



4.0 Tcf Is Still A Possibility

As of Friday, November 08th, L48 underground storage of natural gas rose to 3.974 Tcf and as a result, gas is at 83.97% of working capacity, which is 2.96 percentage points (i.e., 296 basis points) greater than a year ago and 245 points greater than the seasonal norm. Furthermore, storage is within 65 basis points of 4.0 Tcf and within 180 points of the all-time high of 4.047 Tcf.

Historically, this report—for the 45th week of the calendar year—tends to be the final injection of the season, though injections beyond this point are not unheard of. For example, a year ago the EIA reported a 7 Bcf delivery (withdrawal) for the week ending November 17th, which was followed by a 10 Bcf injection the following week of November 24th.

As far as traders are concerned, Winter 2024-25 is D.O.A. The backwardation on the Mar25/Apr25 NYMEX Henry Hub spread set consecutive season-to-date lows over the last five weeks. As of last Friday, the backwardation averaged \$0.031 per MMBtu which is the cheapest a Mar/Apr spread has traded at this point in the season since 2013. Earlier this week, the backwardation moved to \$0.040 on the short squeeze but finished yesterday at \$0.025.

December 2024 NYMEX Henry Hub futures rolled into this month on an upswing. The contract bottomed at \$2.514 (arrow 1), and meandered lower for about a week before rocketing last week to a \$3.020 (arrow 2). The contract ended last week at \$2.823 (arrow 3). Bulls failed last week on three attempts to breach the volume-weighted average price (VWAP), which was \$2.975 as of last Friday. As such, the market continues to trade lower inside a bearish envelope.



L48 Storage: 4.0 Tcf is not out of the question.

The normal move in this Thursday's update is a 4 Bcf delivery with a margin of error of ± 11 Bcf. Last week, natural gas demand for electricity generation was 2.7% or 829 GWhs lower, the equivalent of ≈5.0 Bcf gas. On a year-over-year basis, demand was 2.3% higher or 675 GWhs (≈4.0 Bcf). Demand last week was weakest in the Midwest (-2.2 Bcf), Florida (-1.6 Bcf), and the Southeast (-1.4 Bcf). Demand was strongest in California (+2.9 Bcf) and the Midwest (-1.0 Bcf). The mean consensus on the preliminary Reuters' survey is a 20 Bcf injection. If accurate, this brings storage to within 6 Bcf of the psychologically important 4.0 Tcf threshold and to within 53 Bcf of the all-time high.