

# North American WEEKLY OUTLOOK



## Summit Movers & Shakers

US Natural Gas Prompt Month	\$2.48	▼ 0.9%
US Natural Gas 2012 Calendar Strip	\$2.97	▲ 0.4%
US Natural Gas 2013 Calendar Strip	\$3.74	▼ 1.1%
WTI Crude Oil Prompt Month	\$98.67	▲ 0.8%
Heating Oil Prompt Month	\$3.18	▲ 2.2%
S&P500 Equity Index	1342	▶ 0.0%
US Dollar Index	79.11	▲ 0.2%

❖ ...Nat gas, flat gas; crude subdued....

## ➤ Natural Gas

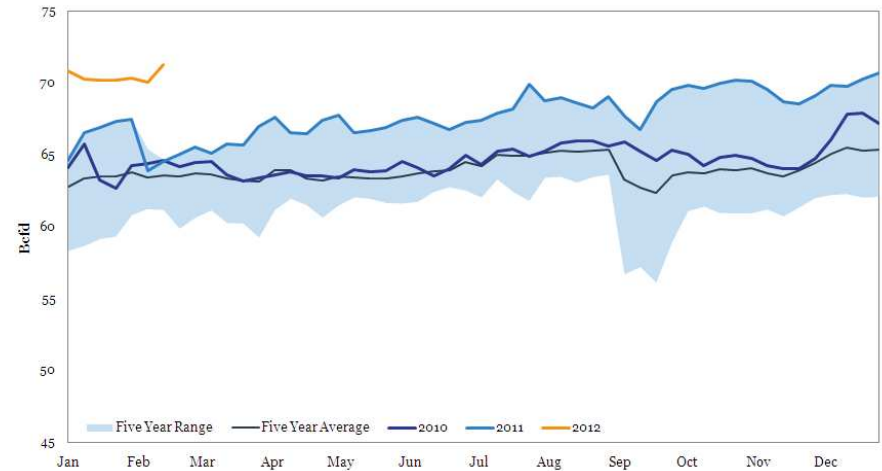
US natural gas prices ended last week marginally lower, as prices drifted along for most of the week, only to receive another jolt from Chesapeake Energy on Thursday. After the 2nd largest natural gas producer in the US had already announced it could curtail up to 1 Bcf/d due to the current low-pricing environment, the mention of further cuts by a Chesapeake executive at a conference caused prices to rally on.

Although a spokesperson from the company said it stood by its previous announcement, prices still finished higher on the day - reversing losses which had been spurred on by another small storage withdrawal.

A 78 Bcf withdrawal was seen for weekly storage, which was less than the expectation for 86 Bcf. This number was dwarfed, however, when in comparison with last year's -208 Bcf and the five-year average of -196 Bcf. This launched the surplus versus both benchmarks to a whopping 714 Bcf.

This week is going to see little respite from staunchly expanding storage surpluses; initial estimates are for a withdrawal in the realm of 120 Bcf, while this is pitched against last year's -230 Bcf, and the five-year average of -178 Bcf. With a likely five or six weeks of withdrawals left after this week and storage being sat at 2,888 Bcf, it seems we will see the injection season start without natural gas storage falling below 2 Tcf.

Weather outlooks until the end of February show normal and above-normal conditions for the eastern half of the US. Given this bearish influence and extremely strong storage levels, it looks like we will need to hear of further production cuts or see a fall in supply (something we are not seeing yet, quite the opposite - see chart, right) for natural gas to rally strongly from here.



### US Total Supply (source: Bentek)

*Remains well above the five year range*

## ➤ Crude Oil and Products

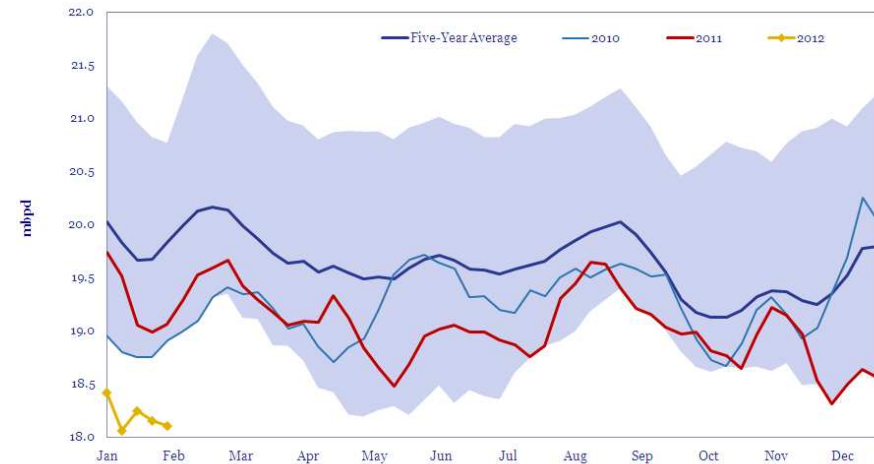
A familiar drumbeat continued to play on in the crude market last week, as peaks and troughs in optimism swirling around Greece and its debt crisis created ebbs and flows in crude prices.

The week ultimately ended with Greece voting through austerity measures, which means it will receive a second bailout package. With markets not being a fan of uncertainty, resolution in this latest chapter of the European debt crisis has brought a bullish reaction from the crude market.

With a combination of the events in Greece, geopolitical tension with Iran, and a steady news flow of somewhat promising economic data, crude prices are finding continued support.

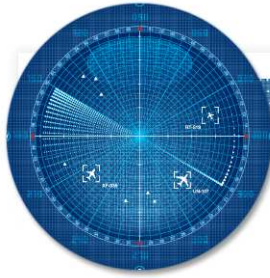
The spread between US-based WTI and UK-based Brent crude has blown out to near \$20 again, as stocks at Cushing, OK, where WTI is priced are starting to rise again. The prospect of increasing flows into Cushing as production increases in both the Canadian oil sands and shale plays in North Dakota means the spread could remain both choppy and wide during this year.

This week sees a number of data releases to guide markets, from industrial production to retail sales to housing to inflation numbers. Weekly oil inventories are set to show the same trend as has been present recently - that of weak domestic oil demand. Total products supplied - a proxy for total oil demand in the US - is down nearly 5% on last year's four week average, and is mired below the five year range (see chart ,right). A build for crude and gasoline stocks is expected for this week.



### Total Products Supplied

*...is terrible*



# On The Radar

As the UK has seen its first solid bout of wintry weather and snow, UK natural gas prices have recently rallied as demand has been propelled above the seasonal norm. Nonetheless, storage still remains staunch for this time of year, being around 60% full. Colder weather on the Continent has also meant exports have continued out of the UK, attracted abroad by higher prices.

As for the US, there has been normal to milder conditions for much of the US over the last three months or so, keeping heating demand in check. Storage levels have extended in the US around 30% above both the level of last year and the five-year average, keeping prices very suppressed.



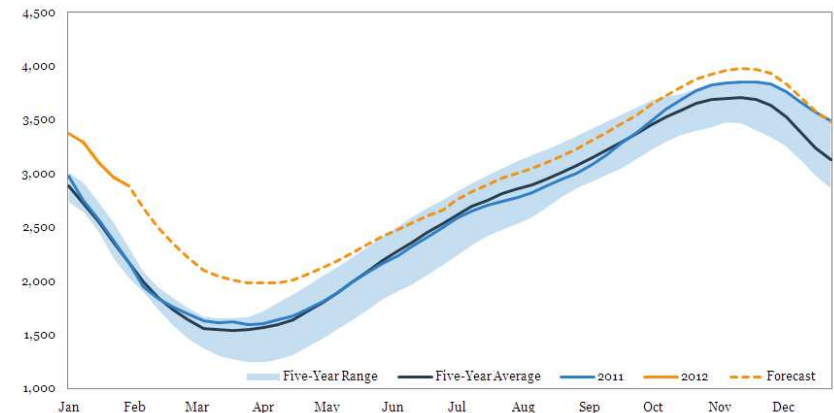
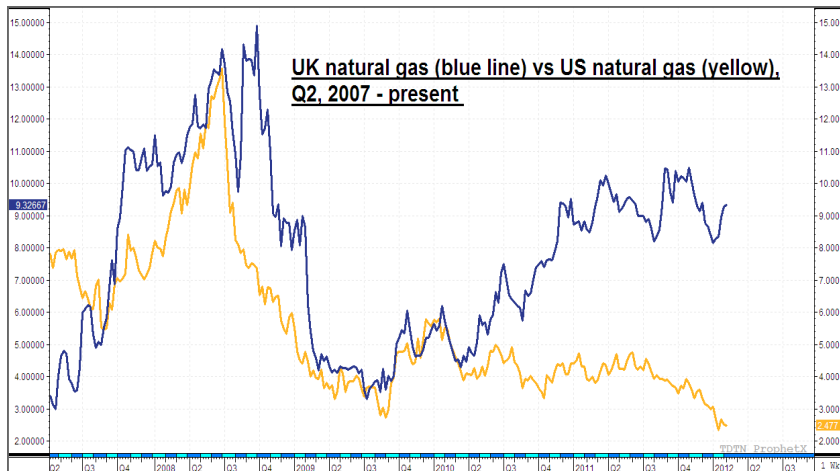
# Word of the Week

## 'Storage'

This dovetails with 'On The Radar', as storage is playing a key piece of the puzzle across commodities as we move through the winter period.

Both strong storage levels in the UK and the US (below) are helping to keep prices in check, while inventories in the US for crude, gasoline, and distillates are all above their respective five-year averages.

It is US natural gas prices, however, which are seeing the greatest down-draft from both current elevated natural gas storage levels, with us set to exit the withdrawal season with a record 2 Tcf in the ground.



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