Early cold weather in east puts fear in winter basis
TETCO-M3, Transco Z6, and AGT show strength

Cold shot in the East
Although it’s early to assume a cold winter, the artic front dropping down into the eastern U.S. this weekend is the catalyst for large moves in the Winter gas basis market this week. This reaction to the September weather is a sign of how much fear still remains in the market after last winter’s Polar Vortex and extreme gas prices. Tetco-M3 basis versus Henry Hub is up $0.31/mmbtu from Friday’s close to $1.51/mmbtu and Transco Zone 6 basis now trades at $4.50/mmbtu after a $0.70/mmbtu move up, according to EOX Live data. As we detail in our recently published research report, Eastern Gas Basis: Pipeline Pain or Gain?, we believe that there is too much fear premium in the current market and that Spectra’s Team 2014 project and William’s Transco Rockaway lateral should add downside pressure at these basis levels.

Algonquin and this year’s winter reliability oil program
With the cold weather in the east this weekend, Algonquin basis has moved up with Transco Zone 6 prices to $11.52/mmbtu for the winter package, according to EOX Live data. With the Salem and Vermont Yankee retirements, this winter in New England will be supply constrained and fears are justified. Bearish risks remain that the oil program, with increased participation due to decreased penalties, will place a soft cap on Algonquin basis. Another bearish risk is the gas day moving up from 9 a.m. to 4 a.m., which FERC hopes will limit the panic buying.
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22 West Washington Street
Chicago, IL 60602 USA

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