

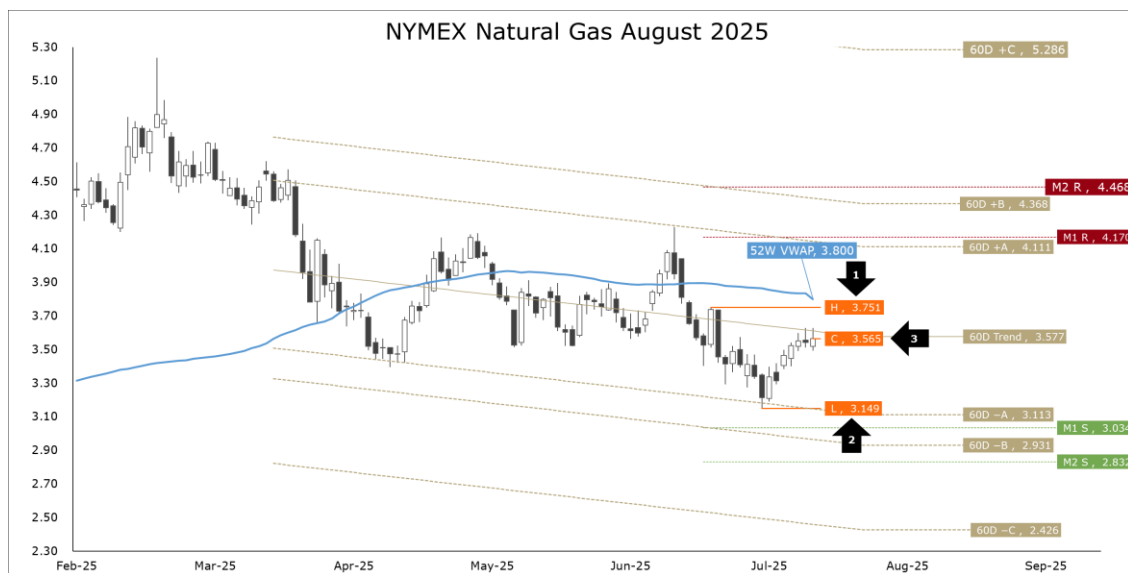


Natural Gas Bulls Scramble to Keep the Heat On

Yesterday's EIA report showed a normal injection of 46 Bcf of natural gas into L48 underground storage. Inventories now sit at 3.052 Tcf. Since the start of refills, storage has flipped from a 213 Bcf deficit to our seasonally adjusted model, to a 108 Bcf surplus. Furthermore, since the end of last winter, the deficit to a year ago narrowed from 627 Bcf to a 24-week low of 157 Bcf. Season-to-date additions are up to 1.354 Tcf, the second largest refill on record. We are not even at the halfway point of the season, and refills are on track to end the season above 3.970 Tcf, with a realistic chance of topping 4.000 Tcf.

Traders are nonplussed about the impact this summer's heat is having on storage refills. After opening at the end of last winter at -\$0.183, the contango on the cross-seasonal Oct-25/Nov-25 NYMEX Henry Hub spread averaged a 12-month high last week of -\$0.410. Meanwhile, the contango on the Nov-25/Dec-25 market (the first spread of winter) averaged -\$0.597... **this spread has not been this bearish since the Great Recession in the fall of 2009!**

Stay sharp. Hedge with confidence.



Storage Swells: EIA Reports Reasonable Storage Build

As far as next Thursday's report is concerned, cooling demand is lower in most key cooling markets. As of Wednesday, average natural gas demand for electricity generation is 1.3% or 80 GWhs per day lower, the equivalent of ≈ 0.48 Bcf/d of gas, 2.38 Bcf total. Gas' share of the power stack is running at an 11-month high of 44.7%, while solar's share has fallen to a four-month low of 6.7%. This week and next week's reports (the fourth and fifth weeks following the summer solstice) tend to yield the smallest injections of the peak season: $\approx 31 \pm 15$ Bcf and $\approx 32 \pm 16$ Bcf, respectively. Our preliminary estimate is 48 Bcf.