

# Monthly Update

January 2018



## Market Commentary

*Powered by Transparent Energy and Gary Graham, Director of Energy Management*

Over the past three weeks, we have seen considerable contraction in the storage deficit due to repeatedly low levels of withdrawals from underground storage. In fact, the average rate of net withdrawals from storage is a whopping 31% lower than the five-year average so far in the withdrawal season (there are, however, 9 weeks remaining). During that same timeframe (that is, the past three weeks), the price of natural gas has remained as volatile as ever, as drastic price variances have piggy-backed on sudden and extreme shifts in the short-term weather outlooks. Following a very warm first few weeks of January, we saw the prompt month settle move down from the \$3.50-\$3.60 levels witnessed in late December, to \$2.90. Again, the subdued heating demand and accompanying paltry withdrawal figures have kept prices depressed at or around the \$3 mark, until last week when a severe cold due to the polar vortex approached and a major snowstorm settled in across the Midwest and Northeast. In a predictable corresponding move, the February natural gas contract ballooned to above the \$3.50 level. As of now, the market outlook is especially bullish for natural gas prices that are already bolstered by historically low inventories and are even more sensitive to such extreme shifts in weather. The natural gas storage deficit to the 5-year average is expected to decline back to 600+ Bcf by the start of February, thanks to a much more bullish second-half January outlook. Heating demand is expected to increase to the highest level this winter and the colder-than-normal weather looks to last into February.

February should prove to be a crucial month for the future of natural gas prices in 2019 – let's consider the potential impact of what the current one-month outlook calls for, below-average temperatures for just about everything east of the Rockies. While the relative accuracy of that projection remains to be seen, the associated upside price risk is all but certain should it be realized. As it stands, the bearish first half of January will likely keep February and March contracts from ever hitting the \$5 mark (barring an extended cold carrying into March), but a move above \$3.75 and potentially \$4 is still well within reach. We would need to see average withdrawals over 150 bcf for the next few weeks to see stocks fall below 1,000 bcf, which is unlikely, but a frigid February could be the impetus for such an event. No matter what happens, the increasing demand from LNG as the export market in the US expanding is likely to put a strain on future injections as we witnessed last year. Those lower level of injections led the natural gas market into the peak season in 2018/2019 with the lowest level of stocks in years, and that trend could continue in 2019 despite record production from the Marcellus and Utica shale regions of the United States. What the natural storage starting point looks like come mid-March will largely be determined over the next five weeks.

## Quick Hits

- The EIA reported Thursday morning that, for the week ending January 11, U.S. inventories decreased by 81 bcf, slightly smaller than the expected drawdown of 84 bcf. The storage withdrawal for the same week last year was 183 bcf, and the five-year average withdrawal for the same week is about 180 bcf.
- Total stockpiles now stand at 2,533 bcf, down by 3.0% from a year ago and 11.4% below the five-year average for the same week.

## Bullish Factors

- Over the weekend of Jan 12-13th, forecasts turned colder by 15 HDDs as ridging into Alaska and Greenland buckled the jet stream and bring cold air south into the U.S.
- The cold air that starts in the 1-5 day pattern strengthens in the 6-10 day and extends the below-to-much-below pattern from the Rockies through the Southeast and up into New England.
- Aggregate demand is currently projected to jump by 20% in the week ending January 25.

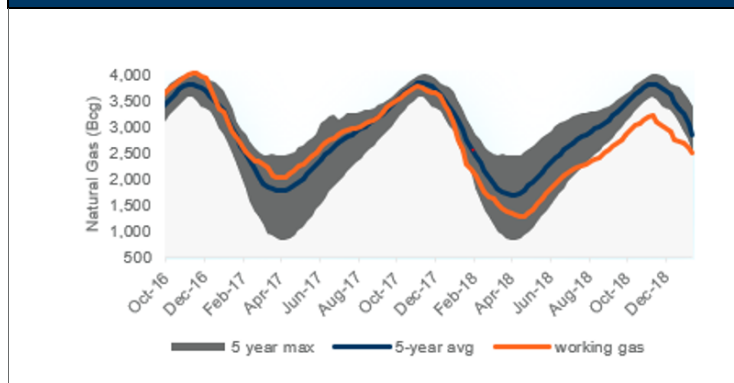
## Bearish Factors

- The impact of the cold temperatures has recently been downgraded from original forecasts helping to provide some price relief.
- Though stockpiles of the heating fuel are abnormally low for this time of year, surging production from basins across the U.S. may flood the market if the weather turns milder.
- February NYMEX natural gas futures were down 23.8 cents to \$3.244/MMBtu shortly before 9 a.m. ET on Tuesday as the latest forecasts indicated the current cold pattern might give way to warmer temperatures early next month.

## Natural Gas

CURRENT/HISTORICAL STORAGE (Bcf)						HENRY HUB PROMPT MONTH NAT GAS SETTLEMENTS						
Region	11/23/2018	11/16/2018	% Chg.	Year Ago	5-Yr Avg.	Trade Date	Open	High	Low	Settle	% Chg.	Est. Vol
East	620	651	-4.76%	614	666	1/18/2019	3.436	3.499	3.201	3.482	▲ 1.34%	163,791
West	1052	1099	-4.28%	1119	1197	1/17/2019	3.412	3.593	3.367	3.413	▲ 0.03%	161,175
Producing	861	865	-0.46%	851	997	1/16/2019	3.456	3.696	3.338	3.384	▼ -2.08%	196,460
<b>TOTAL</b>	<b>3055</b>	<b>3113</b>	<b>-1.86%</b>	<b>2584</b>	<b>3774</b>	<b>1/15/2019</b>	<b>3.631</b>	<b>3.722</b>	<b>3.433</b>	<b>3.501</b>	<b>▼ -3.58%</b>	<b>189,243</b>

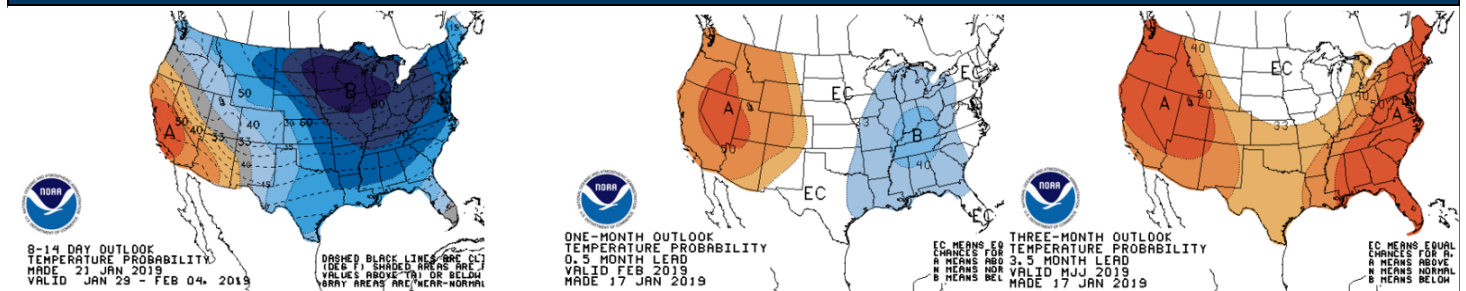
WORKING GAS IN UNDERGROUND STORAGE



ROLLING 12/24 MOS. NYMEX FORWARD STRIPS (\$/DTH)



NOAA TEMPERATURE PROBABILITY



## Weekly Average Retail Electricity Price Trends (FEB Start)

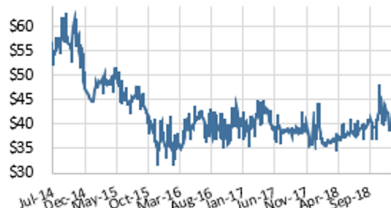
Week Ending	New Jersey	New York	Massachusetts	Ohio	Illinois	Texas	DC	Pennsylvania	Connecticut
12/14/2018	\$0.1062	\$0.0664	\$0.1202	\$0.0599	\$0.0595	\$0.0607	\$0.0800	\$0.0702	\$0.1005
1/4/2019	\$0.1052	\$0.0647	\$0.1175	\$0.0583	\$0.0583	\$0.0581	\$0.0783	\$0.0685	\$0.0981
1/11/2018	\$0.1043	\$0.0647	\$0.1177	\$0.0586	\$0.0587	\$0.0584	\$0.0792	\$0.0687	\$0.0983

\*actual rates may vary by usage. Rates are aggregated from sources reflecting the General Service (GS) rate class

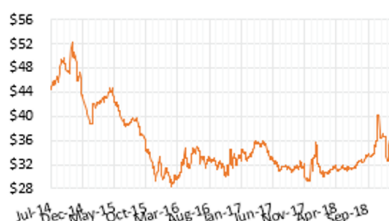
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powering your decisions

## NYISO - Zone J



## PJM - PSEG



## ERCOT - TX NORTH



## NE-ISO - MASS HUB



## PJM - COMED



## PJM - ATSI



## Energy Market News

As derivatives trading takes off, LNG exports likely to exponentially increase in new year

<https://bloom.bg/2HsRXe5>

PSEG Long Island finds contract loophole to avoid passing down tax savings to ratepayers

<https://nwsdy.li/2U8OODI>

Baker Hughes North American rig count

<http://bit.ly/1elov2d>

EIA Short Term Energy Outlook

<http://www.eia.gov/forecasts/steo/>

## Data Highlights

## WTI crude oil futures price

↑ \$2.21 from week earlier

01/18/2019: \$53.80 /bbl

↓ \$10.15 from year earlier

## Natural Gas Inventories

↓ 81 Bcf from week earlier

01/11/2019: 2,533 Bcf

↓ 51 Bcf from year earlier

## Natural gas futures price

↑ \$0.383 from week earlier

01/18/2019: \$3.482/MMBtu

↑ \$0.2392 from year earlier

## Weekly coal production

↑ 3.119 million tons week earlier

01/12/2019: 15.062 million tons

↑ 1.843 million tons year earlier

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