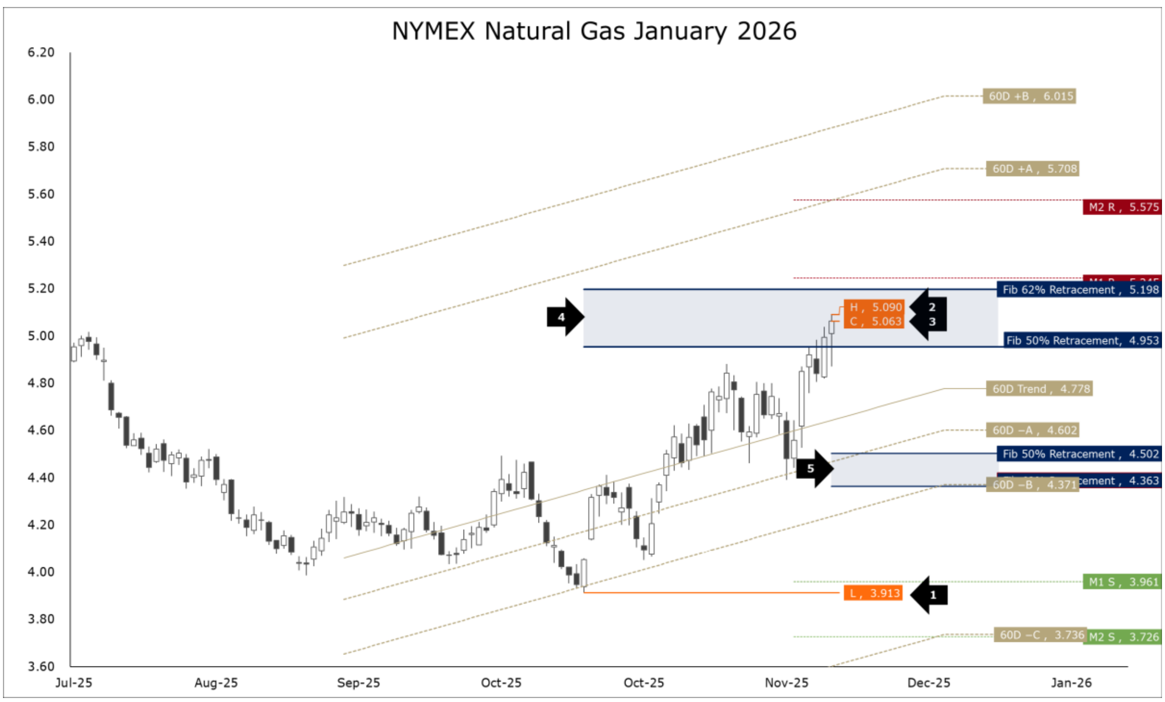
NYMEX Gas Breaks Out on Cold Surge

This season's cold start has sent NYMEX soaring. Since bottoming at $3.913 in October, the Jan-26 contract peaked yesterday at $5.090 (arrow 2) for a trough-to-peak rally of 30.1% or 11,770 per contract! The market finished at $5.063 (arrow 3), inside the final Fibonacci Retracement 50%-62% zone (arrow 4) drawn from last March's $5.992 high and last October's bottom.

The weather outlook through December 18th continues to favor the bulls. Mean temperatures in Chicago—the largest residential gas furnace market in the U.S.—are forecast to average 24.3°F (a whopping 7.0°F below normal), and NYC temps will average 34.2°F (4.8°F below normal).

With this outlook, it makes sense that gas' skew remains decisively bullish: as of today's $5.063, settle, the market assigned roughly a 2-to-1 probability distribution in favor of $6.050 call over the $4.050 put.

Stay sharp and hedge with confidence.



EIA storage delivers another subpar withdrawal... but not for long.

As noted in today's **Market View**, NYMEX gas has surged since last month thanks to an impressively cold start to the season. However, season-to-date withdrawals from storage have been anything but impressive. In fact, they have been comically—in light of the weather hysteria—meager. Today, the EIA reported that 14 Bcf of gas was delivered out of underground storage last week. The typical withdrawal at this point is 34 ± 18 Bcf. To date, a total of 37 Bcf has been delivered, the third slowest start in the past ten years. With that said, next week's report will be the first of the season to show a large withdrawal. Whereas the typical delivery is 93 ± 19 Bcf, the preliminary guesses range from the low 120s to above 160 Bcf.