# Natural Gas Market Indicators

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***Reported Prices*** – with one portion of the holidays behind us, oil prices have advanced again with Brent crude at $63.83 per barrel and domestic WTI just above $58.15, creating a five-dollar plus spread between the two markers. Natural gas prompt-month prices had huddled near $3 per MMBtu, then fell near $2.90 and are now trading at about $3.20. It is getting colder, however, so we will follow the Henry Hub pricing trend as demand steadily increases toward winter peaks.

***Weather*** – as was forecasted for the country by the National Weather Service beginning in September, warmer-than-normal temperatures have persisted on average for October and November with seven of eight weeks since October 1 fitting their modeled predictions. On the whole, and based on heating degree days, conditions have been 14 percent warmer than normal—although incredibly they have been 28 percent colder than the comparable period last year. The Pacific region and New England have been the warmest, while the West North Central has been nearest normal, since early October.

***Working Gas in Underground Storage*** – net withdrawals of natural gas from underground storage finally surfaced in mid-November after reaching nearly 3.8 Tcf of total inventory, a smaller starting volume for any winter season since November of 2014 when storage inventories were still catching up from the hard drawdowns of the polar vortex during the first quarter of that year. Current underground storage volumes for the lower-48 at 3,726 Bcf are 7.9 percent below levels at this time last year and 3.1 percent lower than the five-year average.

***Natural Gas Production*** – domestic dry natural gas production has spent the last week routinely popping up above 76 Bcf per day and demonstrating unprecedented strength. According to Platts, November 2017 domestic production is running 4.6 Bcf per day above that of November 2016, which is an increase of 6.4 percent. Most of the production increases can be attributed to Northeast Utica and Marcellus plays as the Northeast has been setting production records, topping 27 Bcf per day.

***Shale Gas*** – part of the $250 billion investment package that President Trump touted upon his return from Asia includes nearly $84 billion dollars of investment in shale gas and related projects in West Virginia. State officials are pointing to a 20-year agreement with China Energy Investment Corporation targeting the emergence of chemical manufacturing, power generation and even underground storage supported by the growth in Marcellus shale production in the region.

***Rig Count*** – the domestic oil and gas rig count popped up 8 rigs for the week ending November 17, with increased activity centered on land and primarily in oil-directed plays. The total rig count now stands at 923, 176 of which are gas-focused. That count is 58 rigs higher than the gas-directed drilling one-year ago. Oil-directed drilling at 747 rigs are up 273 from one year ago.

***Pipeline Imports and Exports*** – a theme familiar to domestic producers in the Marcellus shale may have surfaced in Canada as production from Montney and Duvernay shales appear to be outstripping the local infrastructure available in some remote areas of the Western Canada Sedimentary Basin to move and process the gas. Canadian gas production has rebounded from the drubbing it has taken from US shale gas with shale production of its own. Imports of dry gas from Canada have averaged 4.8 Bcf per day in November. At that rate, imports from Canada are running 0.4 Bcf per day higher this November than in November 2016. November 2017 over November 16 exports to Mexico are 0.3 Bcf per day higher at 4.3 Bcf per day.

***LNG Markets*** – cold weather in overseas markets has boosted LNG prices. Notably, China has posted the highest prices for domestic LNG since 2011 as winter demand soars, according to reporting from Reuters. In a separate report, Platts indicates its Japan-Korea Marker for east Asian LNG hit $9.85/MMBtu as of November 27. This would be the highest price spot LNG cargoes have called for since 2015. Part of the story has been China's push toward converting household heat from coal to natural gas. Increased demand and the recent cold snap has strained supplies, including LNG. Meanwhile, European prices have risen as well. The UK National Balancing Point price of $7.72/MMBtu has gained $1 from one month ago (Oct 23). Back in the US, feedgas volumes for LNG export have averaged month to date 2.9 Bcf per day. Platts is currently reporting that no gas is flowing for feedgas in the Northeast, indicating Cove Point is taking no commissioning volumes right now.

***Natural Gas Market Summary*** – even with what has been a noticeably warmer than normal start to the 2017-18 winter heating season in the lower-48 states, in the short-term colder temperatures are influencing demand totals, while on a grander scale stronger demand for natural gas during peak heating periods, year-round gas consumption directed to power generators and even year-over-year growth in natural gas to industrial consumers begins to frame an interesting question, if not observation. Is the average market balance for natural gas, which has been supply driven for several years, turning to one likely to be dominated by strengthening institutional demand for gas energy? Said another way, is the market often described as demand constrained/supply dominated becoming more and more demand influenced at the highest levels? Time will tell, of course.