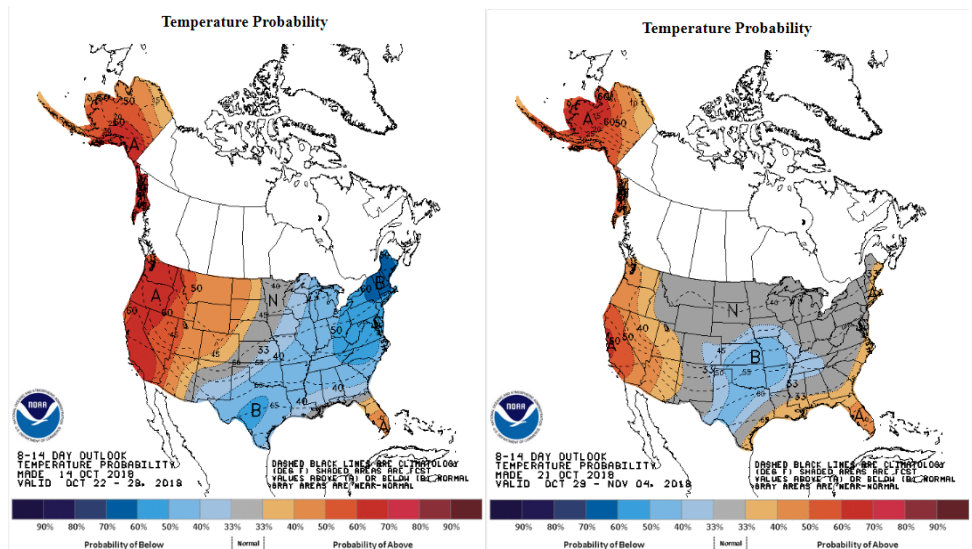
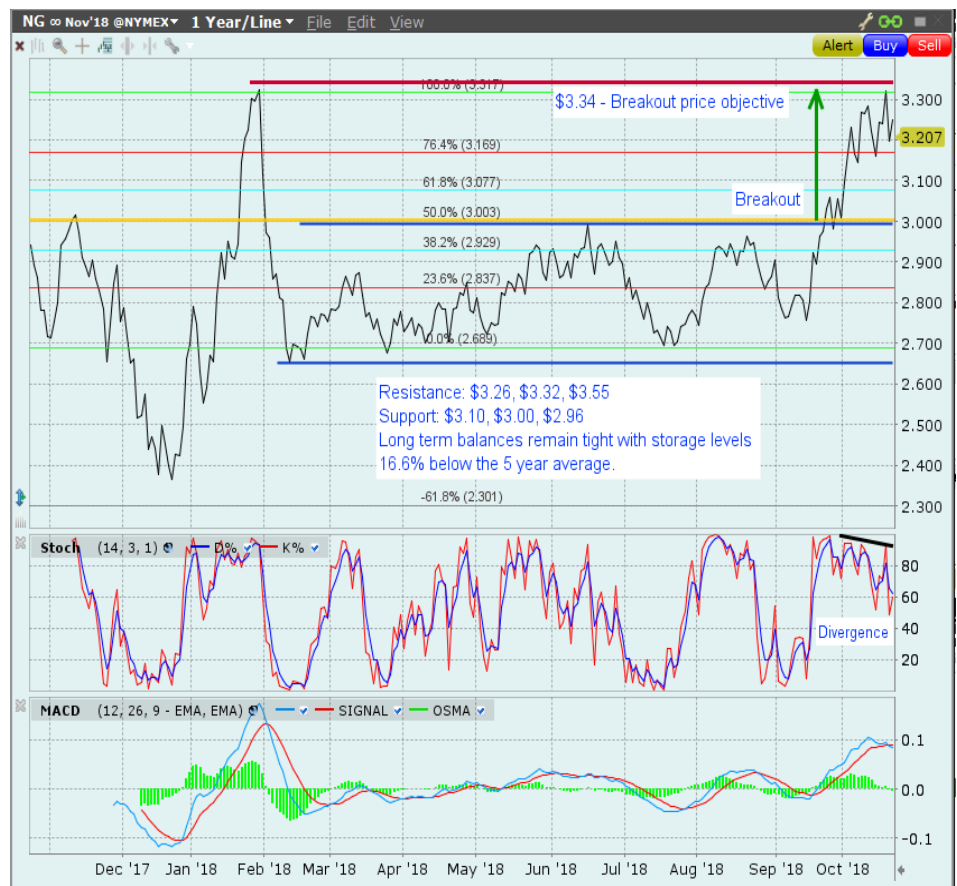


Market Update: 10/21/2018

Technical: Natural gas made another attempt last week at settling above our \$3.34 resistance level, but ultimately failed closing on Friday at \$3.25. It looks like the market is consolidating its gains while it waits for a signal to trigger its next move. Stochastics is trending lower and showing a divergence to price with a series of lower highs, while price is grinding higher with higher highs indicating a price reversal may not be far off. MACD remains above zero indicating the bulls are still in control but looks to be making a bearish cross. That said, it would not be surprising to see a test of \$3.10 and possibly \$3.00. However, with storage deficits still significantly below the 5-year average further upside cannot be ruled out. A close above \$3.32 could quickly send prices to \$3.55.


Fundamentals: Early in the week, NOAA's 8-14 day temp forecast showed significant heating demand with below normal temps for the eastern half of the country. Today's 8-14 shows much of that cold air disappearing. Price reacted accordingly as it was unable to break above resistance at \$3.32-\$3.34. Nuclear plant outages have been above normal for the past several weeks supporting price as more gas fired power plants are being called upon to pick up the slack. Thursday's EIA nat gas storage number came in close to market expectations, but at 16.6% below the 5-year average, and very little time to make it up, the market remains vulnerable to additional price spikes. There is a good chance storage levels end the injection season below 3.3 tcf marking the lowest level of working gas inventories since 2005.



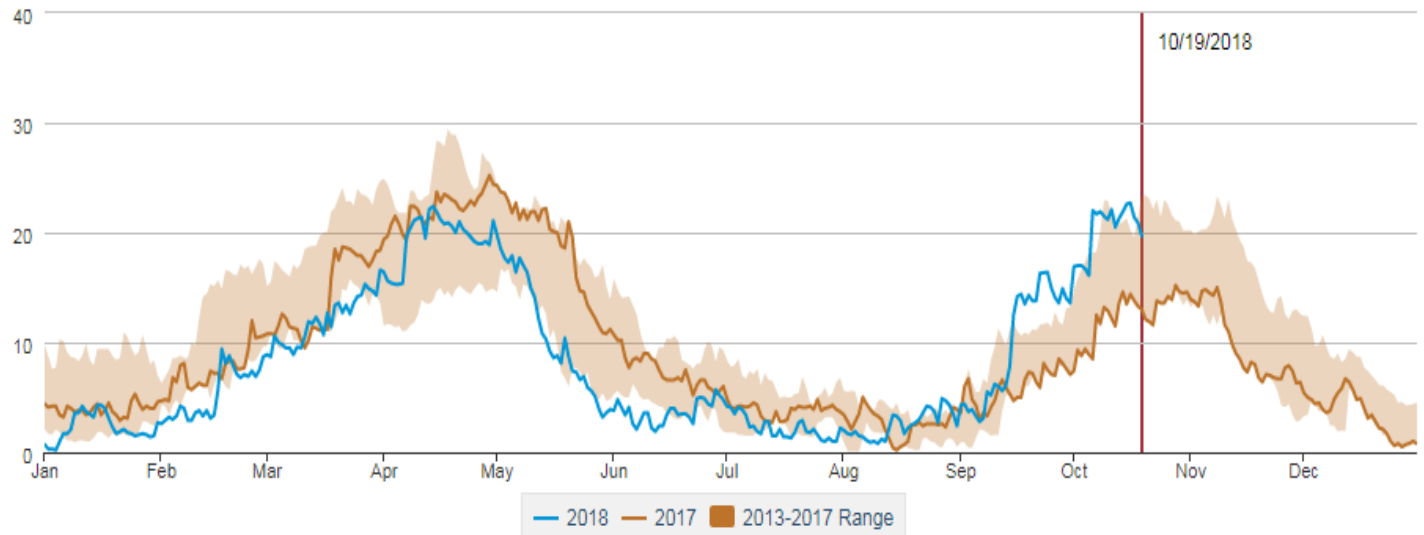
Final Thoughts: For those with electricity and nat gas contract expiration dates in the next 6 months, you should consider renewing sooner than later. At the very least consider obtaining pricing to set a benchmark and/or protect savings. The thought here is with natural gas storage levels significantly 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. That said, keep an eye on El Nino and the possibility of warmer temps. It could start to alter the balances in a hurry.

Daily U.S. nuclear capacity outage

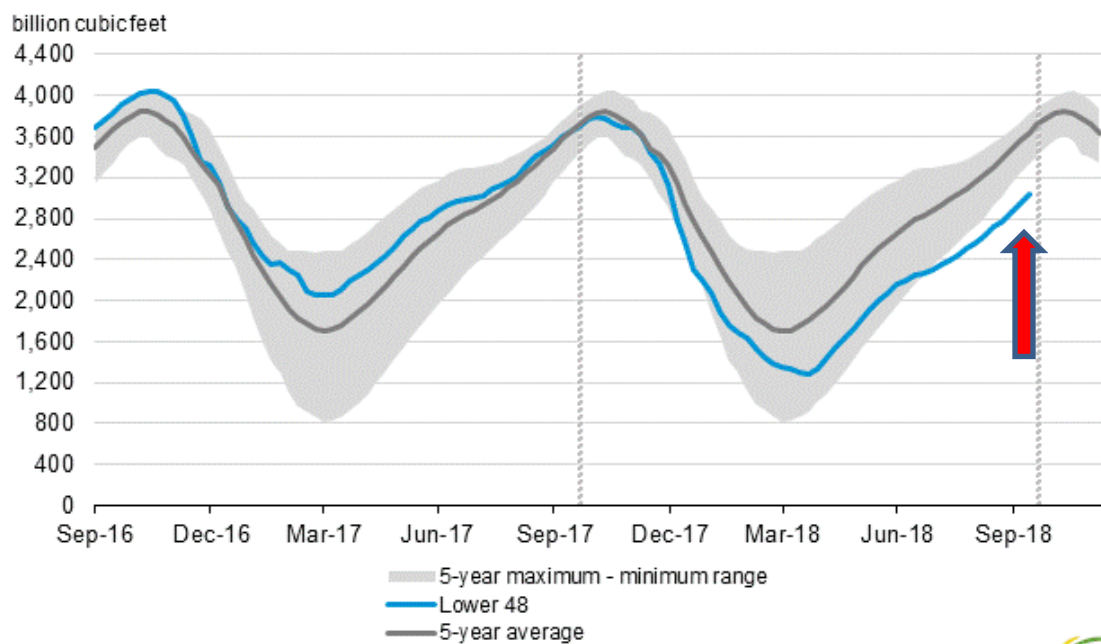
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gigawatts (GW)



 U.S. Energy Information Administration based on the Nuclear Regulatory Commission's Power Reactor Status Report and Forms EIA-860 Annual Electric Generator Report and Form EIA-860M Monthly Update to the Annual Electric Generator Report. **Note:** Outage data reflect only nuclear units that have operated or were intended to operate in the past year.

Working gas in underground storage compared with the 5-year maximum and minimum



Source: U.S. Energy Information Administration

