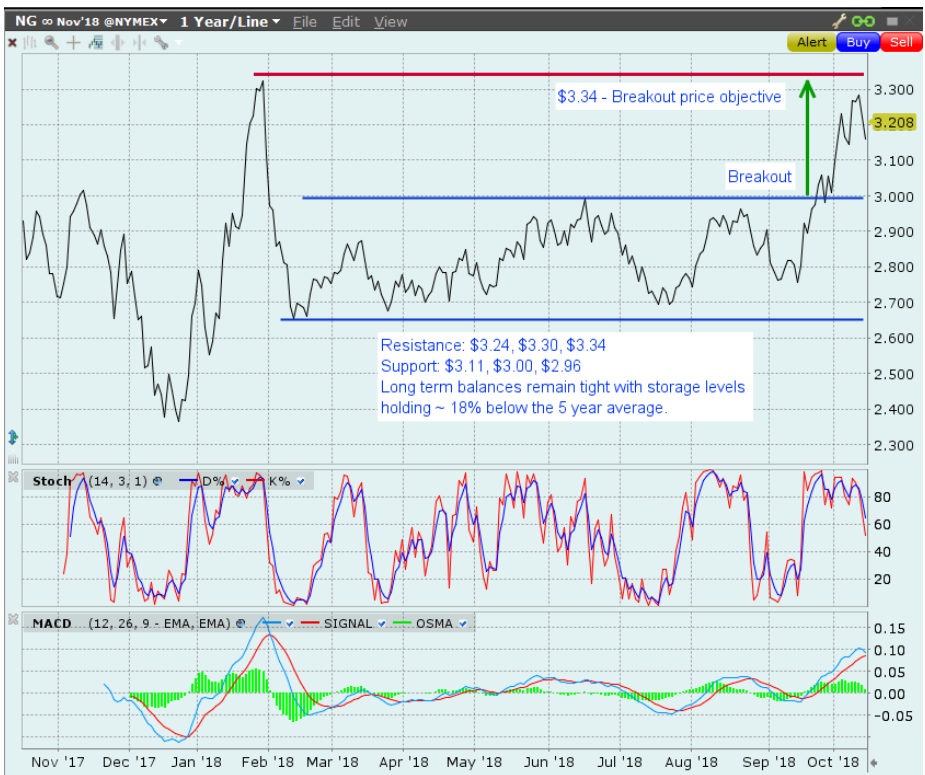
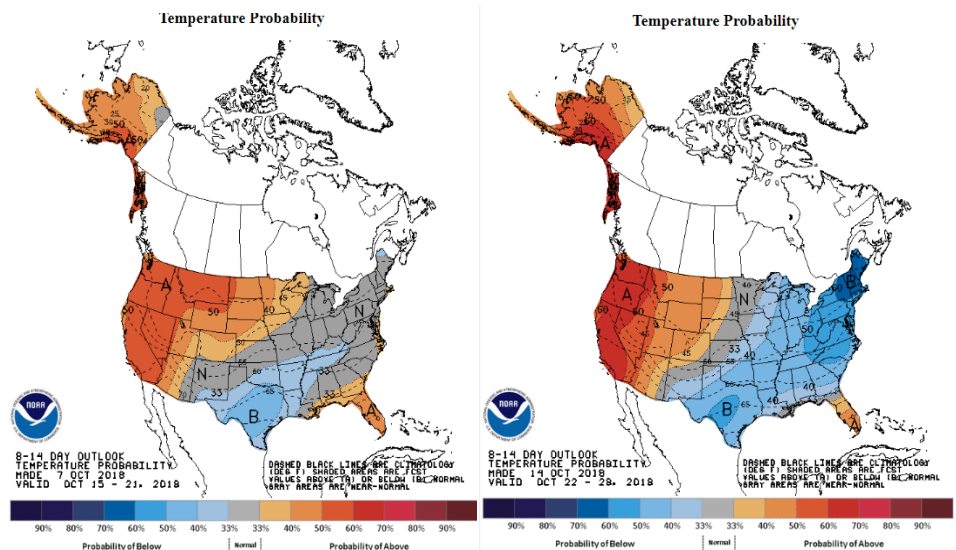


Market Update: 10/14/2018

Technicals: Natural gas ripped higher early in the week registering a high of \$3.368 on Tuesday before a slightly bearish EIA natural gas report came out on Thursday, halting the rally and sending prices to a low of \$3.138 on Friday before settling the week at \$3.161. It's worth noting price tested the \$3.34 breakout target earlier than anticipated, but failed to close above resistance at \$3.30 indicating the bulls maybe getting tired. Stochastics has turned lower, and moved below overbought levels, suggesting short term momentum has turned bearish. MACD remains firmly above zero indicating the bulls are still in control (longer term), but look to be getting tired threatening a bearish cross. With long-term balances still tight, downside price risk maybe limited. However, a break below \$3.00 would put the bears back in control.



Fundamentals: Last week's EIA natural gas storage number came in slightly bearish. However, with storage levels ~17% below the 5-year average, long-term balances remain tight (bullish). NOAA's 8-14 temp forecast is calling for colder temps in the eastern half of the country than last week. If the cold temps continue, the increase in heating demand should continue to support price. That said, the market likely has its eyes on El Nino as NOAA's Climate Prediction center is now calling for a 70-75% chance a weak El Nino forms in the next couple of months, which may usher in above normal temps. The combination of reduced heating demand and record nat gas production may help to alleviate the storage deficit finally putting downward pressure on price. Keep in mind the storage deficit, at 17% below the 5- year average, is rather large and NOAA is calling for a "weak" El Nino.



Final Thoughts: For those with electricity and nat gas contract expiration dates in the next 6 months, you should consider renewing sooner than later. At the very least consider obtaining pricing to set a benchmark and/or protect savings. The thought here is with natural gas storage levels significantly below the 5-year average, downside price risk should be limited. Heating demand is around the corner and there is a lot of ground to make up. The story has not changed. Balances remain tight. However, if El Nino ushers in above normal temps early in the winter, things can change in a hurry. Info on El Nino below.



CLIMATE PREDICTION CENTER/NCEP/NWS

11 October 2018

ENSO Alert System Status: El Niño Watch

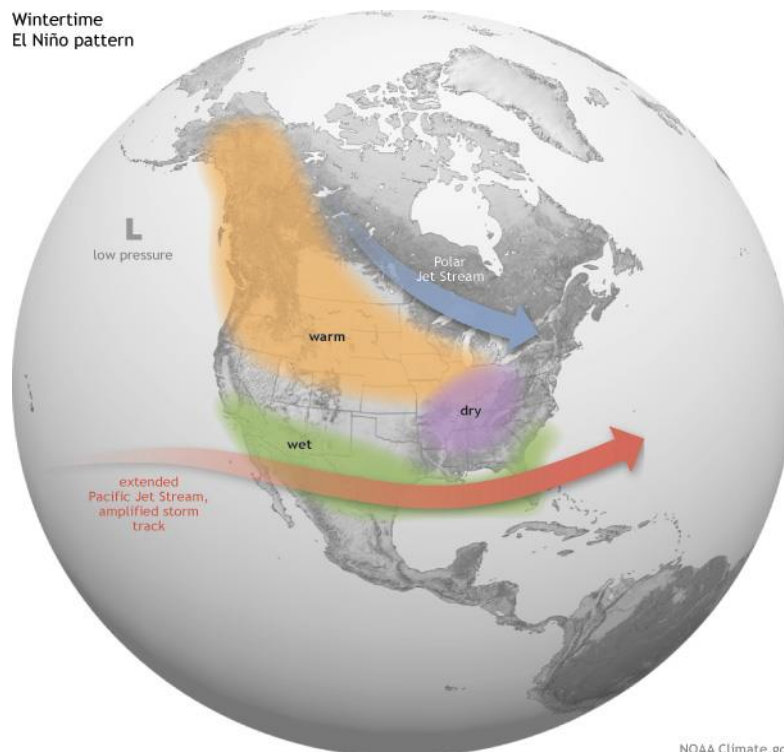
Synopsis: El Niño is favored to form in the next couple of months and continue through the Northern Hemisphere winter 2018-19 (70-75% chance).

ENSO-neutral continued during September, but with increasingly more widespread regions of above-average sea surface temperatures (SSTs) across the equatorial Pacific Ocean [Fig. 1]. Over the last month, all four Niño index values increased, with the latest weekly values in each region near $+0.7^{\circ}\text{C}$ [Fig. 2]. Positive subsurface temperature anomalies (averaged across 180° - 100°W) also increased during the last month [Fig. 3], due to the expansion and strengthening of above-average temperatures at depth across the equatorial Pacific [Fig. 4]. Convection was increasingly suppressed over Indonesia and around the Date Line [Fig. 5]. Low-level westerly wind anomalies were evident over the western and east-central Pacific, with some of the strongest anomalies occurring over the eastern Pacific during the past week. Upper-level wind anomalies were easterly over the east-central Pacific. Overall, the oceanic and atmospheric conditions reflected ENSO-neutral, but with recent trends indicative of a developing El Niño.

The majority of models in the IRI/CPC plume predict El Niño to form during the fall and continue through the winter [Fig. 6]. The official forecast favors the formation of a weak El Niño, consistent with the recent strengthening of westerly wind anomalies and positive temperature trends in the surface and subsurface ocean. In summary, El Niño is favored to form in the next couple of months and continue through the Northern Hemisphere winter 2018-19 (70-75% chance; click [CPC/IRI consensus forecast](#) for the chance of each outcome for each 3-month period).

This discussion is a consolidated effort of the National Oceanic and Atmospheric Administration (NOAA), NOAA's National Weather Service, and their funded institutions. Oceanic and atmospheric conditions are updated weekly on the Climate Prediction Center web site ([El Niño/La Niña Current Conditions and Expert Discussions](#)). Forecasts are also updated monthly in the [Forecast Forum](#) of CPC's Climate Diagnostics Bulletin. Additional perspectives and analysis are also available in an [ENSO blog](#). The next ENSO Diagnostics Discussion is scheduled for 11 October 2018.

To receive an e-mail notification when the monthly ENSO Diagnostic Discussions are released, please send an e-mail message to: ncep.list.ens0-update@noaa.gov.



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