

# A Commodities Note

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## Weather Summary

- Day 7-14 Period:  
GWDD Anomalies  
5-10% below normal
- Day 14-21 Period:  
GWDD Anomalies  
5-10% above normal
- Late November into  
Mid. December: HDD  
Anomalies: 10-15%  
above normal

## Quote

*“It takes 100 years or more for some new breakthrough in energy to become the dominant source. Most people have difficulty coming to grips with the sheer enormity of energy consumption.”*

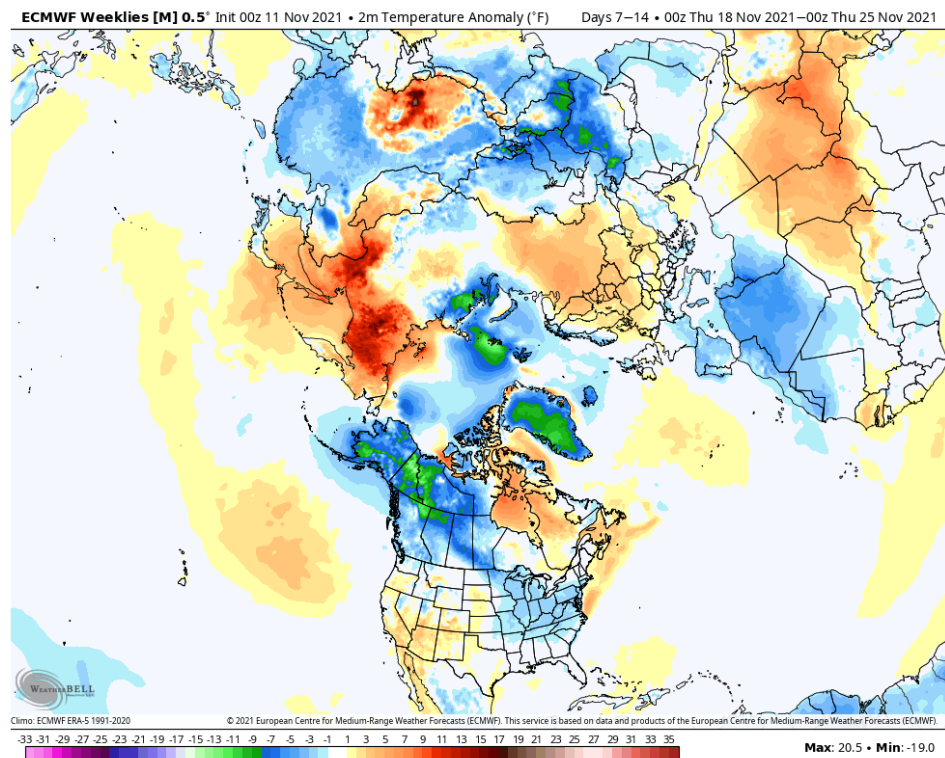
~ Rex Tillerson

## Quick Weather Update

Since some new forecast data has been released, I wanted to provide a quick update regarding what the weather’s likely to do as we head into the new year.

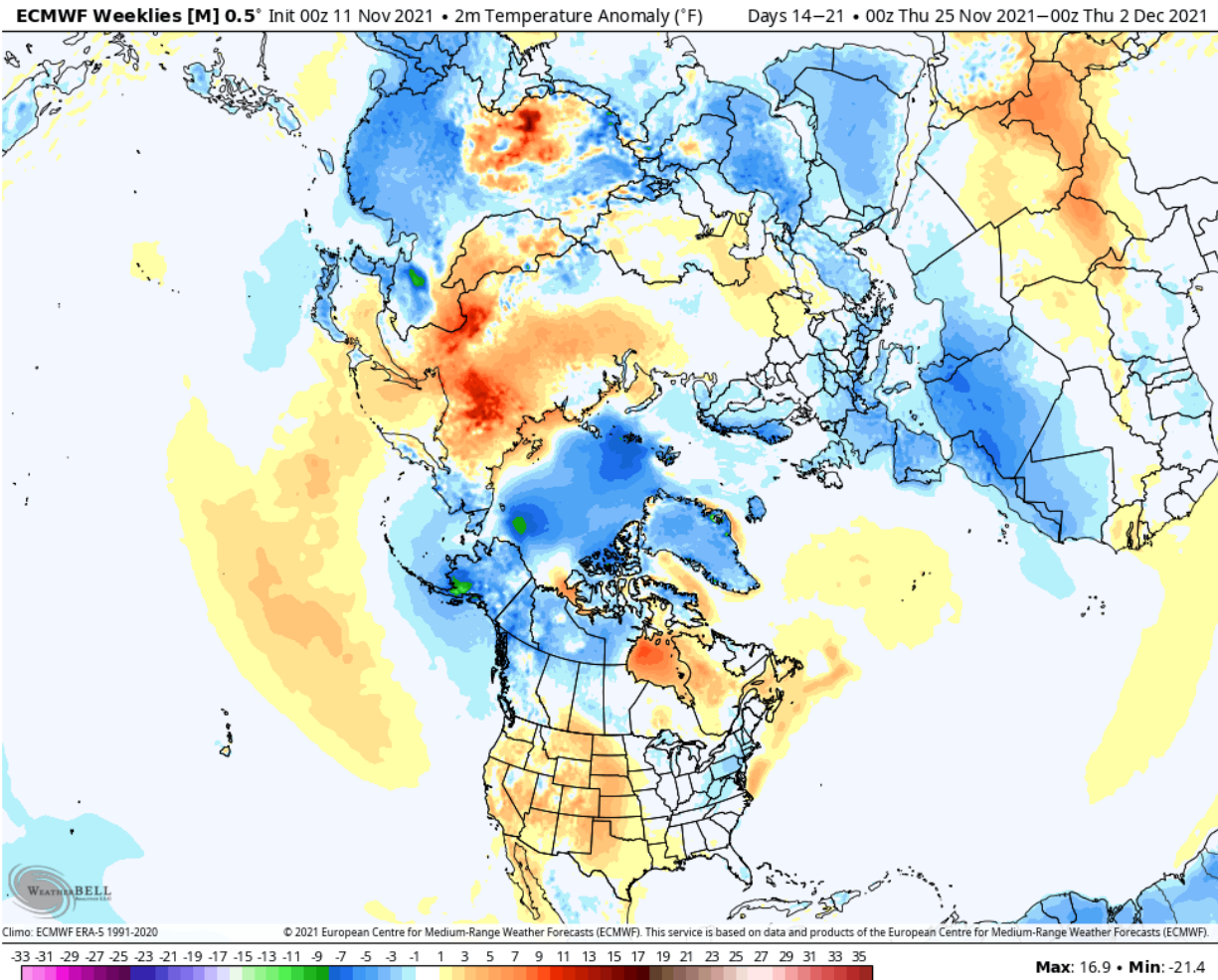
We’re going to use a product called the “ECMWF Weeklies”, released last night. This product is regarded as the most accurate forecast this far out in time.

We’ll then check what the most recent “ECMWF Seasonal” forecast points to for January, and summarize everything at the end.



**November 18th-25th** will feature a tale of two weather regimes. Relatively benign weather is likely across the Western US and Europe (note the warmer colors), while the Eastern US is colder than normal (cooler colors).

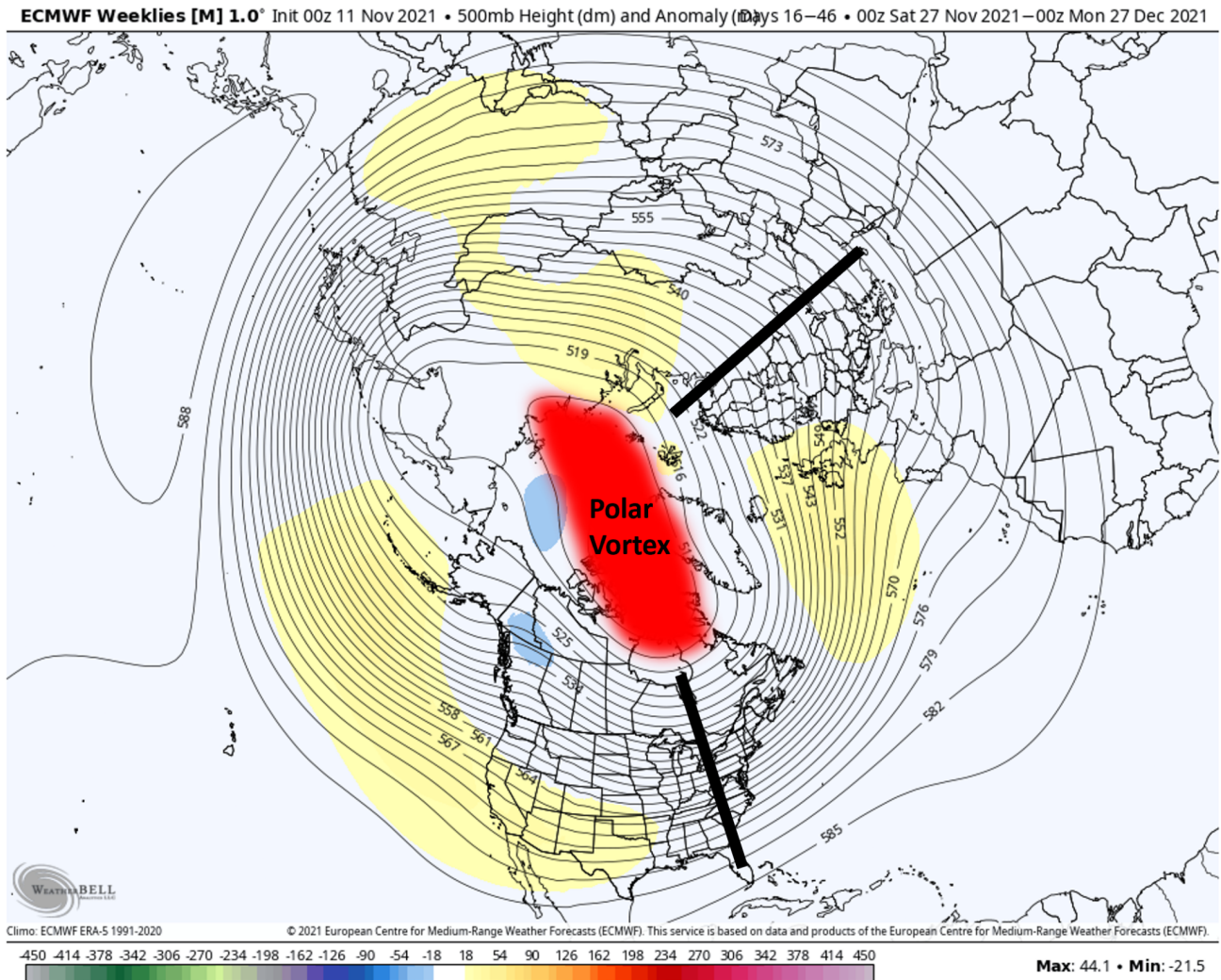
From a population-weighted perspective, Gas Weighted Degree Days (GWDDs) look to register *slightly* more demand than usual during this period. Europe has trended much warmer. As such, **expect a 5-10% decrease from the normal GWDD count** resulting in a short-term bearish tailwind for NatGas.



### **Weeks 2 to 3 (Nov 25th - Dec 2nd)**

Temperature anomalies cancel out to near zero across the CONUS from a GWDD perspective. Europe will continue to be cooler than average for this period. **Expect a 5-10% increase from the normal GWDD count.** This means that weather should not have much of an impact over this period.

**December Outlook**

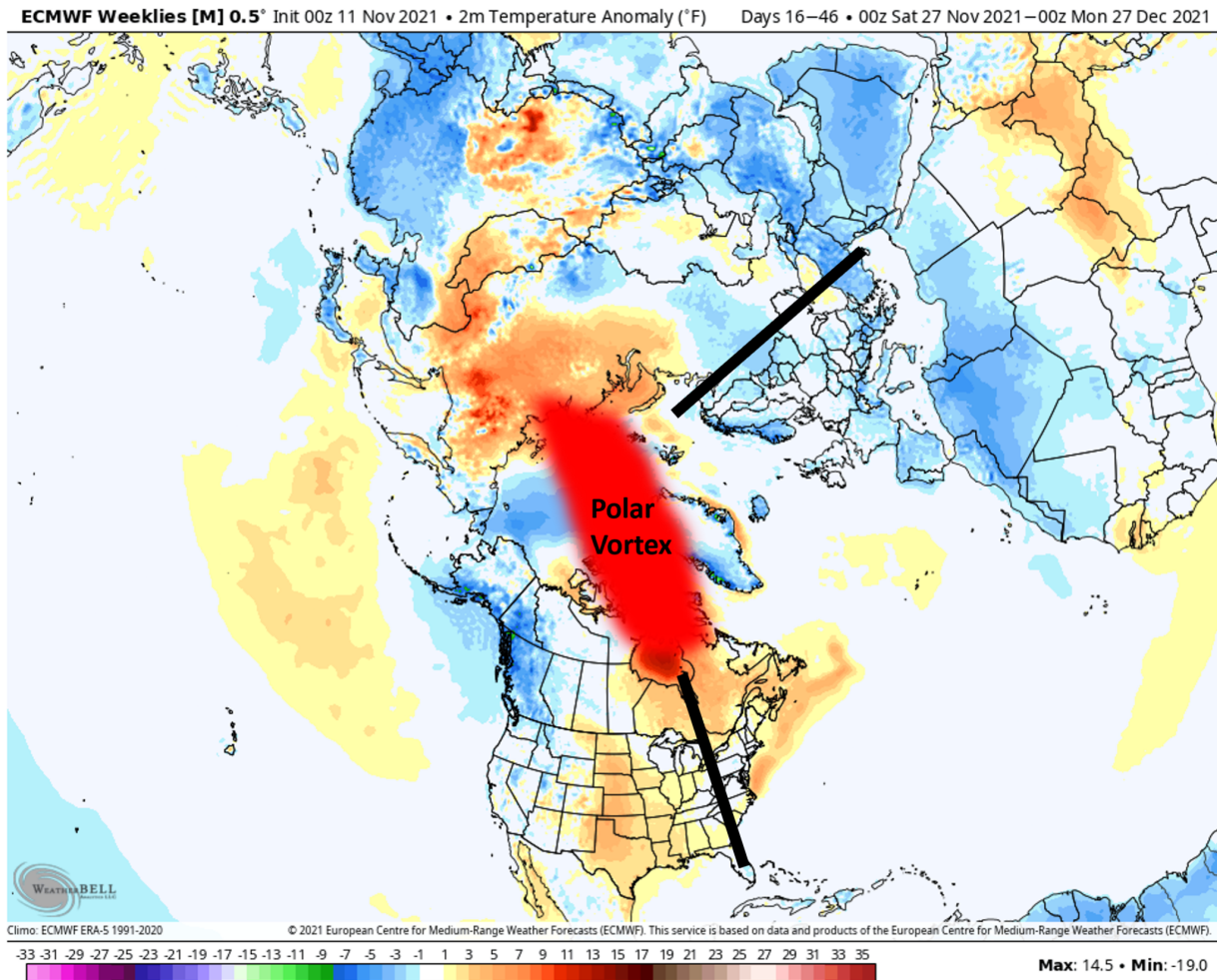


For December, the weather looks to have more of an impact on natural gas prices.

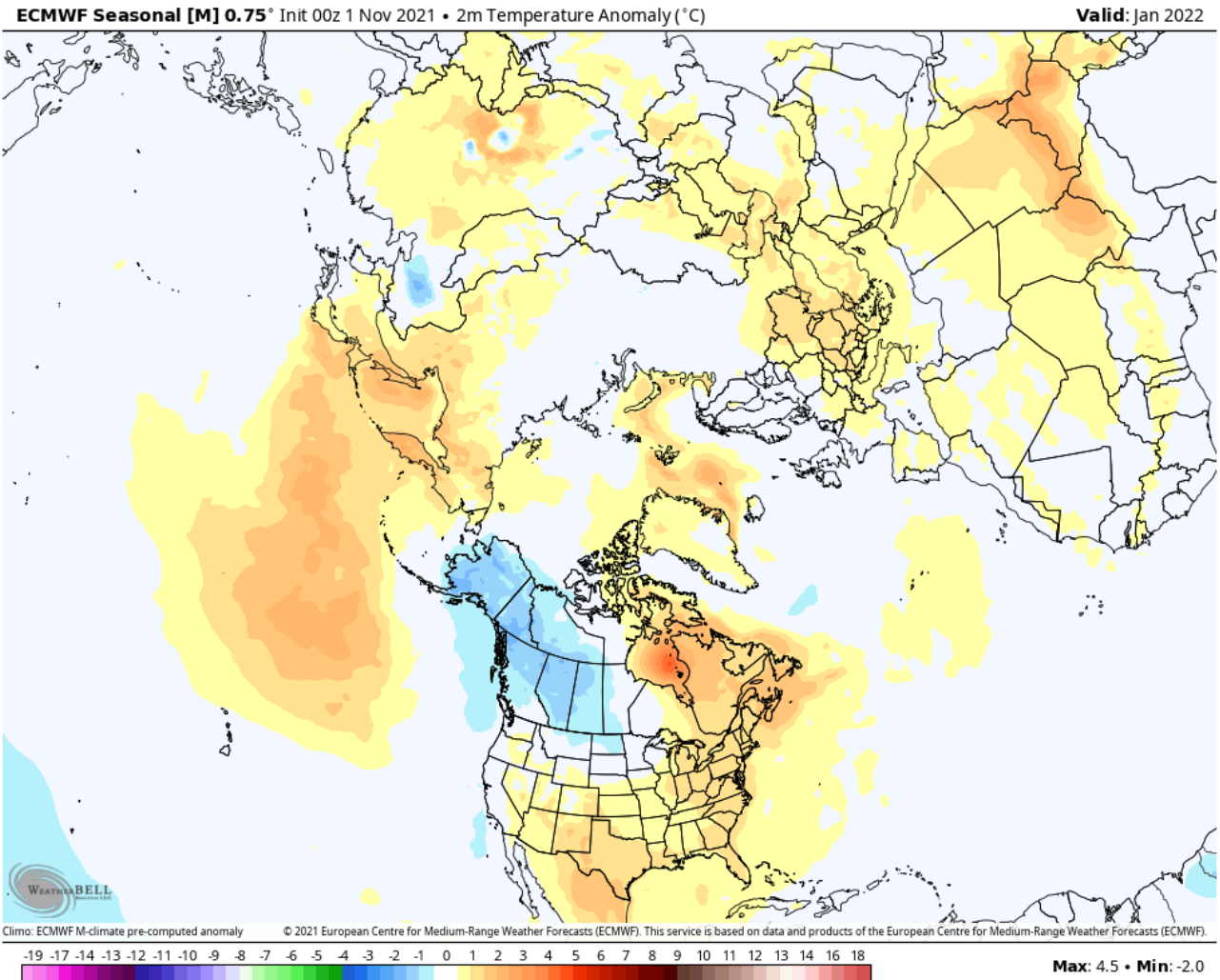
The polar vortex (PV) is looking somewhat weak and elongated. It is taking on more of an oval shape instead of a circular shape.

This is an important factor to take note of down the road, as the Polar Vortex can spill arctic air into the CONUS or Europe as we head into January. This looks to stop any traditional La-Nina pattern in its tracks. Nothing is in the works to let this happen, but I'll be watching to see if it does.

Temperature-wise, storminess doesn't necessarily mean colder weather. The United States is forecasted to be warmer than normal with Europe to be cooler than normal. Averaged out, Europe tips the scales over to a forecasted net increase of demand, and a resultant forecasted GWDD anomaly of +10-15%.



**Newest ECMWF Seasonal Run**



This newly-released run of the ECMWF seasonal model shows **warmer than average temperature anomalies** for both the CONUS and Europe **in January**. This is more in line with a more pronounced La-Nina. If this occurs, expect demand/weather risk premium for NatGas to subside significantly and the price to react accordingly.

## In Summary

- Closing out the month of November, don't expect any major temperature anomalies to be observed across the northern hemisphere.
- December is looking slightly cooler than normal across Europe and average across the CONUS.
- January, La-Nina's background state is looking to show its influence, presenting a threat of warmer temperatures across the Eastern CONUS. The only thing that could change this would be the threat of the polar vortex descending.



Taking a look at our [HUD Dashboard](#), we can see that small speculators are quite long, with commercials and large specs on the other side. Also, natty is entering a period of weak seasonality. This raises the risk of a near-term washout over the next few warmer than average weeks, followed by a cold shock in late December.

I'll be out with subsequent updates keeping operators abreast of any major developments in the space.

Your Commodities Operator,

Steve Hallett