

## Blake Baxter

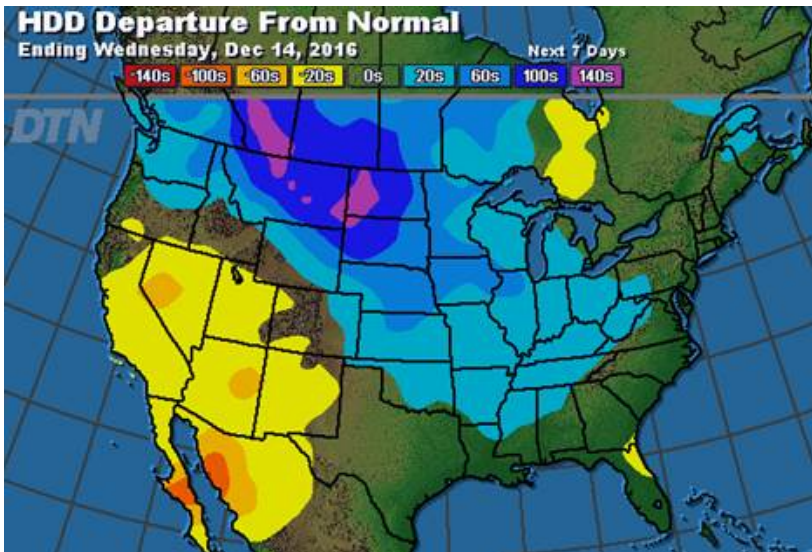
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**Subject:** FW: MEP Weekly Gas Update 12-8-2016  
**Attachments:** MEP Gas Storage Chart 2016 12 8.pdf; NG Price Curve 2016 12 8.pdf

**From:** Blake Baxter  
**Sent:** Friday, December 09, 2016 8:59 AM  
**Subject:** MEP Weekly Gas Update 12-8-2016

### Natural gas is currently trading at \$3.695 per Dth

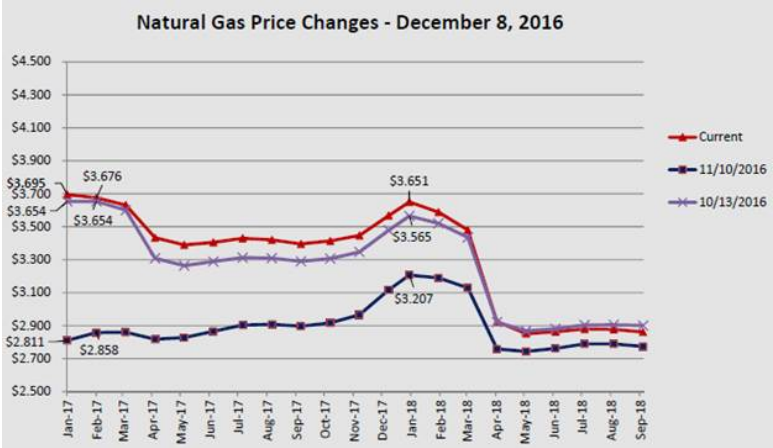
The Bulls may have lost some of their steam this past week, but we are still very much in a bullish market for the foreseeable future. The latest numbers from the EIA confirm that supply remains flat while demand from all sectors, residential, commercial, industrial and power generation are increasing week-on-week. Moreover, it appears that the EIA's call for a colder winter is dead-on although perhaps starting earlier than they initially thought it would start. The projected HDD chart is showing us getting much colder in the short-term and as we pointed out last week, gas consumption for the rest of December is going to dwarf the numbers from last year.



The market slowed down this week on an EIA reported -43 BCF being withdrawn from storage inventory. This was a smaller withdrawal as compared to the week earlier and smaller against the year prior. Overall, this put a bit of a damper on the bullish market sentiment. However, once the EIA report was on the street, the bulls moved on and pushed the January contract up 9.2 cents to finish the day at \$3.695 /Dth. Next week is already being projected in the -120 BCF to -130 BCF range which will top last years withdrawal by almost 100 BCF and put us behind last year's overall inventory number for the very first time this year. Yes, the 1 TCF surplus will officially be gone next week.



Once again, this week’s continued bull market is also reflected in the strip prices. The 2017 Calendar strip moved up 11.1 cents week-on-week to finish at \$3.492 /Dth while the 2018 Calendar strip tacked on 3.3 cents to finish at \$3.072 /Dth. The 2017/18 Winter Strip added 6.1 cents for the week to finish at \$3.547 /Dth.



For those that are intrigued by long-term deals it is worth noting the growing differential between the 2017 and 2018 calendar strips. Why you say? Once again we have to dive into the shale gas narrative. A decade ago, the 2018 Calendar strip would also be climbing right along with the 2017 strip. However, with shale natural gas being a much more industrialized process, the consensus is that gas producers will go back to work in the next year and bring on substantial new supplies of natural gas to meet the growing demand. In fact, if this narrative is correct, we could be back in an over-supply situation by 2018. After all gas has increased in price from a \$1.61 /Dth earlier this year to the current \$3.695 /Dth and all indications are that the producers are in fact getting busy. So while gas prices are likely to top \$4 in the short-term and may even move higher during the course of the winter, consider longer-term transactions very carefully.

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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.

Blake