

# the DESK

Wednesday, August 31, 2016

Volume 18

## AROUND THE DESK

Lots of news around the desk this week ... The heat isn't the only thing that's heating up folks; the political season is also now at a low-to-medium boil, and showing little sign of cooling off anytime soon. We've been hearing some subtle shifts and tacks on energy- and tax-related issues, and as we expected, all seemingly moving further to the center for both parties. Hillary is feeling less of the Bern by the day and Trump seems to be softening, his stances almost in tandem. Today candidate Donald Trump is expected to meet with Mexican President Enrique Peña Nieto to discuss any number of things. Perhaps he will reveal the tab for the wall that Mexico is expected to pay for. We're holding our collective breath on that one ... Polls still have Hillary out ahead of Trump, but the troubling part for her campaign (and for other folks with a sense of reason) is that the lead ain't all that big. Very curious. The UK's [www.oddschecker.com](http://www.oddschecker.com) site has the race at: Democrats (3/10) Republicans (3/1) Independent (100/1). Who you gonna believe? ... So, the Russians hacked the DNC? And now, Russians are hacking state election commission data bases? Senator's email systems? All we hear from the FBI is that, "We're taking this seriously." And, from the White House? Go ahead, Google it – nothing official. A foreign power trying to jack around our democratic process, and no harsh words from the president? Well, it's not like we can mess with their election process in response, right? What would be the point? Clearly, the Russians deserve what they have. Do we, too? That's a question for another time ... So, on the subject of spoofing... Looks like the CME has a hot one on its hands -- cross-market manipulation, money laundering and the whole deal. In a notice a few days ago, CME said that Andrey Sakharov has been denied access to all of its markets, and it prohibited trades and the placing of orders from any accounts he owns or controls for 60 days while the investigation is ongoing. CME says that, "Sakharov, while trading an account held in another's name and without an executed power of attorney, repeatedly placed single orders for small quantities on one side of the August 2016 gold and natural gas futures markets, followed by single

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### GAS STORAGE FORECAST

TheDesk Consensus Avg: 43.8 Bcf  
 TheDesk Median: 44 Bcf  
 TheDesk Survey Range: 37 to 50 Bcf  
 Top 6 Survey's Index Avg: 41.8 Bcf  
 Number of Forecasts: 32  
 Editor's Forecast: 48 Bcf  
 TheDesk GWDD Model: 39 Bcf

### GAS STORAGE LEVELS

Current Storage Level: 3,350 Bcf  
 Storage 2015/Same Week: 3,075  
 (Delta: 275 Bcf or 8.9%)  
 5-YR Avg/Same Week: 3,000  
 (Delta: 350 Bcf or 11.7%)

y/y +8.9%

### LAST FRIDAY/EARLY VIEW

Early View Avg from 8/26/16 45.7 Bcf  
 Early View Median: 45 Bcf  
 Range: 40 to 50 Bcf  
 Standard Deviation: 3.7  
 Number of Forecasts: 11

### Outages and ICE

Current Outages: 13.75 GW  
 Previous Week: 13.73 GW  
 ICE (EIA) Cleared Storage Futures  
 for 9/1/16: 1@43 9/8/16 3@30 Bcf  
 4@44 Bcf 1@32 Bcf  
 1@33 Bcf  
 1@38 Bcf

## tealeaves

weekly gas storage

So prices have bumped up a tad in the past few days and the weather may stay warm over the next few weeks and there are storms-a-blowing in the Gulf and South right now, but given the storage overhang and robust production figures, will prices stay bullish? We tend to think so. Despite strong production, exports are pretty firm, too. Maybe too firm. This week folks are talking again about sub-4 Tcf for an end-of-season high point. We think it will be higher certainly than the five-year average and last year to be completely frank. For that matter, we figure it will breach the 4-Tcf mark, too. We have burned an almost uncomfortable amount of natural gas this year, shaving a huge overhang from last year to nearly nothing – who saw that

one coming? Nobody. This week will temper some anxiety, but not by much. Forecasts have not budged from last Friday's Early View report which pointed to a 45.7-Bcf average build (45 med.) this week, almost half the size as last year's 88-Bcf build, and the five-year average build of 67 Bcf. Last week's EIA report brought another surprise Low-Baller to deal with – 11 Bcf reported while the survey index pointed to an 18-Bcf build and our consensus was a little better at 15.8 Bcf. All regions seem to have injected less than expected last week, though Kyle Cooper of IAF Advisors managed to nail it. Bentek at 9 Bcf and Genscape at 10 Bcf were close. The south-central's beefy draw of 14 Bcf that EIA reported suggests to us that we may see

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Survey Tally

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orders for large quantities on the opposite side of these markets,” CME said. “Generally, less than 100 milliseconds thereafter, the small-quantity orders traded and the large-quantity orders were canceled.” Looks like a spoof to us. Or, is it, according to the CFTC definition? Hmm. The investigation also found that the perp entered many trades for multiple other accounts held in other people’s names. CME said Sakharov “informed the firm that introduced these accounts to the clearing member firm that while he wanted to have individual access to these accounts, as well as future accounts he planned on opening with the firm, he did not want to be officially associated with the accounts since he was concerned that he may be banned from trading following this investigation.” CME said the introducing firm told investigators that the account where Sakharov performed his gold and natural gas futures trades has been reported to the Cyprus Securities and Exchange Commission for alleged money laundering. On the subject of spoofing and other anti-manipulation policy, come to our open forum on the subject on Sept. 9 at the National Press Club (see ad on page 3). Seating is very limited at this point, so register today ... In our interview with PointLogic’s Callie Kolbe on page 11, the scenario for a bullish Winter price-wise is more than hinted. In a new market report by analyst Andy Weissman, we see more bullish sentiment. “The projected storage trajectory at current NYMEX futures points to end-of-season storage of 3,868 Bcf—low enough to imply significant upside potential for natural gas prices. While we can’t predict precisely where end-of-season storage will shake

out, we anticipate around 3,900-3,925 Bcf, given the tight supply-demand balance projected for Winter. Many current estimates anticipate storage reaching 4,000-4,100 Bcf at current prices—nearly 150-200 Bcf above our expectations. If our analysis proves correct, this tighter supply-demand balance may help provide a lift to prices between now and mid-November, possibly boosting the front-month contract by 25¢/MMBtu.” Wow. Can’t wait to hear what Weissman will be laying on us at our Weather & Price Tealeaves event in Houston on Sept. 23. For the moment, his three scenarios and possible price outcomes are: • Scenario No. 1 (50 percent Likelihood): Most-Likely Weather, NYMEX Futures Rise 25¢/MMBtu; Scenario No. 2 (35 percent Likelihood): Very Mild Fall Weather, NYMEX Futures Down 10¢; Scenario No. 3 (15 percent Likelihood): Modestly Bullish Fall Weather, NYMEX Futures up 55¢/MMBtu ... So, the California General Assembly just passed two bills that could horribly jack around the US Energy Renaissance, Part II. SB 32 would require greenhouse gas emissions to be cut by 40 percent of 1990 levels (by 2030). AB 197 provides stronger legislative oversight of the process, and adds leverage over the California Air Resources Board, which is the lead agency on climate change policy. Gov. Jerry Brown is expected to sign both bills. This isn’t completely a done deal, according to some wire coverage we’ve seen. Political maneuvering on the latter bill is ongoing. This is definitely one to watch – certainly the strongest state-level climate change policy to date ... In a market note this week. CITT’s Tony Yuen says that coal miners are responding

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PM1857/00/0616