



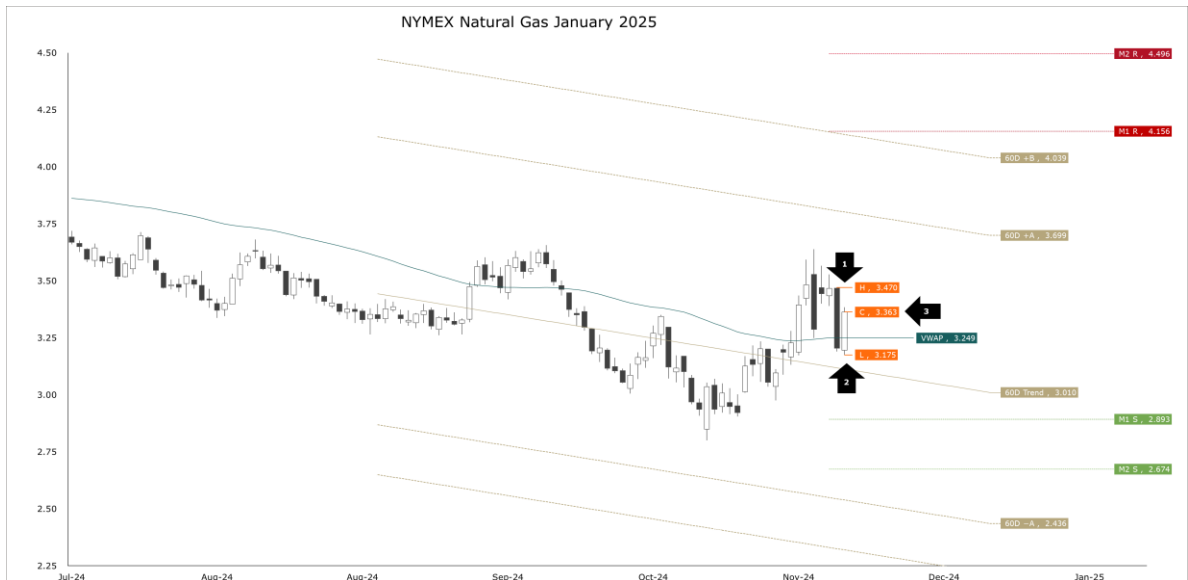
## Market Dynamics: Minimal Storage Withdrawal and Rising Volatility

Last Wednesday, the EIA reported the second delivery (withdrawal) of this early season. As of Friday, November 22<sup>nd</sup>, L48 underground storage of natural gas fell by 2 Bcf to 3.967 Tcf. This is a de minimis delivery. Based on our time series study, we typically see a 33 Bcf delivery with a margin of error of  $\pm 15$  Bcf. As a percentage of working capacity, inventories fell by 0.11% (11 basis points or bps) since the start of the season to 83.92% which is 592 bps above the five-year mean and 472 bps above the seasonal norm.

After peaking at \$0.289 per MMBtu last June, the backwardation on the Mar25/Apr25 NYMEX Henry Hub spread has narrowed in five out of every six weeks. Two weeks ago, the backwardation average \$0.036 per MMBtu with 3.967 Tcf in L48 storage. Last week, the backwardation averaged \$0.034 per MMBtu. **In other words, trader are unperturbed with current market economics.**

Prices were volatile last week. Implied volatility (IV) in spot NYMEX gas finished at 73.86%, marking a M/M increase of 12.62 percentage points. This rise in IV increased the approximate one standard deviation expected daily price return from \$0.104/MMBtu to \$0.155/MMBtu.

January 2025 NYMEX Henry Hub futures rolled into this month on a bearish correction. Last Wednesday, before the Thanksgiving Day holiday, the contract peaked at \$3.470 per MMBtu (arrow 1). When the market reopened on Friday, the contract bottomed at \$3.175 (arrow 2) and settled at \$3.353 (arrow 3). The market is yo-yoing around the volume-weighted average price (VWAP), which was \$3.249 as of last Friday and is trading lower inside a bearish envelope between the 60-day trend of \$3.010 and our initial resistance of \$3.699.



## L48 Storage: Mixed Drivers Suggest Near-Normal Gas Storage Report.

For this Thursday's update, we typically see a 63 Bcf delivery with a margin of error of  $\pm 16$  Bcf. Last week's Thanksgiving Day holiday was a week later compared to 2023. This lag contributed to a material decline in gas demand for electric generation. However, this weakness was mitigated by significant heating demand throughout the Midwest. These two events will net each other out to a certain degree, which means that we will undoubtedly see a normal to slightly below normal delivery when the EIA reports on Thursday. The mean consensus on various industry surveys range from the upper 30s Bcf to the middle 40s Bcf.