

## A Commodities Note

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## Weather Summary

- December: +5-10% GWDD Anomalies
- January: +10-15% GWDD Anomalies
- February: -10-15% GWDD Anomalies

## Quote

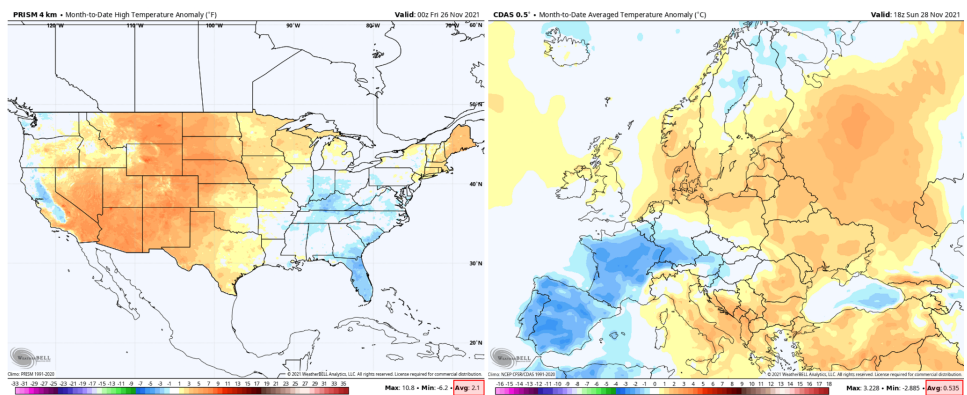
*The weather is the weather.  
You have to deal with  
whatever is out there.*

~ Matt Cassel

## NatGas Weather Update

As we turn the calendar to December, I want to give a brief update on November's temperature action and shed some light on what we can expect from the atmosphere over the coming months.

### November Temperature Summary



As we expected, above-average temperatures have been observed across the Continental United States and Europe. Averaging +2.0°F and +0.5°F respectively, these anomalies adjust down to +1.0°F and +0.2°F weighted for population distribution. These observations verified our 3-week forecast issued in our [November update](#).

### December through February Temperature Prediction

Can we expect the same warmth over the following few months?

We're seeing some conflicting signals from the global weather models lately. They seem to be struggling to get a handle on the interplay between convection in the western Pacific and how that plays out with local features over the North American Continent. So instead of guessing, we'll adopt an analog-based approach for forecasting January and February 2022.

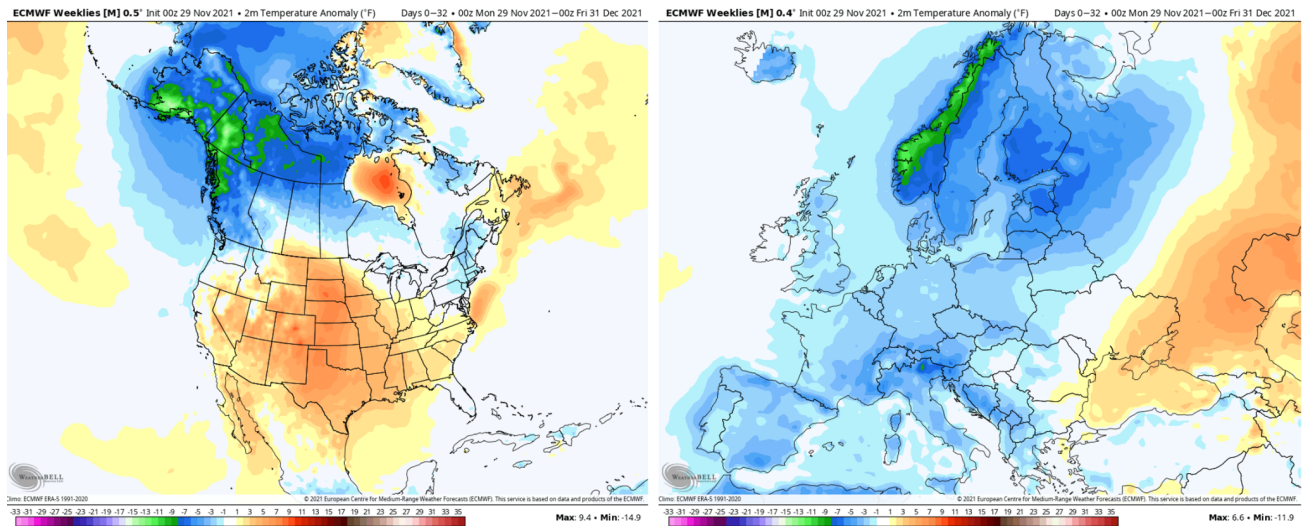
There's a good amount of research highlighting the strong correlation between November temperature patterns and the following winter months. Surprisingly, research shows that the frequency of the first three dates of New York City's snowfall tends to be a reliable predictor of subsequent winter temperatures for broader North America. The longer it takes to snow three times for NYC, the warmer the ensuing winter is.

Here's what we know so far:

- 1 - November was warmer than average across Europe and the Continental United States.
- 2 - New York City observed a trace of snow over the Thanksgiving weekend. In order to tip the scales towards a cooler winter for the majority of the U.S. major cities, they need to snow two more times in the next fifteen days.
- 3 - [ENSO's](#) state is currently predicted to stay well within a second-year La-Nina.

Aggregating the above data points, we can average these out so as to see what the predominant weather tendencies are.

### December Outlook

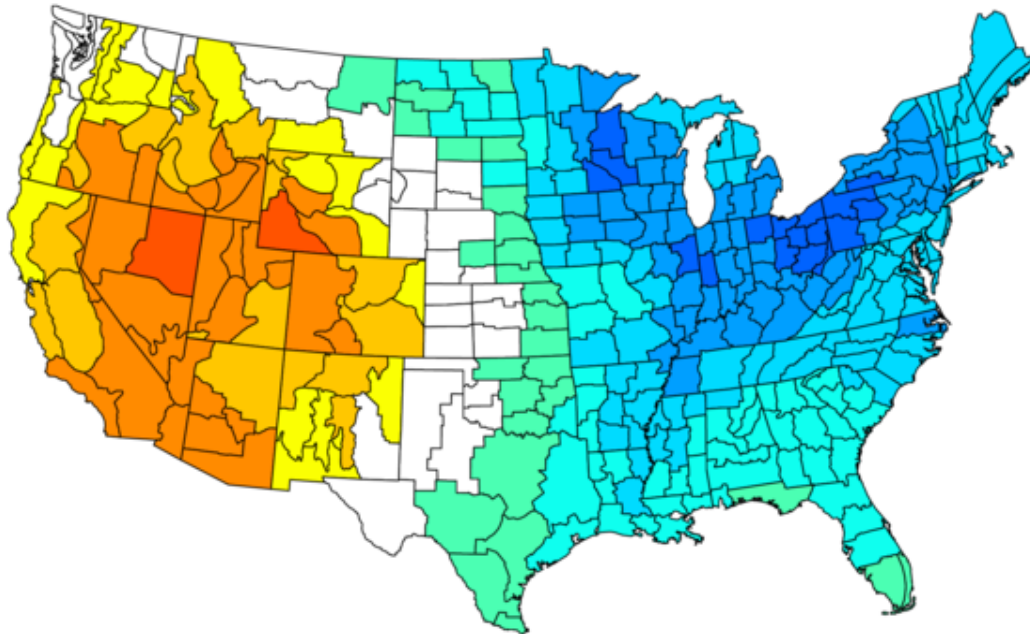


Expect December to feature warmer temperatures across much of the United States, with only slightly below normal temperatures forecast for the Northeast. Europe will slowly moderate in temperature as the month progresses, but looks to still be cooler than average on a monthly timescale.

**Forecast:** Expect Gas-Weighted Heating Degree Day (GWHDD) anomalies to register 5-10% above average for the month of December only due to a cooler Europe, slightly bullish for NatGas.

**January Outlook:**

NOAA/NCEI Climate Division Composite Temperature Anomalies (F)  
Jan 2018,2009  
Versus 1991–2020 Longterm Average



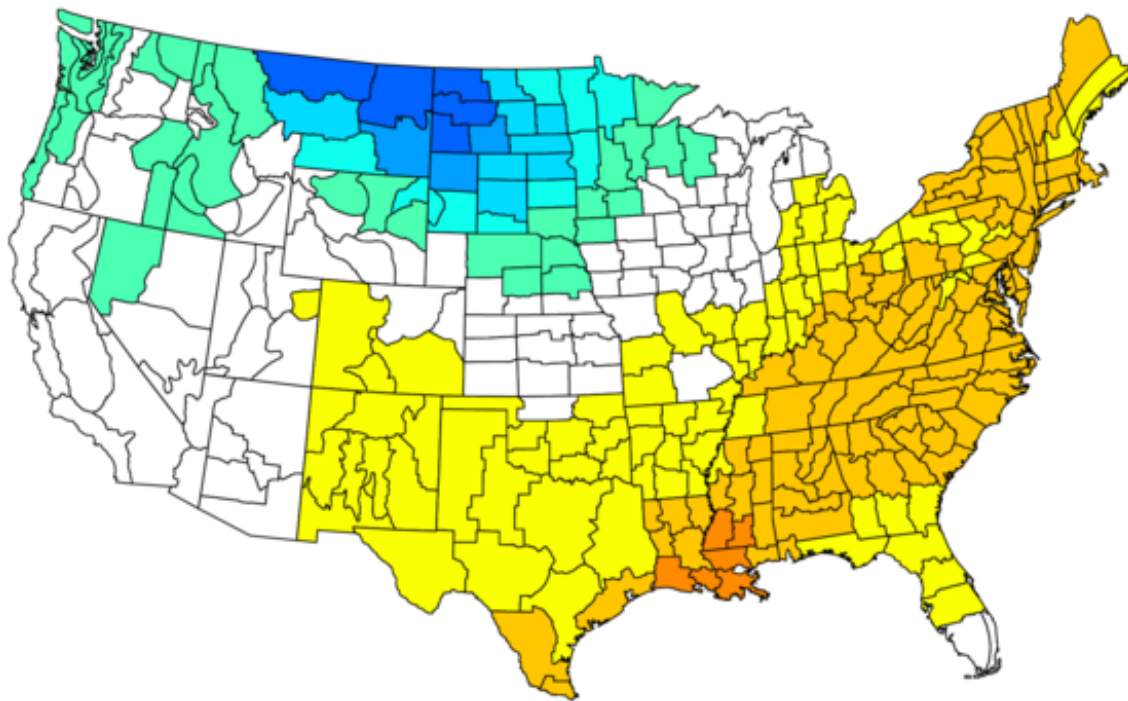
The analog forecasts point to January being the “make or break month” in terms of cooler weather for this upcoming winter. Warmer than average temperatures are usually seen across the Southeastern United States, but are cooler in the image above. This is an unusual pattern for a La-Nina, indicating the absence of the feature called the “southeast ridge”, a ridge of high pressure that warms up the Eastern US. This indicates the likelihood of a few sharp but brief cold snaps for the Eastern US being higher than average this year. It is looking likely that January has the potential to be the coolest month for this winter.

That being said, I'm not seeing a "polar-vortex" level of cold depicted in any of the data points but will update if anything changes for January.

**January Forecast:** Expect GWHDD anomalies to register 10-15% above average for January for both across Europe and the United States. The Eastern US looks to be the coldest, with above-average temperatures expected west of the Continental Divide.

### February Outlook

NOAA/NCEI Climate Division Composite Temperature Anomalies (F)  
Feb 2018,2009  
Versus 1991–2020 Longterm Average



Continuing along with the same set of analog years, we see a traditional La-Nina pattern take hold for February. Warmer temperatures across the eastern half of the United States originate from a ridge of high pressure, that once established, is stubborn to depart over the Eastern US.

**February Forecast:** Expect Gas-Weighted Heating Degree Day (GWHDD) anomalies to register 10-15% below average for the month of February, resulting in a slightly bearish tailwind.

## COT & Seasonality

The weather outlook for the next two months looks promising for bullish action in NatGas prices, however, COT data and seasonal trends paint a slightly bearish picture.



Our [HUD Dashboard](#) shows small speculators continuing to be quite long/record long, with commercials and large speculators not so much. Historically, when small speculators are very long and commercials/large speculators aren't, a drawdown like the one we're seeing now occurs more often than not. Further countering the slightly bullish weather outlook for the next two months, NatGas is entering a period of its weakest seasonality.

## In Summary

- December looks to be slightly cooler for Europe, with the United States warm. January is the make-or-break month with respect to cooler wintertime prospects and is currently forecast to be cooler than average by 10-15%.
- A more traditional La-Nina pattern should be expected for February, leading to a warmer than average month, leading to a 10-15% decrease in demand.

Please contact me with any questions or hit me up in the Collective for more info.

Your Commodities Operator,  
Steve Hallett