

## News From Gas South

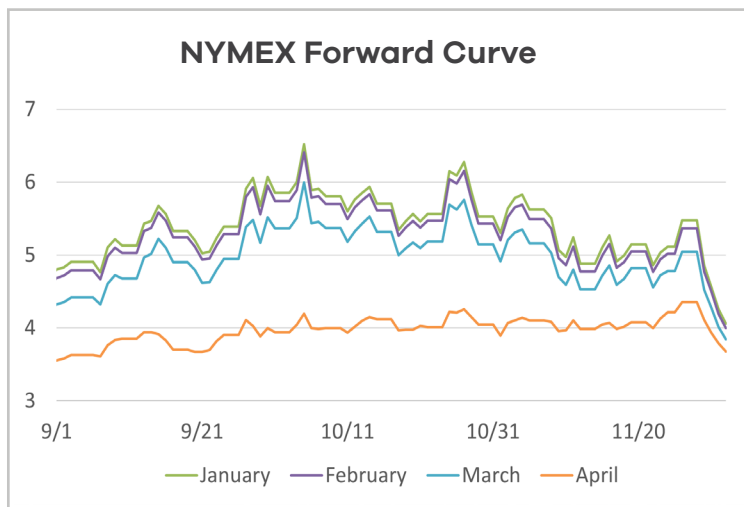
PJ Zonsius, Director of LCI Business Development, hosts Gas South’s Positive Energy series, which spotlights business, energy and community leaders. [Click here to check out our latest video](#), featuring Cox Enterprises’ VP of Environmental Sustainability Ira Pearl.

## Pricing Outlook

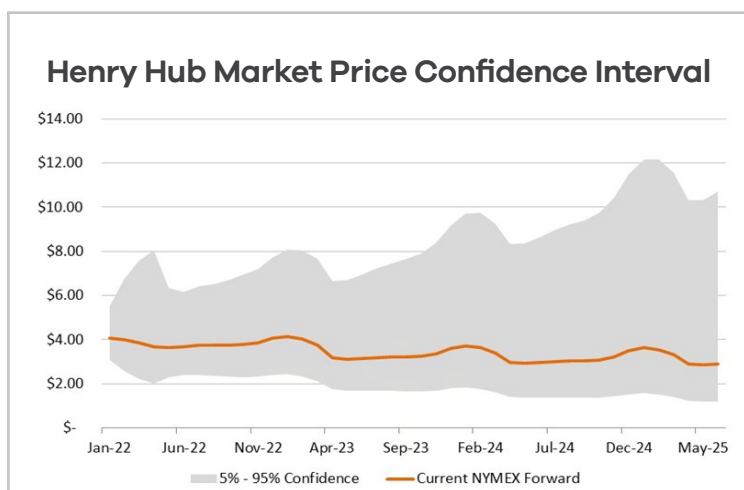
The December NYMEX natural gas futures contract spiked on its Last Day Settlement to **\$5.447/MMBtu**. This technical trading pattern mirrors those encountered in October and November: a run-up at the height of the settlement trading activity, with a collapse in the sessions immediately after.

The fall in prices since last Friday’s contract settlement has been steep. Winter prices are now trading under the \$4 threshold, a level not seen since late summer. The fundamentals have turned bearish, but the market is still volatile, and the entirety of winter remains.

The season’s first material operational orders were encountered in mid-November. As a result, spot market prices for gas delivered into the southeastern U.S. spiked, running close to **\$20/MMBtu** amidst the pipeline constraints. The forward markets for Transco Zones 5 and 6 responded with a run-up to the highest levels of season. These forward basis prices— a proxy for the market value of gas delivered into the region—continue to trade at a significant winter premium to NYMEX.



After a Last Day Settlement run-up, NYMEX prices have fallen sharply over the past week’s trading sessions.



Reduced volatility has tamed the magnitude of perceived market price extreme feasibility.

## Fundamentals for Consideration

### Storage starts to rebound

National storage inventory levels finished the traditional injection season at just **2.5% below the 5-year average**. The rebound in storage inventory coupled with stronger production levels and mild temperatures are easing the fears of elevated and volatile market prices over the past several weeks.

### Strong U.S. LNG exports

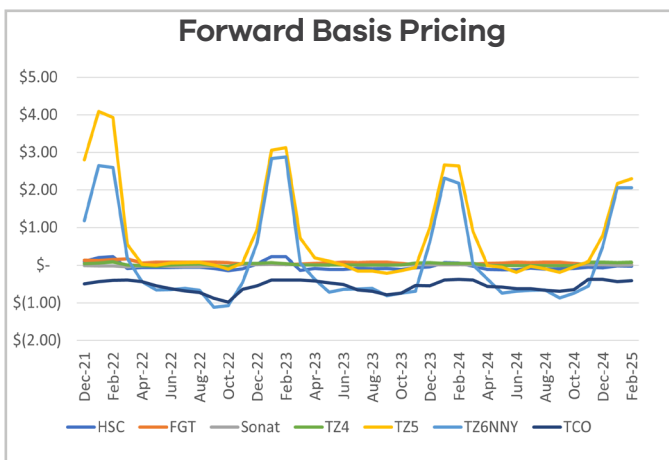
With the global price of LNG trading **above \$20/MMBtu** in some locations, U.S. LNG export terminals have a natural incentive to run at high capacity, and the U.S. exports currently comprise about 12% of domestic production capacity.

### A mild winter—so far

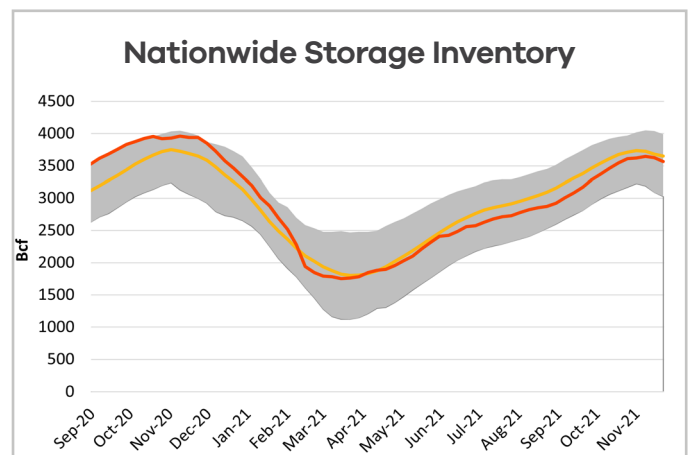
Mild temperatures have set in to kick off December, and NOAA's 6-10 Day Temperature Outlook calls for more of the same. However, the entirety of winter remains, and a significant blast of cold weather could rattle the markets.

### A comeback for production

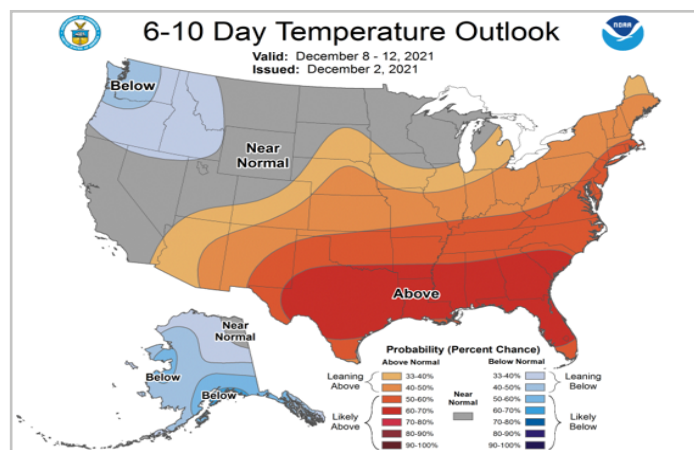
Marketed natural gas production has returned to pre-COVID-19 levels.



Transco Zones 5 and 6 continue to show steep winter season market premiums, even while NYMEX forward prices have declined.



Storage inventories are now only 2.5% below the 5-year average.



At the start of December, the National Oceanic and Atmospheric Administration (NOAA) 6-to-10-day outlook shows above average temperatures across the central and eastern U.S.