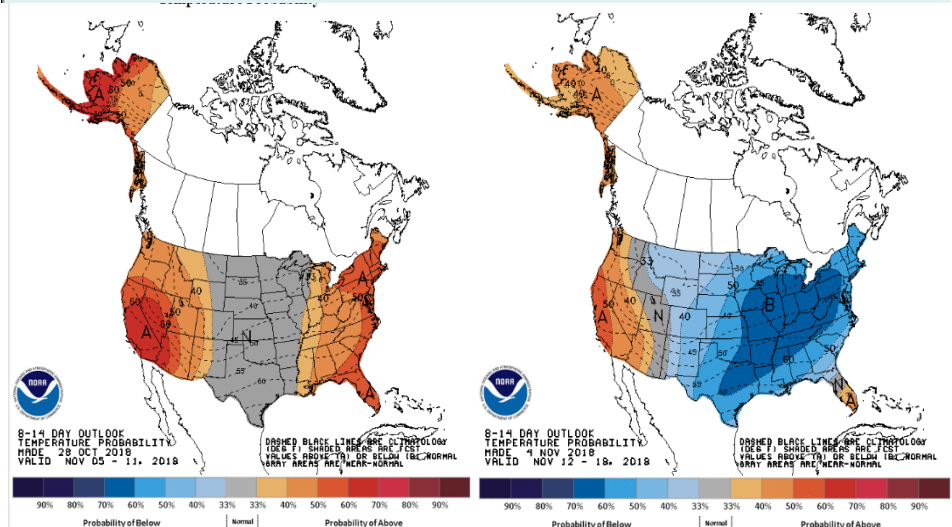


## Market Update: 11/4/2018

**Technical:** Last week we saw the December natural gas contract make an effort to break below \$3.19 support before failing and settling at \$3.284, back into the range. Stochastics is moving higher and out of oversold territory indicating the likelihood of price strength over the next few days. MACD is still above zero indicating the bulls are still in control. MACD's downward movement seems to be weakening as the indicator attempts to test the zero support level. With Stochastics and RSI (not shown) trending higher, the odds favor price strength. With NOAA's new 8-14 temp forecast showing a return of below normal temps, heating demand will increase putting additional pressure on the storage deficit setting the market up for a possible significant, and sustained, short covering rally.

**Fundamentals:** Last week's EIA number came in slightly bullish to expectations and once again below the 5-year average increasing the storage deficit to 16.9%, a dangerously low level that leaves the market vulnerable to an early cold winter, which looks to be exactly what we are in store for. Today's NOAA's 8-14 temp forecast is calling for below normal temps for most of the country out to November 18<sup>th</sup>. A big shift from last Sunday's above normal temps, and likely the primary reason price failed to break lower. The market has had its eye on El Nino and warmer temps, but this pattern shift looks nothing like a typical El Nino setup. If we continue to see below normal temps, prices will likely rise to choke off demand and further incentivize production. It's important to note production is already at record levels but has been unable to keep up with demand as coal plants continue to shut down and being replaced by nat gas. The storage deficit continues to keep balances tight, which should continue to support price as we head into the high demand winter months.



**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>