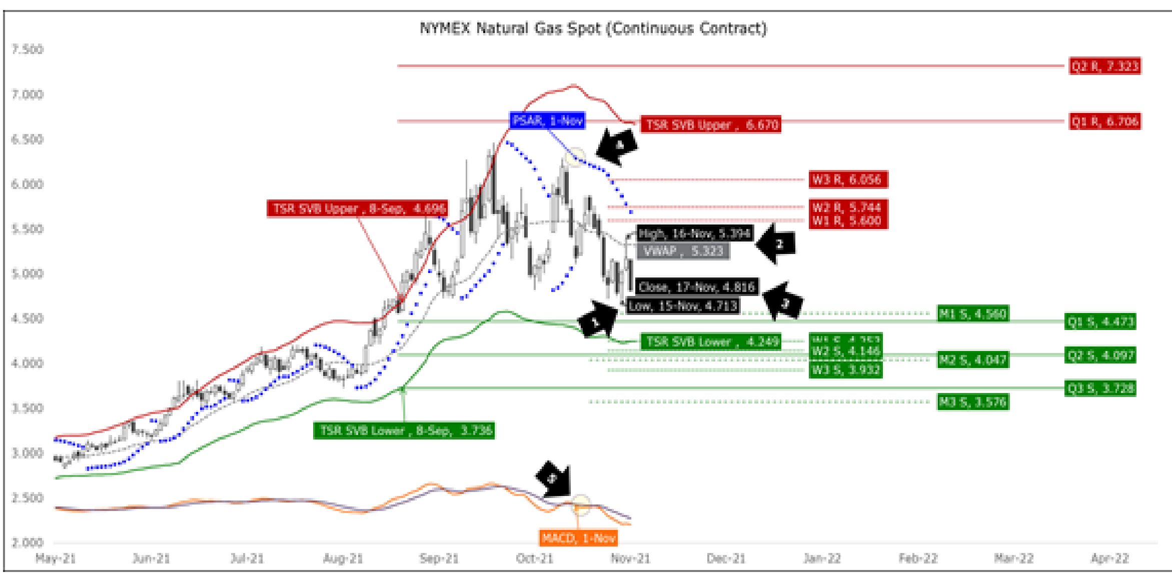
NYMEX Volatility Is as Deadly as Ever

Last week, an approximate one standard deviation daily price change in the NYMEX spot Henry Hub contract was $2,458 per contract, the equivalent of $5,421 per contract on a weekly basis, and 1.7× greater than the risk in NYMEX WTI.

At the same time, we saw a tremendous increase in interest in the December 2021 $11 call strike with open interest spiking 1,340% from 127 contracts to 1,829 contracts. Given that this option expires next Wednesday, we are going to be in for some fireworks ahead of the Thanksgiving Day holiday. Meanwhile, open interest on the **March 2022 $20 call strike** jumped by 63% to 292 contracts. Based on recently observed volatility, the odds of hitting $20 gas before the March contract expires next February are 325-to-1 (a 0.307% probability)!

For the last five sessions on the NYMEX, the Henry Hub futures contract for spot delivery bottomed on Monday at $4.713/MMBtu (arrow 1), rallied the following day to a $5.394/MMBtu high print but finished the day below the 20-day VWAP (arrow 2). Yesterday, the market settled at $4.816/MMBtu (arrow 3), down $0.064/MMBtu from the prior Wednesday's settlement.

Our two favorite technical indicators, parabolic SAR (arrow 4) and the MACD (arrow 5) turned bearish at the start of this month.



Injections closed out the season on a strong note.

Injections of natural gas into L48 underground storage rallied to end the season on a high note. Two months ago, in a best-case scenario, the market was on pace to finish the season with 3.558 Tcf. Yesterday, storage hit 3.644 Tcf. The strong end to refills notwithstanding, the market heads into winter at a 2½% deficit to the five-year average.

