



Winter Premium Unwinds as Warm Forecasts Trigger Sharp NYMEX Reversal

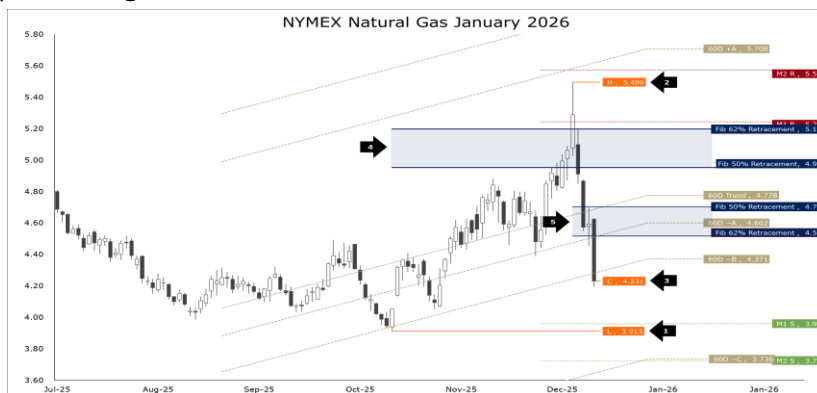
The latest EIA report came in exactly as the weather pattern suggested: a hefty early-season withdrawal (see below). The next few weekly reports will likely stay elevated as the polar vortex continues to dominate near-term demand, though current forecasts show temperatures in the Midwest and East easing back toward normal to above-normal seasonal averages towards the end of this month.

For instance, through this weekend, temperatures in Chicago—the largest gas furnace market in the U.S.—are forecast to average 14.3°F (16.4°F below normal)! However, by Xmas, temps are expected to average 35°F or 7.0°F above normal.

With warmth in the forecast, NYMEX gas is crashing. At the end of last week, spot gas on the NYMEX peaked at a three-year high of \$5.496 (arrow 2), blowing through the final Fibonacci 50%/62% resistance zone (arrow 4) in the process. Today, the contract crashed through the final Fibonacci support zone (arrow 5) on the way to a \$4.231 close (arrow 3).

The put/call skew no longer signals panic on either tail because the option market is now pricing winter risk in a much more balanced way. The Jan-26 \$3.200 put carries only a 3.3% probability—far too small to reflect meaningful downside fear—while the roughly equidistant \$5.250 call sits at a moderate 7.1%, elevated but not extreme. This 2-to-1 ratio is typical for gas and reflects normal winter asymmetry, not stressed positioning. Implied vols remain firm, but the distribution is no longer distorted by urgent weather hedging.

Stay sharp and hedge with confidence.



EIA storage delivers another first noteworthy delivery of the season.

As expected, thanks to last week's wintry mix, the EIA reported a monster withdrawal from storage. For the week of December 5th, a total of 177 Bcf was withdrawn, pulling inventories down to 3.746 Tcf. Last week's delivery was the second-largest early-season withdrawal of the past ten years; the largest occurred during the week of December 6th, 2024, at 190 Bcf. The typical early-December withdrawal is 99 ± 18 Bcf, making this season's cumulative draws roughly 214 Bcf larger than normal. Even so, it is only the sixth-largest start to the season in the past decade. Storage now stands nearly exactly where it was last year at this point (3.747 Tcf). The next two to three EIA reports will also be sizable given the extant polar vortex. However, temperatures in the Midwest and East are expected to migrate back toward seasonal norms by the end of the month.