Midwest Heating Demand is Hot and Only Getting Hotter

As noted in today's Market View, over the past six weeks, cumulative heating degree days (HDDs) in the Chicago market area have reached 1,476—313 HDDs higher than a year ago, 191 HDDs above the five-year (2019-2023) average, and the highest total since winter 2017-18. This week, Windy City temperatures are averaging around 21.4°F (4.4°F colder than normal) and are forecast to average 15.4°F over the next week with the thermometer bottoming next Monday slightly above 0°F.

With apparent gas furnace demand surging, prices on the NYMEX are reacting accordingly. Since rolling into the prompt month, February Henry Hub natural gas futures bottomed on January 3rd at \$3.330/MMBtu (arrow 1). At the start of this week on January 13th, the contract peaked at \$4.369 (arrow 2) and closed today at a season-to-date high settlement of \$4.258 (arrow 3).

On the technical side, the Parabolic SAR, MACD, and Slow Stochastic are bullish. From a momentum standpoint, the 20-day VWAP has been bullish since Xmas Eve, and the 20-day exponential moving average (EMA) turned bullish a few days later.

As we noted last week, "...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."

This week it's lather, rinse, and repeat... if you are long, hold unless the 20-day EMA (\$3.679 as of today), is violated, otherwise sit tight until the weather eases and prices correct.

EIA reports massive storage withdrawal; inventories remain above seasonal norms.

Yesterday, the EIA reported the ninth delivery of the season. As of Friday, January 10th, storage fell by a massive 258 Bcf to 3.115 Tcf. The season-to-date delivery is 857 Bcf which is 320 Bcf greater than a year ago and 110 Bcf greater than the five-year mean, but 64 Bcf below the seasonal time series study. As a percentage of working capacity, inventories have fallen by 18.11 points (1,811 basis points or bps) since the start of the season, dropping to 65.82%. On this basis, current inventories are 142 bps lower than a year ago when stocks were at 67.23% of capacity but 223 bps greater than the five-year mean of 63.95%, and 73 bps greater than the seasonal norm of 65.09%. Relative to these benchmarks, current inventories are in stable shape.

