



Dallas Fed Energy Survey: Q1 vs. Q2 Henry Hub Price Expectations

The Dallas Fed's quarterly energy survey provides a useful snapshot of sentiment across exploration and production firms and oilfield service providers in the Eleventh District. The first quarter survey, conducted with Henry Hub at \$4.10/MMBtu, drew responses from 130 firms. On average, participants expected year-end gas to finish at \$3.780. Forecasts spanned from as low as \$2.000 to as high as \$5.250.

To test the plausibility of those extremes, we ran a Mean-Reverting Jump Diffusion (MRJD) model through March 31st. At that time, the \$5.25 bull case was well within the 95th percentile of simulated year-end outcomes, topping out near \$6.040, with about a 14% probability. In contrast, the \$2.000 bear case sat far outside the left tail, with a vanishingly small probability of just 0.2% (odds of roughly 421:1). However, as spot prices slumped to \$2.810 in early August—near the 5th percentile of expected outcomes—that once-remote bearish scenario appeared less fanciful.

The second quarter survey, refreshed with data through June 30th, included 136 respondents with Henry Hub trading near \$3.300. The average year-end forecast edged down to \$3.660, modestly below Q1's \$3.780. The range of expectations also shifted lower. The high forecast declined to \$5.00, inside our model's 99th percentile threshold of \$5.310. The low estimate slipped to \$1.750, outside the 1st percentile boundary of \$2.070. These adjustments indicate softening confidence on both sides of the curve.

Our updated MRJD model underscores the changing risk profile. With gas at \$2.801 during the latest survey week, the probability of \$2.00 by year-end improved to nearly 2% (odds of 51:1). By comparison, the odds of finishing at \$5.000 dwindled to just 0.09% (about 1,134:1). The shift highlights the market's growing vulnerability to downside outcomes, with upside scenarios appearing increasingly remote absent a structural supply disruption or unexpected demand shock.

In short, sentiment between Q1 and Q2 cooled noticeably. Average forecasts moved fractionally lower, but more telling was the compression of bullish extremes and the growing credibility of deep-bearish cases. The market's slide through long-standing psychological thresholds below \$3.00 has brought tail risks to the forefront, reinforcing the view that, for now, natural gas remains structurally heavy.

Stay sharp. Hedge with confidence.



Storage Swells: EIA Reports Strong Storage Build

Yesterday's EIA report showed a large injection of 56 Bcf of natural gas into L48 underground storage. Inventories now stand at 3.186 Tcf. Since the start of refills, storage has shifted from a 213 Bcf deficit to our seasonally adjusted model to a 102 Bcf surplus. Furthermore, since the end of last winter, the deficit to a year ago narrowed from 627 Bcf to a 29-week low of 76 Bcf. Season-to-date additions total 1.488 Tcf—one of the largest refills on record—despite significant cooling demand through the first half of this summer. Refills typically last into early November, and at the current rate, storage is on track to end the season around 3.987 Tcf, with a realistic chance of topping 4.000 Tcf.