# Midwest Heating Demand Surges as Nat Gas Markets Hold Mixed Signals

As of Wednesday, space heating demand in the Midwest is hot! Temperatures in the all-important Chicago market area are averaging around 21.2°F which is 13.2°F colder on the week and 4.6°F colder than normal.

At the same time, gas demand for electric generation jumped by 1,816 GWhs in the Midwest, the rough equivalent of 11 Bcf of demand. Demand was also strong through the Mid-Atlantic (+8 Bcf) and Texas (+6 Bcf). Cumulative demand for the L48 was 38% higher, rising by 6,666 GWhs, the equivalent of about 40 Bcf of demand.

Finally, estimated commercial and residential demand (C&R) is 75% higher at 23.8 Bcf/d for a total of 119.0 Bcf, while exports (including LNG feedgas sendout) are 2.2 Bcf/d lower for a total of 10.9 Bcf.

The typical delivery from L48 underground natural gas storage for early January is 158 ± 18 Bcf. Given last week's pop in furnace and electricity demand, our preliminary projection for next Thursday's report is around 175 Bcf.

Since rolling into the prompt month, February Henry Hub natural gas futures peaked at $4.201/MMBtu, bottomed a few days later at $3.330, and finished today at $3.701. Over this period, the contract held support around the 20-day volume-weighed moving average or VWAP ($3.466 as of today's settlement).

On the technical side, the Parabolic SAR has been bearish for the past week, the MACD has been bearish for the past week, but its signal is weakening, and the slow stochastic turned from bearish to neutral last week.

From a momentum standpoint, the 20-day VWAP has been bullish since spot gas hit a season-to-date high on Xmas Eve, and the 20-day exponential moving average (EMA) turned bullish a few days later. Given the mixed signals from the technicals, if you are long, hold unless the 20-day EMA (which is the higher of the two moving averages), $3.488/MMBtu as of today, is violated, otherwise sit tight until clearer signals develop.

**EIA reports modest storage withdrawal; Inventories remain above seasonal norms.**

Yesterday, the EIA reported the eighth delivery of the season. As of Friday, January 3rd, storage fell by a tiny 40 Bcf to 3.373 Tcf. The season-to-date delivery is 599 Bcf which is 216 Bcf greater than a year ago, 11 Bcf greater than the five-year mean but 164 Bcf below the seasonal time series study. As a percentage of working capacity, inventories have fallen by 12.66 points (1,266 basis points (bps)) since the start of the season, dropping to 71.27%. On this basis, current inventories are 78 bps lower than a year ago when stocks were at 70.49% of capacity but 479 bps greater than the five-year mean of 66.48%, and 284 bps greater than the seasonal norm of 68.43%. Relative to these benchmarks, current inventories are in good shape.

 