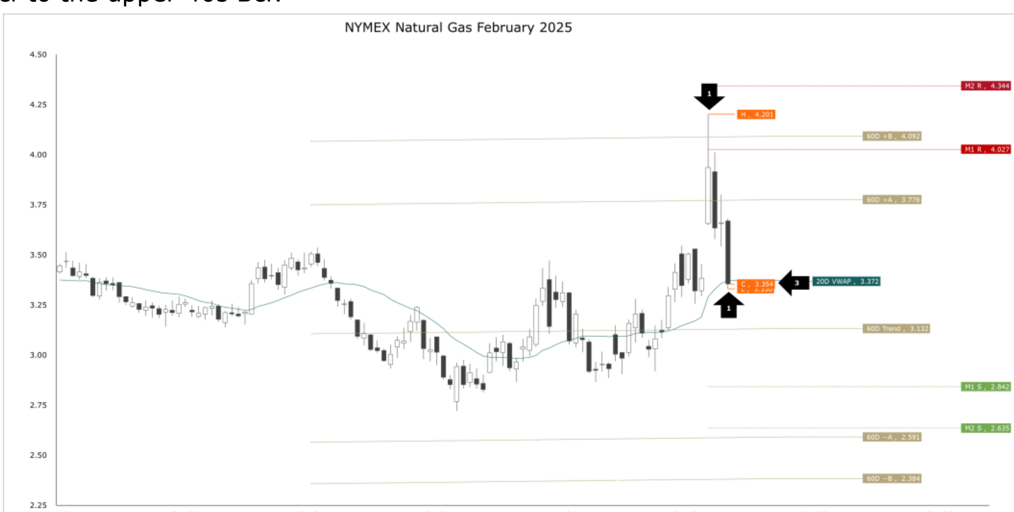
After a Strong Finish to 2024, Gas Opens 2025 Weakly

Spot gas on the NYMEX surged in the final two weeks of 2024 as key markets in the Midwest and Northeast were forecast to see below normal temps this month. Before we left for the holiday on December 20th, options traders priced in a 37% probability that January 2025 gas would expire on December 27th above the upper range of our model's 70% envelope of $3.705. If you took that bet, you lost. January surged on Xmas Eve to a hitherto season high of $3.946 but regressed from there and expired on December 27th about halfway in between the upper range of the 70% envelope and our 50% upper range of $3.353 at $3.514.

This Thursday, January 09th, the Federal Government will close for a National Day of Mourning in honor of President Carter's passing. Therefore, the EIA will release its weekly update on Lower 48 underground natural gas storage one day early, on Wednesday.

Last week, space heating demand in the East was significantly warmer, for instance, temperatures in the Big Apple averaged 46.0°F which was 16.4°F warmer on the week, 7.9°F warmer on the year, and about 11.2°F above normal. Cumulative natural gas demand for power in New England and the Mid-Atlantic was off by ≈8.0 Bcf. Given last week's dearth of weather demand, this week's storage update will be small, exceedingly small. For this point in the season, the typical delivery is 142 ± 16 Bcf. The early consensus range from the middle 20s Bcf to the upper 40s Bcf.



EIA Reports 116 Bcf Withdrawal; Storage Remains In Good Shape

Last Friday, the EIA reported the seventh delivery (withdrawal) of the season. As of Friday, December 27th, storage fell by 116 Bcf to 3.413 Tcf. The season-to-date delivery is 559 Bcf which is 202 Bcf greater than a year ago, 46 Bcf greater than the five-year mean but, 60 Bcf below the seasonal time series study. As a percentage of working capacity, inventories have fallen by 11.81 points (1,181 basis points or bps) since the start of the season, dropping to 72.11%. On this basis, current inventories are 133 bps lower than a year ago when stocks were at 73.44% of capacity but 360 bps greater than the five-year mean of 68.52%, and 65 bps greater than the seasonal norm of 71.46%. Relative to these benchmarks, current inventories are in good shape.

