

Newstracker:

-US natural gas spot prices fell at most locations from Wednesday, July 31, to Wednesday, August 7 (the Report Week), during which the Henry Hub spot price rose 6 cents to \$1.99/MMBtu.


-The September 2024 NYMEX natural gas futures contract increased 7.6 cents to 2.112/MMBtu for the Report Week. The price of the 12-month strip averaging September 2024 through August 2025 futures contracts rose 3.4 cents to \$2.939/MMBtu. International natural gas futures prices increased this Report Week, with LNG cargoes in East Asia up 15 cents to a weekly average of \$12.50/MMBtu, and prices at TTF in the Netherlands rising \$1.08 to a weekly average of \$11.78/MMBtu. In the same week last year, prices were \$10.98/MMBtu in East Asia and \$10.35/MMBtu at TTF.

-Total US consumption of natural gas rose by 5.6% (4.2 Bcf/d) compared with the previous Report Week. Natural gas consumed for power generation climbed by 9.0% (4.1 Bcf/d) week over week. Consumption in the residential and commercial sector increased by 3.9% (0.3 Bcf/d), while industrial sector consumption decreased by 1.0% (0.2 Bcf/d) week over week. Natural gas exports to Mexico decreased 2.6% (0.2 Bcf/d). Natural gas deliveries to US LNG export facilities averaged 12.6 Bcf/d, or 0.4 Bcf/d lower than last week.

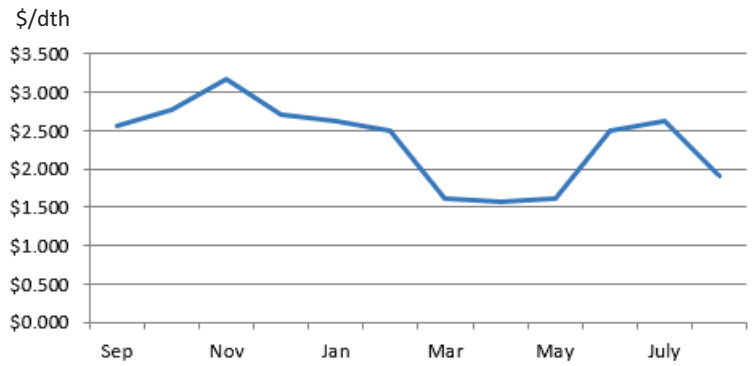
-The natural gas plant liquids composite price at Mont Belvieu, Texas, fell by 25 cents/MMBtu, averaging \$6.39/MMBtu for the week ending August 7. Propane prices decreased 5%, while Brent crude oil prices decreased 4% week over week, narrowing the propane discount to crude oil by 1%.

-For the week ending Tuesday, July 30, the natural gas rig count decreased by 3 rigs from a week ago to 98 rigs. The number of oil-directed rigs was the same as a week ago at 482 rigs. The total rig count, which includes 6 miscellaneous rigs, now stands at 586 rigs, 73 fewer rigs than a year ago.

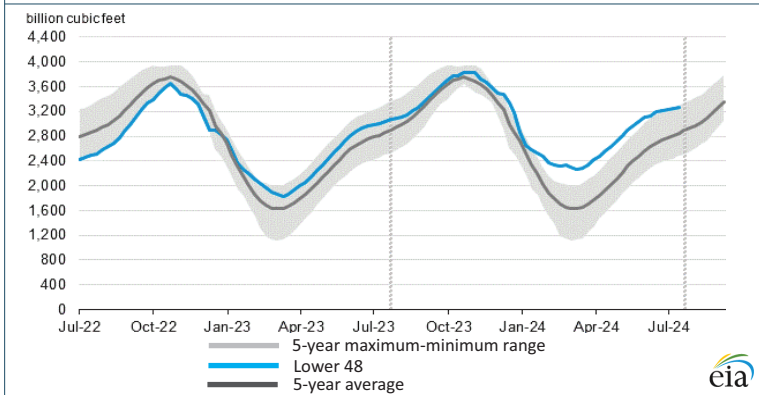
-Net natural gas injections into storage totaled 21 Bcf for the week ending August 2, compared with the five-year average net injections of 38 Bcf and last year's net injections of 25 Bcf during the same week. Working natural gas stocks totaled 3,270 Bcf, which is 424 Bcf (15%) more than the five-year average and 248 Bcf (8%) more than last year at this time.

Excerpted from 

Monthly NYMEX Natural Gas Settle Price: Sep 2023 - Aug 2024:



Working natural gas in underground storage as of August 2, 2024



Forward 12-month NYMEX natural gas strip price - Sep24-Aug25:

Process Load-weighted \$2.939/dth - w/o/w = ▲\$0.034
 Typical Heat Load-weighted \$3.060/dth - w/o/w = ▲\$0.030

What is the natural gas futures market?

Please see following pages for more on
 “What is the natural gas futures market?”.

“With the advent of cell phones, especially with the very small microphone that attaches to the cell phone itself, it’s getting harder and harder, I find, to differentiate between schizophrenics and people talking on a cell phone.” - Bob Newhart¹

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¹https://www.brainyquote.com/quotes/bob_newhart_610823



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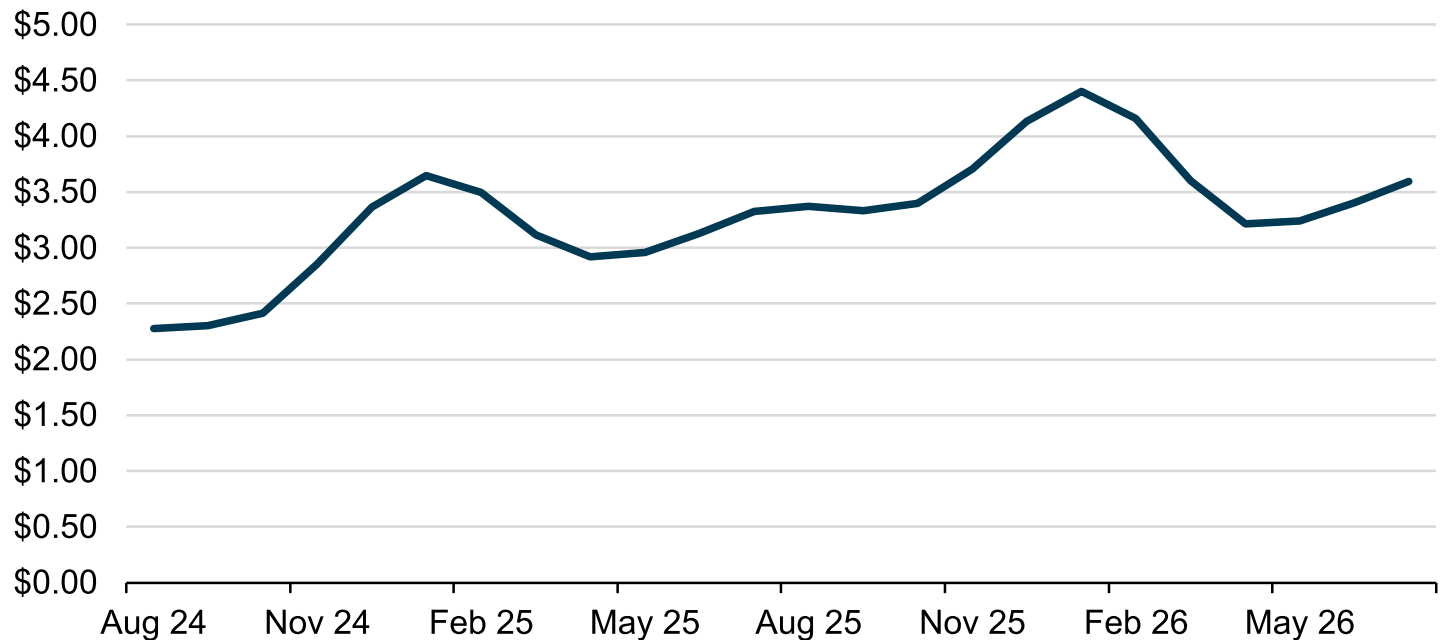
IN-BRIEF ANALYSIS

July 29, 2024

What is the natural gas futures market?

Natural gas August 2024 forward curve (Aug 2024–Jul 2026)

dollars per million British thermal units



Data source: Bloomberg L.P.

Note: Average prices based on daily close for 1st–22nd of each month to reflect normal trading operations.

The natural gas futures market is a marketplace where standardized contracts for the future delivery of set natural gas [volumes](#) are traded. Most natural gas futures are bought and sold in the New York Mercantile Exchange ([NYMEX](#)) and the Intercontinental Exchange ([ICE](#)). Futures contracts allow participants to manage their exposure to market volatility by locking in a price today for a future purchase or a future sale of a physical commodity.

Natural gas futures contracts settle both physically and financially. Although other commodity futures might only have a financial obligation, this marketplace also bears the responsibility of physical delivery. A buyer must agree to receive natural gas at a future date at a specified location for a predetermined price, while a seller agrees to deliver the natural gas under these terms. However, [less than 2%](#) of NYMEX contracts are physically delivered.

Why do people trade natural gas futures contracts?

The first natural gas futures contracts began trading at NYMEX in 1990, allowing producers, consumers, and financial traders to hedge against price volatility at the Henry Hub in Louisiana. Natural gas producers face uncertainty over their future revenue from sales, so they may sell a futures contract now to lock in a natural gas sales price for a future date. Similarly, natural gas consumers may buy futures contracts now to lock in a price for delivery at a time when they anticipate the price may be higher. Additionally, financial traders who typically do not have any direct interest in buying or selling natural gas also buy or sell futures contracts to gain financial exposure to commodities, to diversify financial portfolios, or for other reasons.

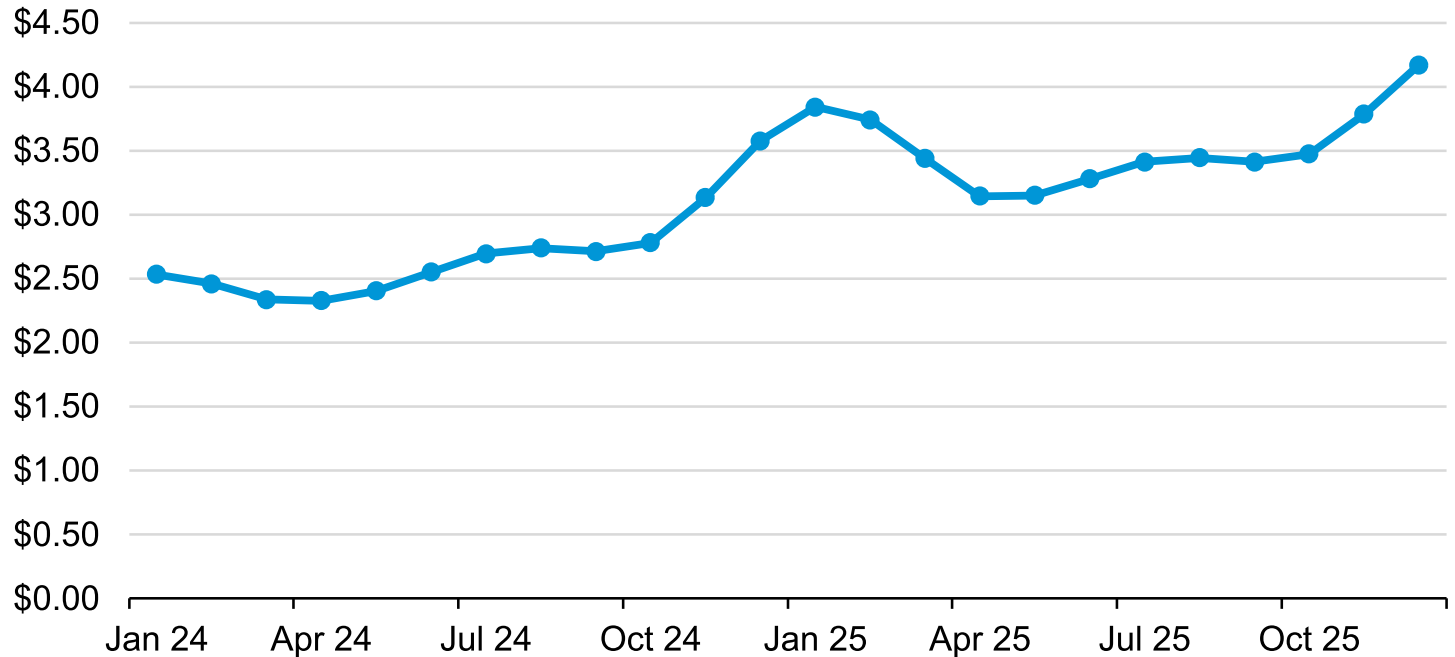
What are some common futures market pricing dynamics?

Futures traded for the month immediately following the current month are referred to as front-month contracts, or *Contract 1 futures*. At the time of publication, August 2024 is the front-month contract. Natural gas futures contracts expire about 3–5 business days before the start of the front month.



Contango market example (Jan 2024–Dec 2025)

dollars per million British thermal units



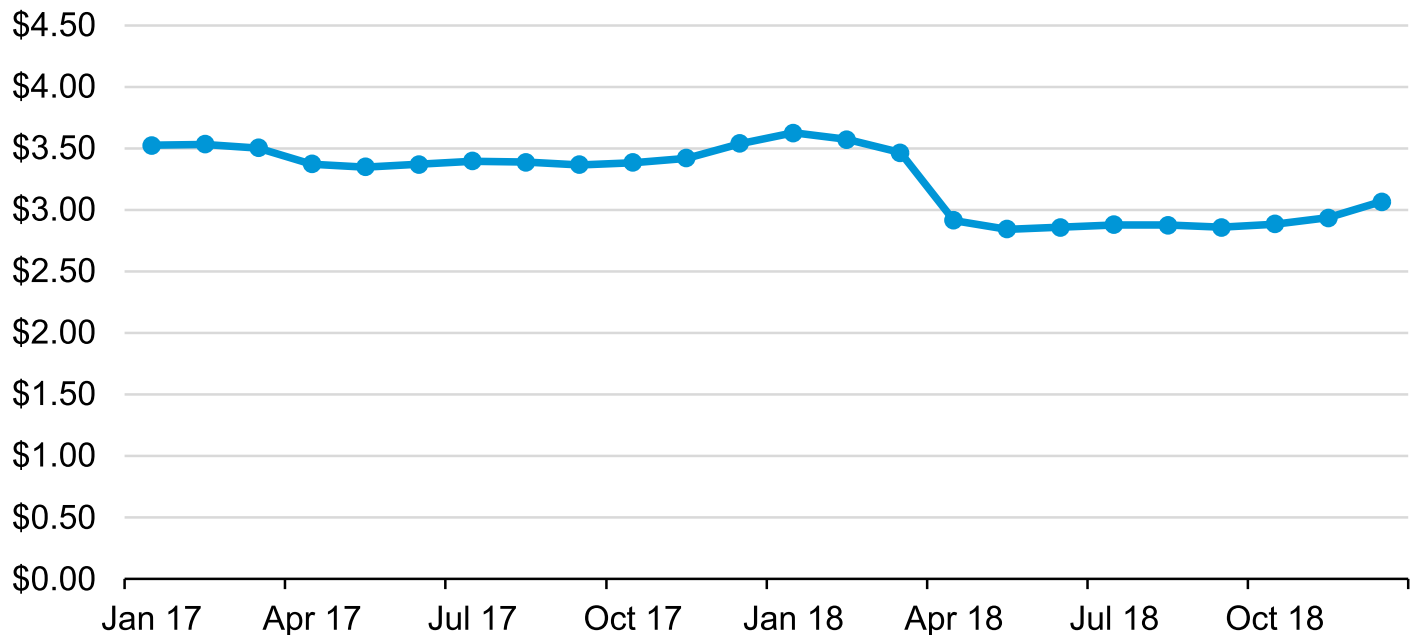
Data source: Bloomberg L.P.

Note: Average prices based on daily NYMEX closing price for 1st–22nd of December 2023.

- The futures market forward curve displays the closing prices of linked individual monthly contracts across various months into the future. If futures prices increase over time compared with the current price, the market is referred to as being in a state of [contango](#).
- Conversely, the market is said to be in a state of [backwardation](#) when future prices are lower than the current price.

Backwardated market example (Jan 2017–Dec 2018)

dollars per million British thermal units



Data source: Bloomberg L.P.

Note: Average prices based on daily NYMEX closing price for 1st–22nd of December 2016.

Many commodities have a natural contango to their futures curve with prices for longer-dated contracts being higher than for those closer to delivery. This futures curve represents both storage costs and the costs of capital associated with tying up funds in advance of delivery. A commodity futures market showing backwardation suggests tighter supply or stronger demand today relative to the future. Market participants can be willing to pay a higher price for near-term delivery instead of waiting to pay a lower price for delivery in the future.

What influences directionality of the natural gas futures curve?

The natural gas market can exhibit both contango and backwardation. The same general [factors](#) that affect today's price of natural gas can also affect buying and selling of longer-dated futures contracts.

The major supply-side factors affecting natural gas prices are domestic production and imports. The major demand-side factors affecting natural gas prices are:

- Variations in temperatures
- Macroeconomic activity
- Natural gas exports
- Availability and prices of other fuels

Storage volumes help balance the market. Stored natural gas can be used when demand outpaces supply and built when supply outpaces demand. For that reason, storage behaves as a source of both supply and demand within the natural gas futures market.

The shape of the forward curve is also contingent on its starting point. If today's prices are atypically high or low, the resulting curve will be comparably steeper going forward in contracts. Increased natural gas demand or reduced supply in the short term can cause large changes in natural gas prices, especially during the wintertime.

How is the natural gas futures curve today?

The natural gas futures market is presently in contango. The market currently indicates higher natural gas prices for next winter (Dec 2024–Mar 2025), increasing even further (+82%) through winter 2025–26. Overall, this contango reflects a market expectation for demand to surpass supply over that period. In particular, we project that the [natural gas surplus](#) to the five-year (2019–23) average will decrease with [slowing production](#), while demand will increase as [new liquefied natural gas terminals](#) come on line.

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