

Aug. 8, 2016

Natural Gas Trends

Highlights

Storage shrinks by 6 Bcf in rare summer draw

A withdrawal of gas in storage was reported for a week ending in July for the first time in over a decade on Thursday. US natural gas in storage fell by 6 Bcf to 3.288 Tcf in the week ended July 29, the US EIA reported Thursday morning. In the corresponding week last year the EIA reported a 41-Bcf injection, while the five-year average is a 54-Bcf injection. It is only the second time a withdrawal has occurred during July, according to EIA storage data, which stretches back to 1993 under the former three-region system. The newer, five-region system only dates back to 2010. The only other pull during this month occurred for the week that ended July 21, 2006, when 7 Bcf was removed from storage. Two weeks later, for the week that ended August 4, 2006, a 13-Bcf drawdown was reported, making this week's storage announcement only the third withdrawal ever over the months of May through September.

Record-breaking power burn set stage for draw

The summer withdrawal is an exception to the rule, and was supported by an average US population-weighted temperature of 81 degrees Fahrenheit over the course of the week. Last week was the hottest on record dating back to the July 2006 withdrawal when temperatures averaged 81.8 degrees F. Last week's gas-fired power burn averaged 40.3 Bcf/d, the highest recorded average over any storage week dating back to 2005, according to Platts Analytics' Bentek Energy. Also, the highest-ever daily maximum power burn estimate of 41.6 Bcf was recorded last week on July 25. The summer of 2006 was also an anomaly due to a vicious heat wave that gripped the continental US from mid-July to mid-August. By mid-August, the torrid temperatures had led to the deaths of at least 225 people, according to Associated Press reports at the time. The heat-related deaths were widespread, ranging from New York City boroughs to St. Louis, Missouri, to Southern California.

Withdrawal pulls 5-year overhand down to 16.4%

The 6-Bcf withdrawal was less than a Platts' survey of analysts expecting a 1-Bcf injection. The withdrawal marks the 13th consecutive week that the net change to gas in storage was substantially less than both the five-year average and last year in the corresponding week. This is also the third consecutive week the net change to storage was less than anyone in the market expected. As a result, stocks were 389 Bcf, of 13.4%, higher than the year-ago level of 2.899 Tcf, and 464 Bcf, of 16.4%, more than the five-year average of 2.824 Tcf. Throughout the month of July, gas in storage only added 109 Bcf. By comparison, last July resulted in 260 Bcf being added to stocks, while over the five-year average stocks grew by 246 Bcf. Surprisingly, the NYMEX September natural gas futures contract barely budged on the bullish announcement. It spiked a few cents in the immediate wake of the announcement, but by late in the trading session it actually dropped to \$2.734/MMBtu, half a cent less than the prior day's settlement. Source: Platts Gas Daily

Data

- Sept. 2016 Natural Gas Futures Contract (as of Aug. 5) NYMEX at Henry Hub closed at \$2.772 per million British thermal units (MMBtu)
- Sept. 2016 Light, Sweet Crude Oil Futures Contract WTI (as of Aug. 5), closed at \$41.80 per U.S. oil barrel (Bbl.) or approximately \$7.21 per MMBtu

Last week: Texas warmer than normal last week

For the week beginning 7/31/16 and ending 8/6/16, cooling degree days (CDDs) were higher than normal (warmer) on average for the week and for the year to date for most of the Texas cities shown.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 8/6/16	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	119	30	1130	29%
Austin	138	-3	1810	2%
DFW	180	33	1854	17%
El Paso	135	16	1852	24%
Houston	156	23	1926	10%
SAT	155	15	1966	7%
Texas**	149	19	1801	11%
U.S.**	87	14	909	20%

* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDDs are calculated. ** State and U.S. degree days are population-weighted by NOAA.

-999 = Normal Less Than 100 or Ratio Incalculable

Last week: U.S. natural gas storage at 3,288 Bcf

For the week ending 7/29/2016 working gas in storage decreased from 3,294 Bcf to 3,288 Bcf. This represents a decrease of 6 Bcf from the previous week. Stocks were 389 Bcf higher than last year at this time and 464 Bcf above the 5 year average of 2,824 Bcf.

Source: <http://ir.eia.gov/ngs/ngs.html>

U.S. WORKING GAS IN STORAGE				
Region	Week ending 7/29/16	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	729	715	14	9.1%
Midwest	825	815	10	17.4%
Mountain	213	213	0	30.7%
Pacific	314	318	-4	-2.5%
South Central	1,207	1,233	-26	24.7%
Lower 48 Total	3,288	3,294	-6	16.4%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: U.S. gas rig count down for the week

The gas rig count for the U.S. was down five for the week and down 132 when compared to twelve months ago. The total rig count for the U.S. was up one compared to last week and down 420 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

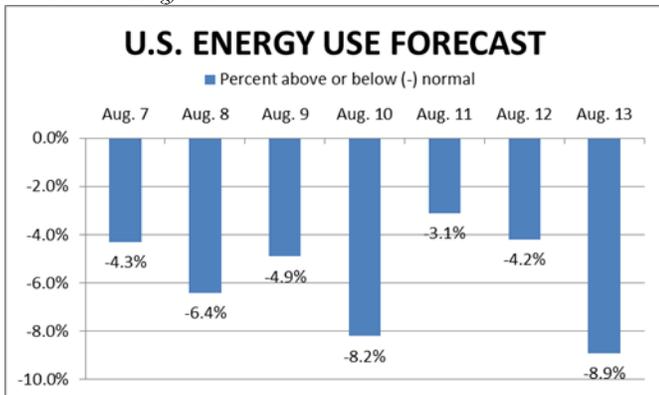
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 8/5/2016	+/- prior week	Year ago	+/- year ago
Texas	217	3	383	-166
U.S. gas	81	-5	213	-132
U.S. oil	381	7	670	-289
U.S. total	464	1	884	-420
Canada	122	3	208	-86

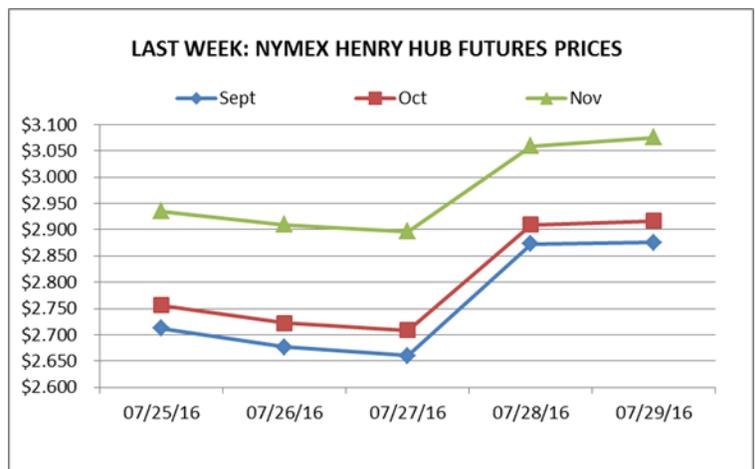
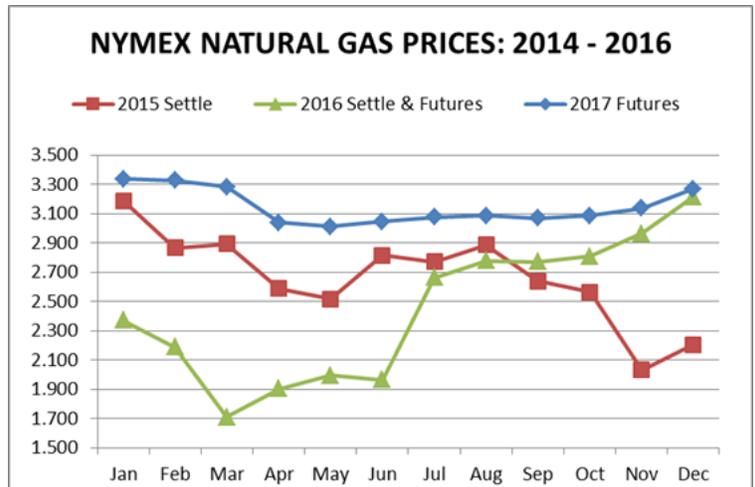
This week: U.S. energy use below normal

U.S. energy use is predicted to be below normal this week, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index



2016 prices. Natural gas prices for 2016, shown below in green, are the NYMEX settlement prices for Jan-July and futures prices for the year.



NATURAL GAS PRICE SUMMARY AS OF 8/5/2016

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US September futures				
NYMEX	\$2.772	-\$0.014	-\$0.956	\$3.055