# Natural Gas: Option Hedging Helps to Fuel the Fire

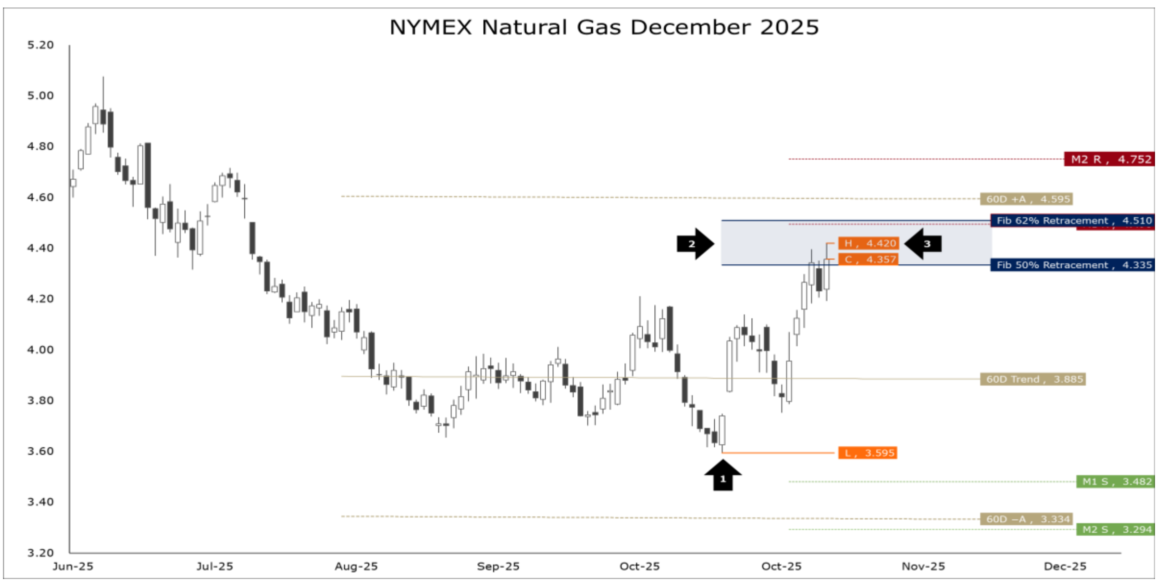
At the end of last month, we saw an epic squeeze in the NYMEX Nov-25 options market centered on the $3.500 call strike, followed by a sharp correction. Since the roll, Dec-25 gas has been on a tear.

As illustrated below, earlier this week, the contract surged into the Fibonacci 50/62% retracement zone (arrow 2) to an intraday peak of $4.420 (arrow 3). After pulling back yesterday, December gas rallied today (despite a solid weekly storage update from the EIA) and settled back inside the zone at $4.357.

Implied volatility on both Dec-25 puts and calls sits near 60%, while historical (HV) volatility has surged toward 70%, expanding the one-standard-deviation daily range to roughly ±$0.18. The higher HV indicates that the market is moving faster than it's priced for, forcing option sellers to buy futures to keep balanced hedges. That reactive flow has added fuel to the rally—momentum driven by mechanics, not fundamentals.

For the week ahead, the bulls' next target is the top of the Fibonacci Zone at $4.510, followed by the first standard deviation band of $4.793 and the $5 psychological threshold. Bears need a retracement below the $4 threshold to take aim at closing the open October gap at $3.748.

Stay sharp and hedge with confidence.




## EIA storage on track to finish above 3.95 Tcf.

Today the EIA reported a solid injection of natural gas into L48 underground storage of 33 Bcf—the typical injection for the end of October is 17 ± 8 Bcf. To date, 2.217 Tcf has been refilled—the largest injection since 2019, and the fourth largest since 2010. As of October 31st, total L48 storage stood at 3.915 Tcf. Next Thursday's report will likely be the final injection of the season. Gas-fired demand for electricity is significantly lower this week. Our preliminary outlook is 37 Bcf which will end the season at 3.952. The eastern two-third of the U.S. are expected to see a blast of winter weather. Therefore, the EIA report two weeks hence (week ending November 14th) will undoubtedly produce the first storage withdrawal of the season.