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Energy Market Report

Report Date: October 19, 2018
Report Week: October 10, 2018 to October 17, 2018

Questions?
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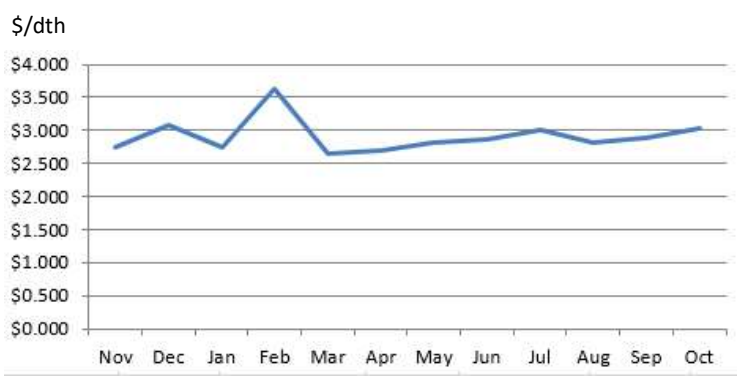
News Tracker:

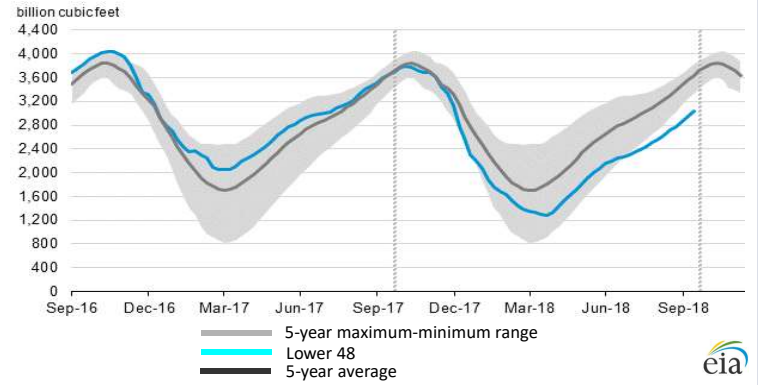
-Although natural gas spot prices rose at most locations this Report Week (Wednesday, October 10 to Wednesday, October 17), Henry Hub spot prices fell from $3.37 per million British thermal units (MMBtu) to $3.31/MMBtu from open to close.
-At the New York Mercantile Exchange (Nymex), the November 2018 natural gas futures contract price rose 4¢ from $3.284/MMBtu last Wednesday to $3.320/MMBtu yesterday.
-Net natural gas injections into storage totaled 81 Bcf for the week ending October 12, compared with the five-year (201317) average net injections of 79 Bcf and last year's net injections of 55 Bcf during the same week. Working gas stocks totaled 3,037 Bcf, which is 605 Bcf (17%) lower than the five-year average and 601 Bcf (17%) lower than last year at this time.
-Price differences between the spot price and the futures price at the Nymex indicate limited economic incentives for injections into working gas storage. During the most recent storage week, the average natural gas spot price at the Henry Hub averaged $3.29/MMBtu, and the Nymex futures price of natural gas for delivery in January 2019 averaged $3.34/MMBtu, 5¢/MMBtu higher than the spot price. A year ago, the January contract was 28¢/MMBtu higher than the spot price.
-Total U.S. consumption of natural gas rose by 6% compared with the previous report week, according to data from PointLogic Energy. In the residential and commercial sectors, consumption increased by 73% as temperatures fell to unseasonably cold levels in many parts of the country. At the same time, natural gas consumed for power generation declined by 18% as cooling demand receded. Industrial sector consumption increased by 5% week over week. Natural gas exports to Mexico decreased 5% during the report week.
-According to Baker Hughes, for the week ending Tuesday, October 9, the natural gas rig count increased by 4 to 193. The number of oil-directed rigs rose by 8 to 869. The total rig count increased by 11, and it now stands at 1,063, the highest level since March 2015.

Excerpted from eia

Monthly NYMEX Natural Gas Settle Price: Nov 2017 - Oct 2018:



Working natural gas in underground storage as of Oct. 12, 2018

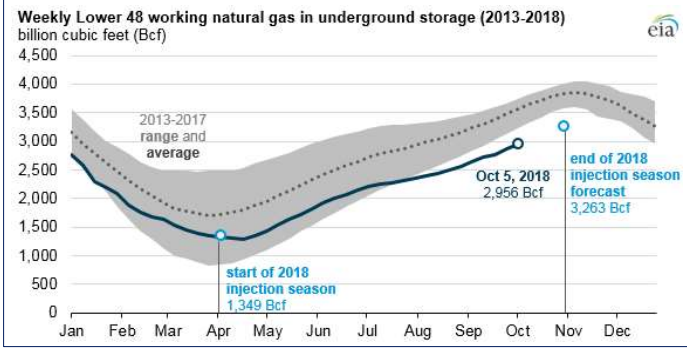


Forward 12-month NYMEX natural gas strip price - Nov18-Oct19:

Process Load-weighted $2.99/dth - w/o/w = ▲$0.024
Typical Heat Load-weighted $3.165/dth - w/o/w = ▲$0.030

Natural gas storage likely to enter winter at lowest levels since 2005 :

Natural gas inventories are forecast to reach 3,263 billion cubic feet (Bcf) at the end of October, the lowest end-of-October level for US natural gas inventories since 2005. Lingering cold temperatures in April 2018, the coldest April in the past 21 years, delayed the start of the natural gas storage refill season by about four weeks. Coupled with heavy natural gas withdrawals in January 2018, the delayed start to the refill season led to storage levels that have remained lower than the previous five-year minimum. In 2018, relatively cold winter weather led to more withdrawals from storage, and inventories transitioned from being near the previous five-year average to being lower than average. By mid-July, inventory levels fell to lower than the previous five-year range for that time of year. Increases in US domestic production of natural gas and the buildout of infrastructure to deliver it to consumers may have reduced the need for operators to store as much natural gas. US dry natural gas production is forecast to average a record 82.7 Bcf/d in 2018, an 11% increase from 2017. With production outpacing domestic consumption, the US has transitioned to be a net exporter of natural gas. US gross exports of natural gas are expected to average 10.1 Bcf/d in 2018, a 16% increase from the previous year, with most of the growth in exports of liquefied natural gas. The steady increase in U.S. production in 2018 has suppressed natural gas futures market prices, despite record consumption of natural gas in the electric power sector this summer and increasing U.S. exports of liquefied natural gas. In addition to production increases, new pipeline infrastructure in the Northeast and South Central regions has enabled natural gas shipments directly from production centers to demand centers, further reducing the need for maintaining high inventory levels.



Excerpted from eia

"Pennies do not come from heaven. They have to be earned here on earth." -Margaret Thatcher[1]

[1] https://www.brainyquote.com/quotes/margaret_thatcher_127091