

## Blake Baxter

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**Subject:** FW: MEP Weekly Gas Update 10-27-2016  
**Attachments:** MEP Gas Storage Chart 2016 10 27.pdf; NG Price Curve 2016 10 27.pdf

**From:** Blake Baxter  
**Sent:** Thursday, October 27, 2016 5:00 PM  
**Subject:** MEP Weekly Gas Update 10-27-2016

### Natural gas is currently trading at \$2.764 per Dth (November Last Day Settle)

You always remember your first time. My first time on a rollercoaster was at Kennywood Park on a 7<sup>th</sup> grade school trip. I have been to Conneaut Park, Hershey Park, Six Flags and Astroworld, but I always remember Kennywood. If you have been looking at the gas market for the last few days you probably feel you need to hang on and scream just like you were riding one of the great rollercoasters.

**January 2017 Contract - High on 10/18 @ \$3.675 /Dth; Low on 10/26 @ \$3.119 /Dth**



The gas market often seems to be focused on trailing events. For weeks gas prices rose on the basis of above normal temperatures and power generation in the south. For weeks we here at MEP have been suggesting that narrative was over blown. Now, belatedly in our view, the market narrative has flipped and there has been a lot of chatter about how the warm temperatures in the north are going to suppress residential gas demand going into winter. While this has been true, anyone watching the World Series should know that fall has now actually started in the north. Sure, we may have some more warm days, but most northerners have now flipped their furnaces on and residential demand is going to start to eat into our gas inventories from here forward. This in short is why we view this drop in gas prices as a great buying opportunity.

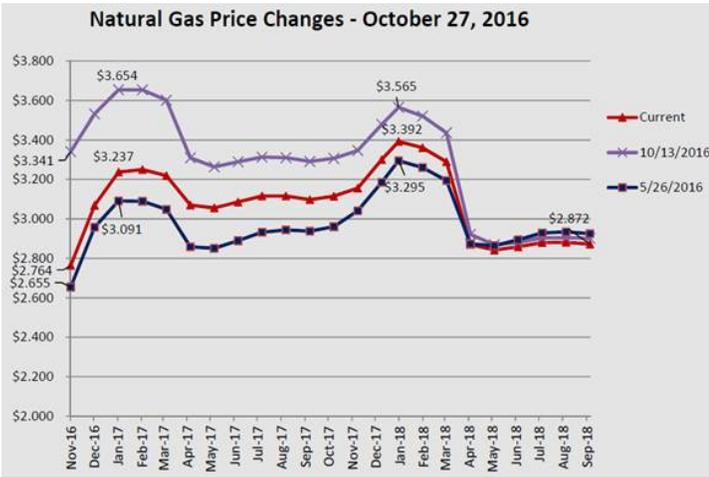
**November 2016 Contract – High on 10/13 @ \$3.366 /Dth; Low on 10/26 @ \$2.627 /Dth**



Today's EIA storage report was almost nothing but a footnote in the overall price action. The reported build of +73 BCF was dead on expectations and represented the first time in months that we injected more gas on a year on year basis. The market actually seemed to be relieved that it was not a bigger injection and consequently traded up for the rest of the day with the November contract finishing up 3.3 cents to \$2.764 /Dth and the January contract trading up 5.2 cents to finish at \$3.237 /Dth.

Action amongst the strips was just as dramatic. The 2016-17 Winter Strip fell 34.4 cents week on week to finish at \$3.108 /Dth. The 2017 Calendar Strip fell 24.5 cents to finish at \$3.152 while the 2018 Calendar Strip fell 9.4 cents for the week to finish at \$3.016 /Dth.

The price change chart reflects where we are as of today's close. However, when the January contract hit \$3.119 /Dth yesterday we were virtually on top of the May prices. This was frankly one of the largest drops that I have seen in the absence of any real change to the market fundamentals. Now we will have to wait to see how the market reacts to building northern residential heating load over the next few weeks.



Past copies are available on our website at <http://mepsolutions.org/monthly-market-updates/>

We are also available on **Twitter** at **@MEPNatGas** with updates on natural gas prices as well as national & Wisconsin gas industry news.

Have a great weekend.