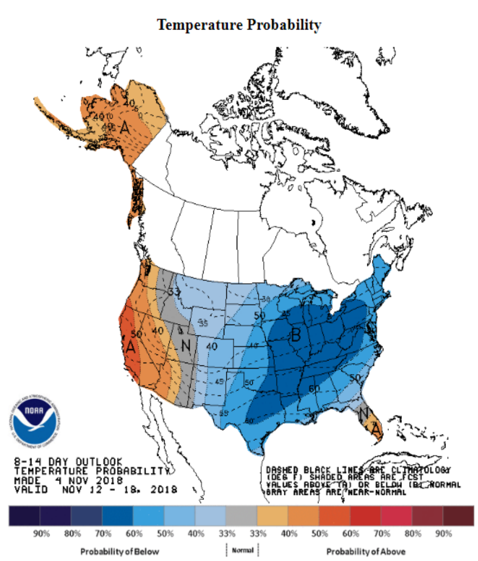
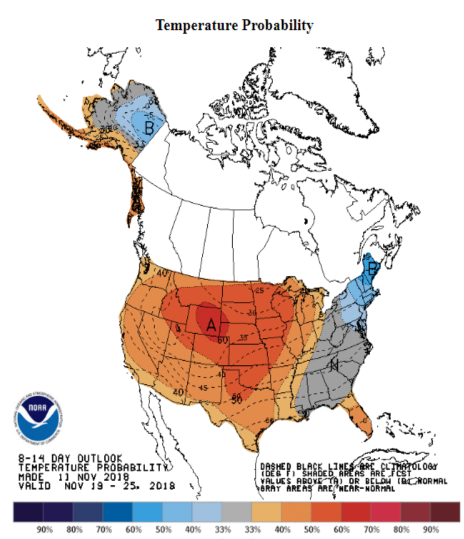
Market Update: 11/11/2018

Technicals: To the Moon Alice…! Natural gas prices shot up to a high of $3.824 last week, before settling at $3.719, 13% higher on the week. Stochastics is in overbought territory indicating selling may enter the market in the coming days. MACD is above zero and trending higher indicating the bulls are in control. The huge price increase is squeezing the shorts, adding additional buying to an already bullish market. I would not be surprised to see additional price strength early in the week as more shorts are forced to cover due to margin calls. Looking ahead, a continuation of below normal temps could send prices above last weeks highs, and possibly testing $4.00. A shift to above normal temps will offer a welcome relief with price selling off accordingly. This week will be all about risk management, margin calls and Mother Nature.

Fundamentals: Last week's EIA number came in bearish to expectations decreasing the storage deficit to 16% below the 5-year average, from 16.9%. That said, storage levels remain at dangerously low levels leaving the market vulnerable to below normal temps and upside price risk. However, today's NOAA's 8-14 temp forecast is calling for some relief with above normal temps covering most of the country, with the only below normal temps in the northeast. If the warmer forecast continues, reduction in heating demand should take some pressure off price. Big picture, my concern lies in the significant number of coal plants recently going into retirement. The reduced power generation switching ability, combined with historically low storage levels, could eliminate the recent trend of cheap sub $3.00 gas, and possibly continue to pressure prices higher, providing a good reason to consider longer term contracts in your risk management strategy.





Final Thoughts: For those with electricity and nat gas contract expiration dates in the next 6 months, I would continue to obtain pricing and consider locking in savings if available. Note the recent price strength is primarily in the front of the curve, so 24, 36, and even 48-month terms may offer lower pricing. If you find quotes are above your current contracted levels, and you are

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willing to shoulder some risk, waiting for a better entry level may be a good plan of attack, albeit a high risk one. Either way, I encourage obtaining pricing to set a benchmark and develop a sound strategy based on your risk tolerances and budgeting needs. The thought here is with natural gas storage levels significantly below the 5-year average, downside price risk should be limited. The story has not changed. Long-term balances remain tight. That said, keep an eye on El Nino and the possibility of a shift to warmer temps. It could start to alter the balances in a hurry, offering up a great buying opportunity.

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

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