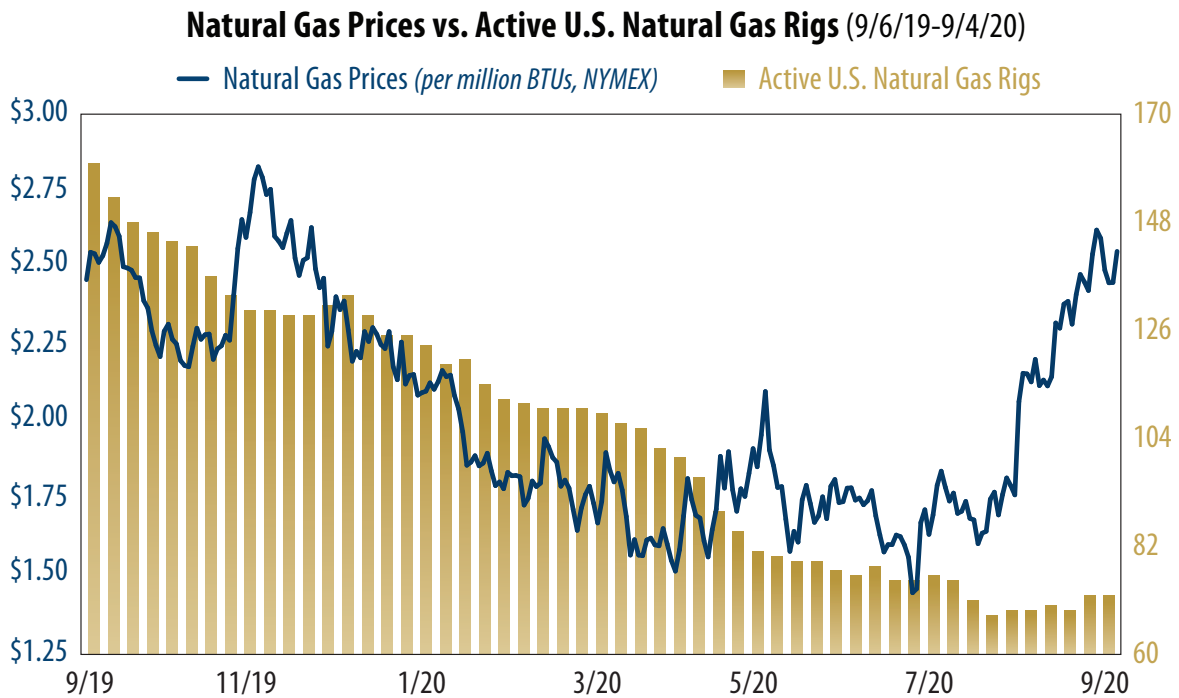


# Natural Gas Prices Have Surged Of Late



Source: Bloomberg. Natural gas prices are daily closing values. Active U.S. natural gas rigs released weekly by Baker Hughes.

## View from the Observation Deck

1. As of the close on 9/4/20, the price of natural gas stood at \$2.59 per million British thermal units (BTUs), up from \$2.50 per million BTUs on 9/6/19.
2. While that does not reflect much change from year-ago levels, the price of natural gas surged from its closing 2020-low of \$1.48 per million BTUs on 6/25/20 to \$2.59 per million BTUs on 9/4/20, or an increase of 75.0%.
3. As indicated in the chart, the number of active natural gas rigs in the U.S. plunged from 160 on 9/6/19 to 72 on 9/4/20, or a decline of 55%. Natural gas producers have done so in an effort to curb production.
4. The spike in the price of natural gas in July (see chart) and August can mostly be attributed to the lingering hot weather conditions throughout much of the U.S. Data from S&P Global Platts indicates that natural gas consumed by electric power plants hit a daily record high of 47.2 billion cubic feet on 7/27/20, according to the U.S. Energy Information Administration (EIA).
5. The 2020-2021 winter forecast from the Farmers' Almanac predicts that the upcoming winter season could be brutally cold and snowy for much of the U.S., particularly the northern half of the country, according to Fox News.
6. The EIA sees Henry Hub natural gas prices averaging \$2.03 per million BTUs this year and \$3.14 for 2021. It believes the combination of rising demand heading into winter and reduced production will result in upward pricing pressure.

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