



# IMGA gas NEWS

Interstate Municipal Gas Agency

JULY-AUG 2023

Issue 130

## Natural Gas: America Might Bake but \$3 Pricing Remains Elusive

By Investing.com

Nearly 100 million Americans face a prolonged spell of sweltering weather this week, with extreme temperatures forecast in many places in the Southwest, where hot summers are the norm — that’s the heat advisory from the National Weather Forecast, carried by Reuters last week.

Yet, a different conversation is taking place among some natural gas traders: A hot August will be needed as well if this market is not to tank.

It probably explains why natural gas prices, which seemed headed for the psychologically important \$3 and above levels in late June, have returned to the mid-\$2 point and have been trapped in a range there since.

At the crux of it is concern over the potential size of natural gas inventories by late summer and pre-fall.

Rhett Milne of NatGasWeather.com puts it succinctly: *“Going forward, a hot late July and August will be needed, along with tightening in the supply-demand balance, or surpluses will remain over 250-300 bcf going into fall.”*

As of the week ended June 30, total gas in storage in underground caverns across the United States stood at 2.877 tcf or trillion cubic feet. That was 25% above the same week a year ago and about 14.6% above the five-year average.

The historically lower injection for last week comes as more gas power generators were put to work to meet air conditioning demand amid sweltering weather.

Platts noted that historically, the lowest storage builds for summer come in the third week of July when the average weekly injection falls from the combination of narrowing supply growth and strengthening liquified natural gas, or LNG, feed.

Says John Sodergreen, who publishes a weekly note on gas under the heading of “The Desk”:

*“Loose historical comparisons into the fall may open the door for a more protracted tightening of the supply-demand balance. As a receding surplus detracts from storage containment fears, it could begin to pry open the door to extended upside for NYMEX futures – particularly if pricing drops in the near term.”*

The most active August gas on the Henry Hub of NYMEX, or the New York Mercantile Exchange, fell 9.9 cents, or 3.7%, to settle at \$2.597 per mmBtu or million metric British thermal units. That compared with this month’s high of around \$2.90 for August gas, which marked the loftiest level for a front-month contract on the Henry Hub since March.

August gas could cross \$2.80 in the near term if positive momentum won out, said Sunil Kumar Dixit, chief technical strategist at SKCharting.com. He explains:

*“Currently, the front-month leans on the Daily Middle Bollinger Band of \$2.66 below which 50-Day EMA, or Exponential Moving Average, dynamically positioned at the \$2.53 support.*

*If selling intensifies below this zone, the 100-day SMA, or Simple Moving Average of \$2.40 is likely to attract buyers for retesting swing high \$2.83.”*

But, alternatively, stability beneath the 100-day SMA of \$2.69 can lead to a further drop that visits the 200-day SMA of \$2.51 in the short-term, said Dixit.

In an outlook carried by naturalgasintel.com, Brian LaRose of ICAP Technical Analysis said he would watch “intently to see if the bulls can trigger a short-covering rally.”

*“To do so, the bulls have three obstacles to conquer, \$2.774-2.783, \$2.839-2.850 and \$2.936. Bust through and we will be taking aim at the \$3.250 neighborhood. And if the bulls are not up to the task? The door will remain open for more sideways-to-lower price action.”*

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NatGasWeather said on the same naturalgasintel report that, “while weather patterns are hot and bullish overall, there remains plenty to the bearish side, highlighted by strong U.S. production” and “hefty surpluses” of storage supplies relative to the five-year average.

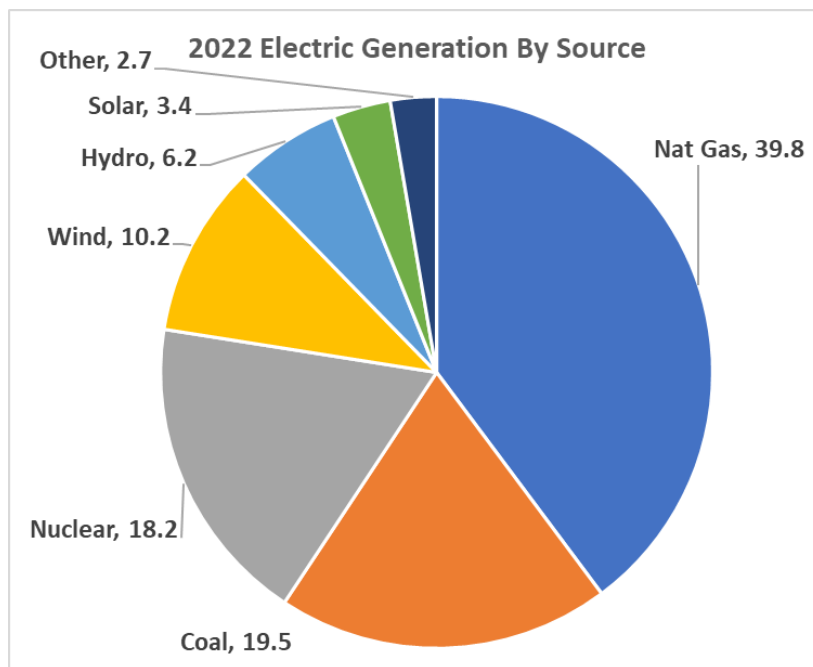
On the production front, Wood Mackenzie data showed output was still off by more than 1 bcf per day from summer highs of 102 bcf/d because of maintenance events in the Northeast. Output dipped below 100 bcf/d, without signs of extended outage.

LNG exports have, meanwhile, hovered around or below 13 bcf per day – off from spring highs at 15 bcf/d, NatGasWeather noted. This is in part because of various maintenance events at Gulf Coast liquefied natural gas facilities in June and early this month.

Given those bearish elements, NatGasWeather said the next two government storage reports are “only expected to reduce surpluses slightly.”

## U.S. ELECTRICITY GENERATION BY SOURCE

In 2022, about 4,243 billion kilowatt-hours (kWh) of electricity was generated at utility-scale electricity generation facilities in the United States. About 60% of this electricity generation was from fossil fuels – coal, natural gas, petroleum, and other gases. About 18% was from nuclear energy, and about 22% was from renewable resources.



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