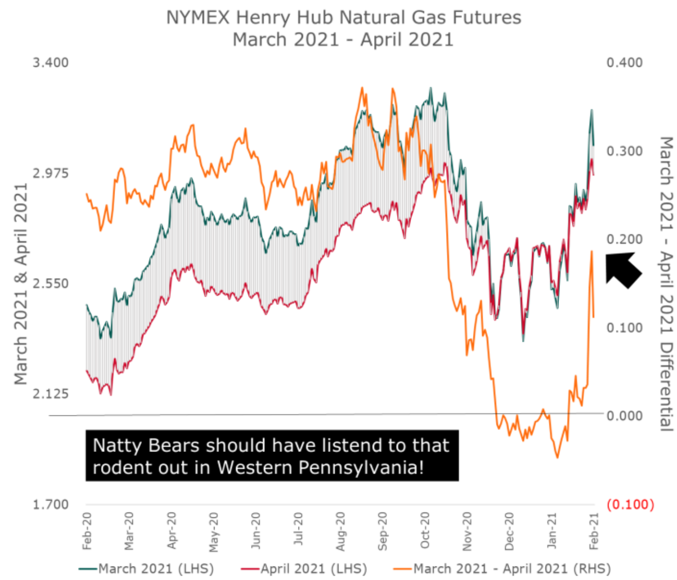
While yesterday's EIA update was massive, next Thursday's EIA report on L48 underground storage is going to be an absolute monster, with some early estimates coming in as high as 350 Bcf. For you kids keeping score at home, the all-time high delivery is 359 Bcf which occurred three winters ago for the week ended January 05th, 2018.



Therefore, the chance of coming in at-or-above the EIA's end-of-season forecast of 1.747 Tcf is small with the probability slipping over the week to 12½% or odds of 7 to 1. Our 50/50 line on the end-of-season fell by around 90 Bcf, after falling by a combined 160 Bcf over the prior two weeks. The latest 50/50 is 1.406 Tcf. ICE end-of-season futures were last bid at 1.450 Tcf. Two weeks ago, the ICE settled at 1.575 Tcf!

In Like a Lamb, Out Like a Lion

The EIA recently noted that mid-winter Lower 48 underground natural gas stocks exceeded the five-year mean by 244 Bcf. However, given this month's polar vortex, the probability of finishing the season above the five-year average has collapsed from 42% to 17%. As noted above, the 50/50 end-of-season line is now 1.406 Tcf or 288 Bcf below the five-year mean. This amounts to a 532 Bcf swing in the second half of this season.



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. There was no other way to interpret this contango other than bearishly 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.

Bears Guessed Wrong on Winter's End

Since the end of January, the March/April spread has morphed to backwardation (March premium to April) with the spread rallying on average by an astonishing 8½% per session! On Wednesday of this week, March closed at an $0.187/MMBtu premium to April!

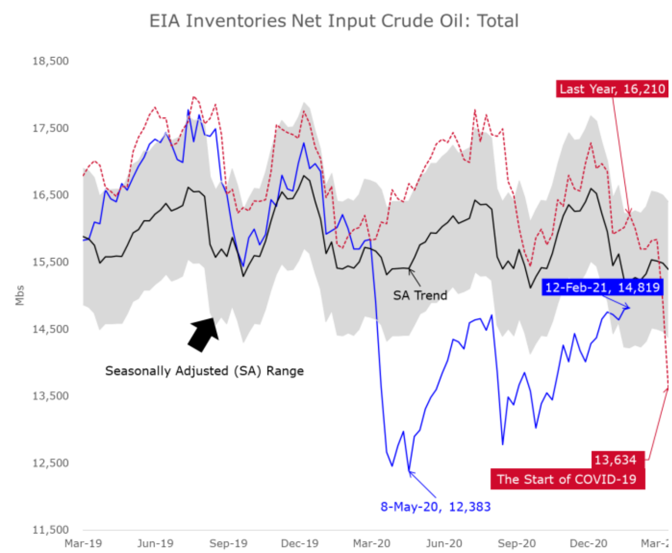
Therefore, traders apparently guessed wrong on winter's end and are now scrambling. Given that Texas Governor Greg Abbott banned the state's producers from selling gas outside of its borders through February 21st we imagine traders will continue to scramble to secure March gas into next week's expiration.

Bulls beware… warmth is on the way. Furthermore, two weeks ago in the spot NYMEX futures, 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. However, just beware of this development and also beware of the old Wall Street adage that markets fall faster than they rise.

EIA Petroleum Review

Yesterday the EIA reported a massive draw in total crude oil stocks of 7.26 MMbs inclusive of a gargantuan 3.03 MMb draw at the NYMEX delivery complex in Cushing (PADD 2). Over the last six weeks, stocks at Cushing have fallen by the seventh largest amount ever, 14.19 MMbs, while stocks for all of PADD 2 have fallen by the sixth largest amount, 16.99 MMbs, ever.

Crude oil imports inched up by 0.7% to 5.90 MMb/d while exports spiked by 47½% to an **11-month high** of 3.86 MMbs. Net imports of crude oil (imports minus exports) plunged by 37.2% to 2.04 MMb/d as a result. At the same time, crude oil production fell by 1.8% to a three-month low of 10.8 MMb/d. Altogether, crude oil supplies (net imports + production) fell by 9.9% to 12.84 MMb/d.

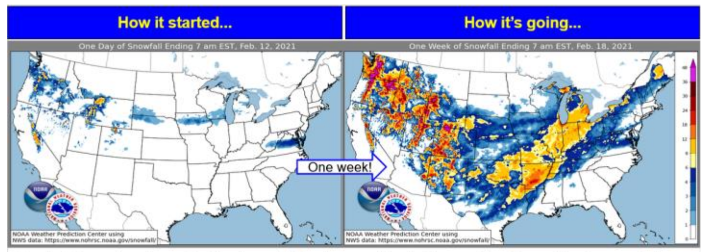


Refinery throughput rose to a second straight COVID-19 era high of 14.82 MMb/d. Moreover, demand fell inside the seasonally adjusted range for a fourth straight week. This is a positive. Commercial stocks were withdrawn from the Strategic Petroleum Reserve for a second straight week. A total of 148 Mbs or 21.1 Mb/d were delivered. Owners have until the end of next month to retrieve the remaining 2.81 MMbs that are parked there. All in all, as of February 12th the implied draw in crude oil stocks was 1.96 Mb/d, whereas the EIA reported a 1.04 Mb/d draw. As a result, a gain of 925 Mb/d of crude oil went unaccounted for in the EIA's headline tally.

As far as the entire barrel is concerned, the U.S. was a net oil exporter (crude oil + petroleum products) by a margin of 633 Mb/d. Since October 2019, the U.S. has been a net exporter three out of every five weeks with net shipments averaging 212 Mb/d.

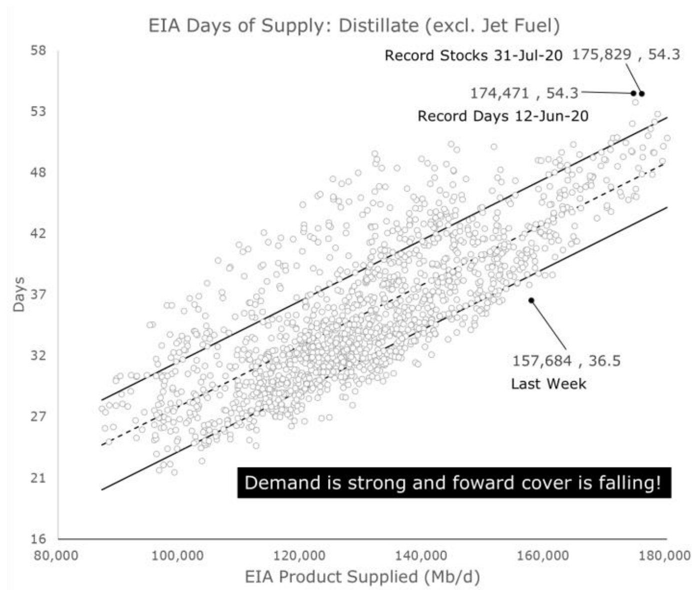
Product Demand & Weather

Amazing what a polar vortex can do to a market. The amount of №2 oil required to supply the market rose by 3.3% to a **17-month high** of 4.45 MMb/d. Forward cover fell by 5.7% to a season-to-date low of 36.5 days.

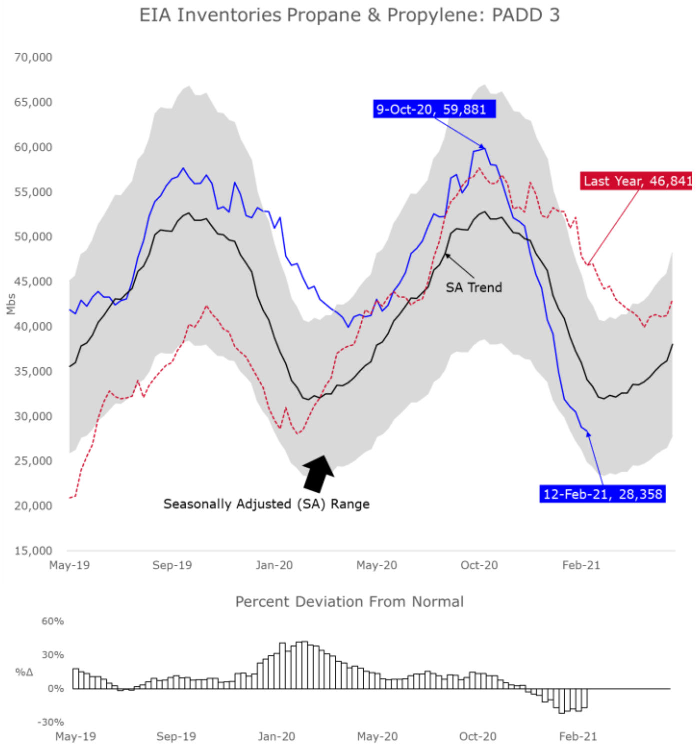


Over just the past week, much of the Lower 48 has been punished with record-breaking cold and unusually heavy snow and ice. From the Pacific Northwest across the Rockies and into the Southern Plains and Midwest, the snowfall has been measured in feet. Ice and snow continue to plague parts of Texas and the Northeast today and those totals are not yet included on the map on the right.

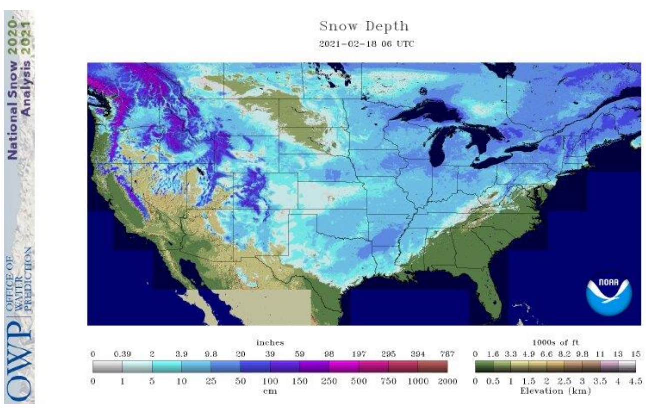
Source: https://www.wpc.ncep.noaa.gov/#page=ovw



In the propane market, PADD 3 (Gulf Coast) inventories fell for an eighteenth straight week, dropping by a relatively small 439 Mbs to 28.36 MMbs. Since October—*the start of the crop drying season*—inventories have dropped from 59.88 MMbs to a **two-year low**. Stocks were 17% below normal last week; a year ago stocks were 38% above normal for the corresponding week. Forward cover dropped by 5½% to a second straight **two-year low** of 27.2 days.



Gasoline demand shot to a season-to-date high of 8.41 MMb/d, mostly like the result of motorists topping off their tanks before this week's winter storms rocked the market. That said, with snow and ice blanketing a majority of the conterminous U.S., demand for gasoline is challenged.



NYMEX

NYMEX stocks of the three major futures contracts—WTI, RBOB, and ULSD—fell by 2.4% or 2.68 MMbs to a COVID-19 era low of 111.39 MMbs, while the year-over-year surplus narrowed by 255 basis points from 16.78% to 14.23% or 13.88 MMbs. Back in December, inventories hit a 3½-year high of 128.40 MMbs.

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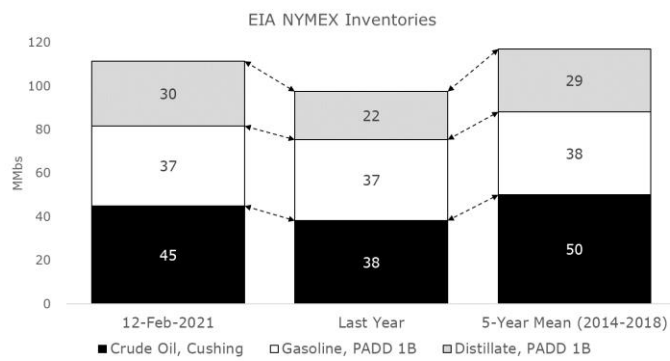
Stocks Δ (Mbs)	EIA 05-Feb	Seasonally Adjusted Norm	EIA 12-Feb	Bias
WTI Cushing	(658)	100 ± 800	(3,028)	Bullish
RBOB PADD 1B	374	400 ± 600	1,696	Bearish
ULSD PADD 1B	(1,132)	(1,300) ± 800	(1,351)	Neutral

Over the last six weeks, inventories have dropped by 16.22MMbs which is the third largest six-week purge on record. Three weeks ago, inventories moved into a deficit to the five-year mean for the first time since early April, i.e. since the start of the nightmare that is COVID-19. Last week the year-over-year deficit nearly doubled to 5.61 MMbs or -4.8%.

№2 oil stocks in the Mid-Atlantic (PADD 1B) fell by a normal 1.35 MMbs to 29.71 MMbs. The year-over-year surplus fell by 466 basis points to 34.44% or 7.61 MMbs. The front-end of the NYMEX ULSD term structure has shown some impressive strength over the last month. Over the last week the trend in the Mar/Apr backwardation doubled on the cold.



Finally, gasoline stocks in the Mid-Atlantic jumped by a large 1.70 MMbs to 36.66 MMbs, an **eight-month high**. The deficit to a year ago narrowed by 406 basis points to -1.4% or from 2.00 MMbs to 509 Mbs.

Over the last two weeks, the trend in the contango between March (13.5 RVP) RBOB and April (7.4 RVP) RBOB moved out by 6.8%, while the contango between the April and May RBOB, the first two summer-grade (7.4 RVP) contracts of the season were cut in half. In fact, thanks to extant refinery outages in Texas, the April contract has settled in backwardation (premium) to May for the last three sessions. This is a telltale of the market's angst regarding the availability of summer-grade mogas.