Is Natural Gas Still A Seasonal Investment?

View from the Observation Deck

1. Natural gas closed the trading session on October 23, 2013, at $3.62 per million BTUs, just slightly below the $3.66 per million BTUs averaged over the past 12 months and the $3.90 per million BTUs peak in 2012.

2. As indicated in the chart, the price of natural gas often peaks in and around the winter season. In 12 out of the past 15 years (1998-2012), or 80% of the time, the price peaked between late October and February.

3. The average peak price over the last 15 calendar years was $7.88 per million BTUs. If you exclude 2005 (Hurricane Katrina) and 2008 (Weak U.S. Dollar Commodity Price Boom), the average for the remaining 13 years was $6.87 per million BTUs.

4. From 1998-2012, the average daily price of natural gas was $5.02 per million BTUs. So yesterday’s closing price of $3.62 per million BTUs sits well below all of the aforementioned historical metrics for natural gas.

5. Natural gas production in the U.S. has risen, including 2013, for six consecutive years, according to Bloomberg. Production is strong despite the reduction in the number of U.S. active rigs from 934 on 10/28/11 to 372 today (Baker Hughes).

6. Currently, U.S. inventories stand at 3.74 trillion cubic feet, 2.1% higher than the five-year average, according to the Energy Information Administration (EIA). Absent a significant cold spell this winter, it’s tough to find a catalyst for higher prices.

7. We believe that the future for natural gas will likely be settled by the Obama Administration and Congress, which have yet to embrace natural gas as a leading green energy source due to environmental concerns with hydraulic fracturing.

8. A release from the EIA stated that energy-related carbon dioxide emissions declined 3.8% in 2012, the lowest level since 1994. Ironically, it cited a shift by power plants from coal to natural gas as one of the reasons for the decline.

*This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur.*