Friday, March 28, 2024
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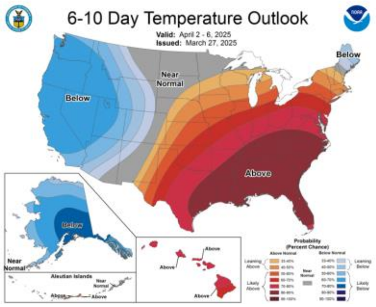
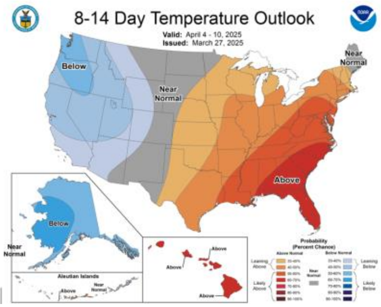
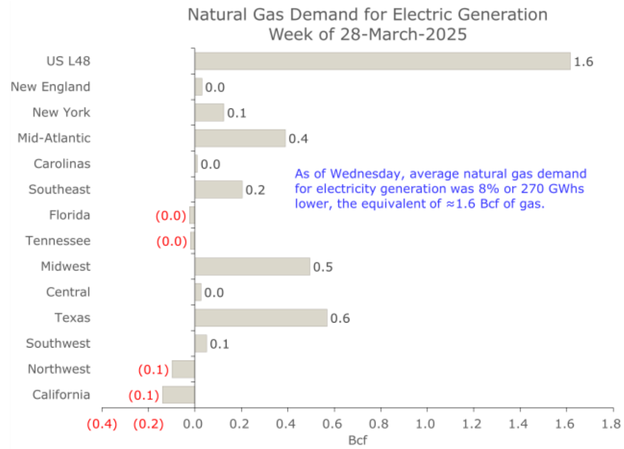




NOAA Hmm, is that heating demand sneaking into the West?



Nota Bene: As of Wednesday, average electricity generation was flat on the week and 0.6% lower year-over-year at 10,107 GWhs.

Directional Momentum & Money Flow
As Of Wednesday, March 26, 2025

		NYMEX NG	NYMEX WTI	ICE Brent	NYMEX RBOB	NYMEX ULSD	ICE Gasoil
Price	Trend	Falling	Rising	Rising	Rising	Rising	Rising
Volume	Trend	Falling	Falling	Rising	Rising	Rising	Falling
	Bias	Bullish	Bearish	Bullish	Bullish	Bullish	Bearish
Open Interest	Trend	Rising	Falling	Rising	Rising	Rising	Rising
	Bias	Bearish	Bearish	Bullish	Bullish	Bullish	Bullish
Market Signal		Bearish	Bearish	Bullish	Bullish	Bullish	Bullish
Market Volatility		Rising	Falling	Falling	Rising	Rising	Falling

Omnium Gatherum

PRICES WERE STRONG YESTERDAY… oil moved higher on carryover bullish momentum. Gas moved higher despite the earliest start to the refill season ever posted by the EIA.

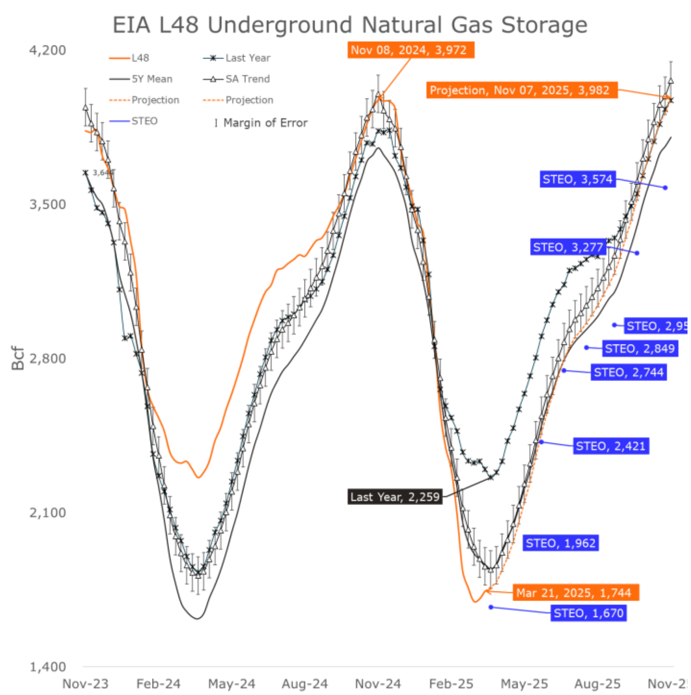
What We Are Watching

Yesterday, the EIA reported the second injection (addition) of the season. As of Friday, March 21st, L48 natural gas storage rose contraseasonally by 37 bcf to 1.744 Tcf. The normal move for the latter part of March is a 33 ± 42 Bcf delivery (withdrawal).

What a difference a couple of weeks makes.

What developed through January and February into one of the strongest delivery seasons on record came to an abrupt end. As we noted here two Fridays ago:

> *The season-to-date delivery is 2.274 Tcf, the second largest on record, behind a 2.832 Tcf delivery in 2014. Storage is now 561 Bcf below last year's ending balance of 2.259 Tcf, with approximately three more deliveries remaining. At the current pace, storage is on pace to finish this winter below the median since 2011 at a four-year low of 1.590 Tcf—669 Bcf below last year's balance of 2.259 Tcf.*



In hindsight, the above-referenced 2.274 Tcf wound up being this winter's final delivery, knocking this season down from second, to third place: 116 Bcf below a 2.390 Tcf delivery from 2018, and 736 Bcf below the 3.010 Tcf record from 2014.

Instead of finishing this winter at a four-year low of 1.590 Tcf, the market finished at 1.698 Tcf.

The last two injections—beginning on March 14th—tie for the earliest start to refills ever posted by the EIA, matching the start of the 2012 season, which began on March 16th of that year. The weather this week is mild for key heating markets in the northern latitudes. Temperatures in the all-important Chicago market area are averaging 42.1°F, 0.5°F above normal. Temperatures in the Big Apple are averaging 46.8°F, 3.5°F above normal. Whereas we typically see a 7 ± 31 Bcf delivery for late March, the early consensus expects a similar injection to last week.

The early start to refills would typically be considered bearish for the market. However, despite this fundamental weakness, the structure of the futures curve presents a more nuanced picture. Over the past three weeks, the contango on the April-May spread on the NYMEX Henry Hub narrowed from a -$0.060 average to -$0.016 through this week's expiration, indicating strength in the front-month contract. Meanwhile, the May-June contango, which averaged -$0.154, widened only slightly to -$0.158, suggesting relative stability in the deferred months.

The resilience in the front-month spread suggests that near-term market conditions—most likely speculative positioning—may be exerting upward pressure on prices despite the unexpected inventory build. The fact that the May-June spread did not widen materially indicates that broader concerns about oversupply and storage are not intensifying.

Meanwhile, over the same period—when the EIA reported an early start to the natural gas refill season—the end-of-summer October-November NYMEX spread averaged a -$0.173 contango, while the November-December contango stood at -$0.351. Last week, these contangos moved wider to -$0.253 and -$0.428, respectively. The notable weakness in these deferred spreads contrasts with the relative strength in the front of the curve, signaling potential concerns about storage congestion later in the injection season. The widening of the October-November and November-December contangos reflect expectations of high inventories weighing on shoulder-month contracts, even as short-term dynamics provide support to near-term pricing.

Moving forward, the behavior of the May-June spread will be critical in determining whether the recent tightening in April-May was an anomaly or part of a broader trend. If the May-June contango follows a similar pattern and begins to narrow, it indicates continued resilience in the front end of the curve. However, if it widens further, it reflects a delayed bearish reaction to the inventory build. Additionally, the continued weakness in the back end of the curve bears watching, as it may be an early indication of storage constraints developing later in the year.

In the meantime, the early start to the refill season has roughed up gas bulls in the final month of winter. Over this quarter, spot gas on the NYMEX bottomed on January 25th at $3.044, peaked at a winter high on March 10th at $4.491, and finished the quarter yesterday at $3.950, which was halfway between our model's 50% ($3.767) and 70% ($4.189) upper envelopes.

Looking at the market for May, our preferred technical indicators are leaning bearish. The parabolic SAR and the MACD are bearish, and the Slow Stochastic is neutral. For the week ahead, the market is trading below two key Volume Weighted Average Prices (VWAP) of $4.170 and $4.031 and is hovering inside "The Box", aka the Fibonacci 50%/62% retracement range from $4.033 and $3.818.

Bulls must exit their positions if the market fails to hold support at the bottom of this range. We will publish our 2Q25 model next week. For consumers looking to hedge into the current downdraft, our first entry point begins in the area between our inner and middle lower envelopes in the 60-day trend from $3.765 to $3.510.