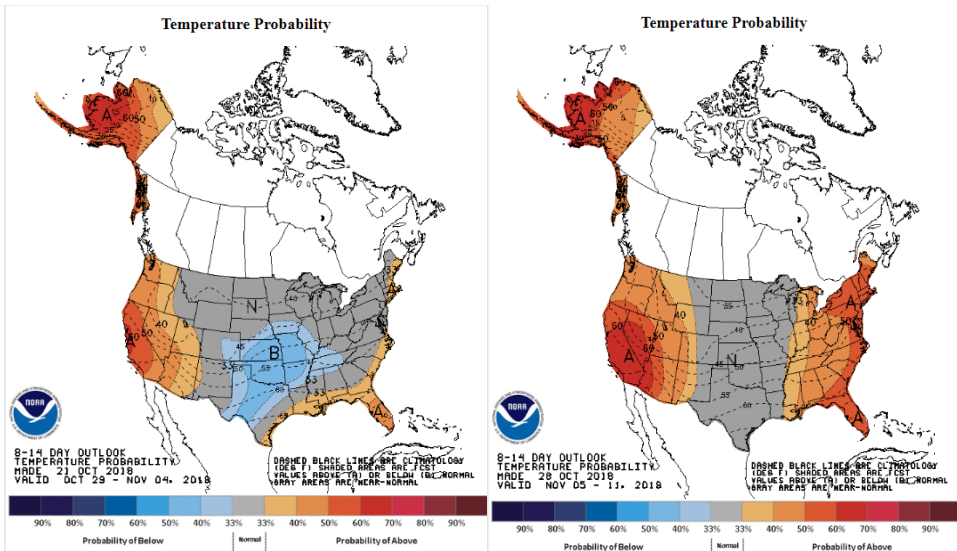


Market Update: 10/28/2018

Technicals: Natural gas drifted lower last week with the November contract settling at \$3.185 on Friday down 2%. Prices remain range bound between \$3.10 and \$3.368. With the November contract expiring on Monday we will switch our analysis to the December contract, which has been trading in a range between \$3.16 and \$ 3.40. Stochastics is in oversold territory suggesting buyers may look to enter in the coming days. MACD remains above zero indicating the bulls are still in control but is trending lower, possibly looking to test support at zero (0.0). Moving forward it would not be surprising to see a test of, and possible break below, \$3.16 (\$3.10 in November). A close below \$3.00 would indicate the bears have taken control with additional downside likely. However, with storage deficits still significantly below the 5-year average, further upside cannot be ruled out. A close above \$3.40 could quickly send prices to \$3.60.



Fundamentals: Last week's EIA number came in bearish to expectations helping to put downward pressure on price. But the 58 Bcf build (post 5 Bcf reclassification) fell short of the 5-year average build of 77 Bcf leaving inventories 16.8% below the 5-year average. This is a rather large deficit to overcome as we head in the high demand winter months. Prices should remain supported until we see the deficit make a move back to more normal levels. That being said, NOAA's 8-14 day temp forecast is showing above normal temps for both east and west coasts. If this trend continues and extends to Thanksgiving and into December, we may see price support erode as heating demand will be reduced allowing storage levels to catch up. As a reminder, a weak El Nino is forecasted. El Nino typically ushers in warmer than normal temps in the northern states.



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. Long-term 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, offering up a great buying opportunity if it causes prices to dip.

Info on El Nino. Be sure to check out the 2 min video for a simple explanation.

<https://www.climate.gov/enso>

<https://weather.com/news/climate/news/2018-10-26-el-nino-winter-temperatures-in-us>