

Natural Gas Climbs as Record Cold Seen Draining U.S. Stockpiles 2018-11-19 19:54:04.459 GMT

By Naureen S. Malik

(Bloomberg) -- Natural gas extended its best rally in more than two years as the U.S. East Coast braced for record cold that's poised to drain already-low stockpiles as the peak winter heating season begins.

The high at New York's LaGuardia airport may reach 30 degrees Fahrenheit (minus 1 Celsius) on Thanksgiving day, the lowest in data going back to 1950, forecaster Radiant Solutions said. Gas inventories probably dropped by at least 100 billion cubic feet last week, an unprecedented decline for this time of year, according to analysts' estimates.

Gas volatility has soared this month as bulls betting on winter supply constraints clash with bears expecting record production to overwhelm demand for the fuel. Prices soared more than 20 percent on Wednesday before tumbling the most on record the following day. Though output from shale basins is at an all-time high, exports have climbed as domestic consumption rises, leaving stored supplies at a 15-year seasonal low.

"We haven't had this kind of weather in a long time where it gets cold right out of the block in November," said Tom Saal, senior vice president of energy trading at INTL FCStone Financial Inc. in Miami. "That puts the industry on notice that we are going to need a lot of gas this winter. We could see a lot volatility."

Gas futures for December delivery rose 42.8 cents, or 10 percent, to settle at \$4.70 per million British thermal units on the New York Mercantile Exchange. Prices earlier climbed as much as 50.7 cents, exceeding the daily trading limit of 50 cents.

Trading volume was 66 percent above normal for the time of day. Prices advanced 15 percent last week, the most since Jan. 2016.

Prices extended gains after the government's midday Global Forecast System weather model turned even colder for the next 15 days across the U.S. East with the biggest gains in the last five days of that period, said Steven Silver, senior meteorologist with Radiant.

Gas stockpiles totaled 3.247 trillion cubic feet as of Nov. 9, 16 percent below the five-year average, according to the U.S. Energy Information Administration.

*T

Other gas-market news:

The closely watched March-April gas spread, known as the widow maker, expanded 21.7 cents to \$1.289. Gas stockpiles may have fallen by 100 billion cubic feet last week, based on the median of three analyst estimates compiled by Bloomberg. The five-year average is a decline of 25 billion. The Global Forecast System model boosted the number of heating degree days, a measure of energy-driven demand factoring in population, by about 37 to 381 for Nov. 19 to Dec. 3, which would be the 10th coldest for period in data going back to 1950, according to Radiant Solutions. It would also be 38 percent colder than the same time last year.

*T

--With assistance from Stephen Stapczynski.

To contact the reporter on this story:

Naureen S. Malik in New York at nmalik28@bloomberg.net

To contact the editors responsible for this story:

Simon Casey at scasey4@bloomberg.net

Christine Buurma, Joe Richter