

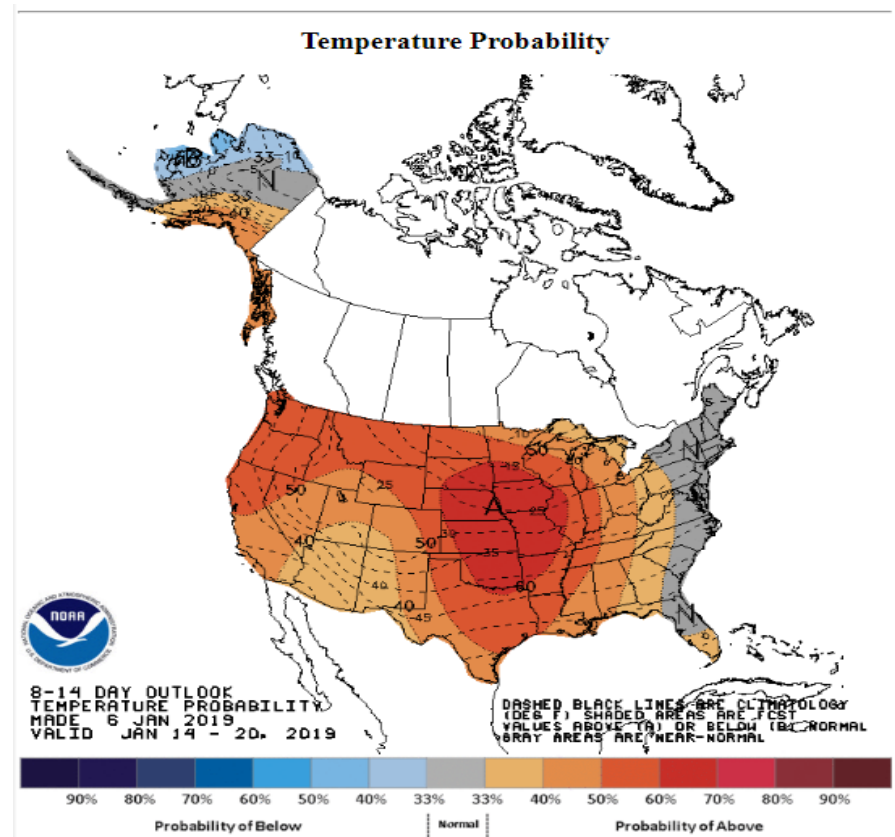
Market Update: 1/6/2019

Happy New Year!

Technical: Natural gas continued to show extreme volatility over the holiday's with price continuing its decent hitting a low of \$2.878 before rebounding and closing the week at \$3.033. Stochastics is below 25 and in oversold territory suggesting buying may enter the market in the coming days. MACD is trending lower clearly broking below zero indicating the bears are in control. That said, it looks like price may have found short-term support around the \$2.90 - \$3.00 level, but with storage levels low, the market will likely remain volatile with direction dependent on weather.

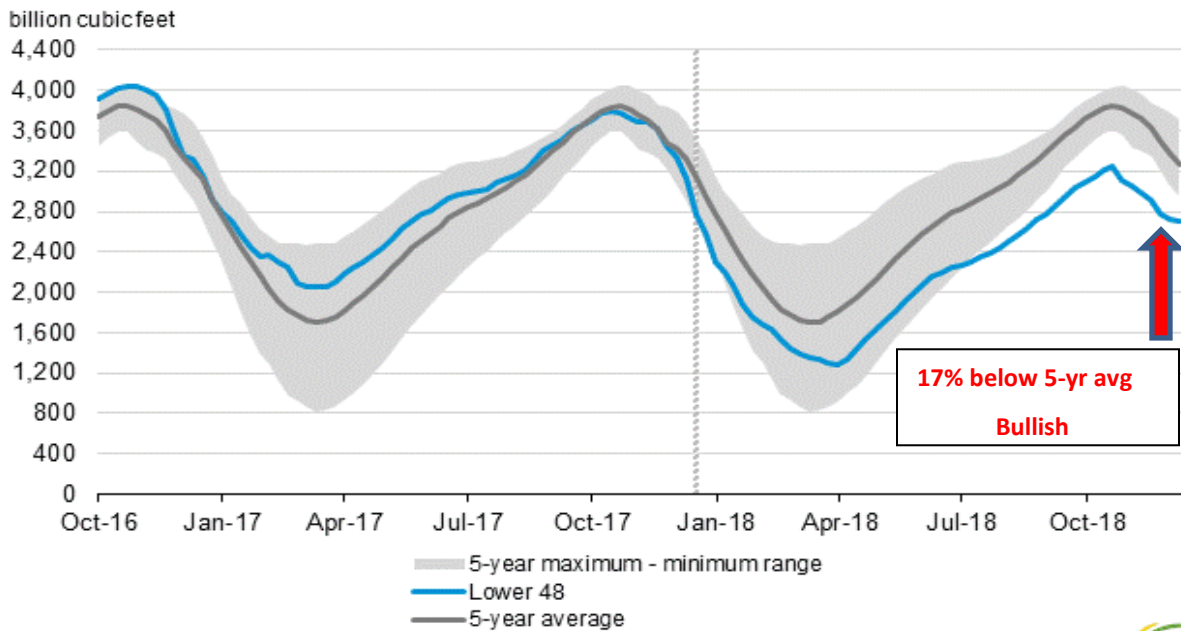
Fundamentals: After the below normal temps in November spiked price to nearly \$5.00, the warm weather discussed in our December reports arrived reducing heating demand. Price responded accordingly and moved lower. Albeit faster and more aggressively than anticipated. The reduced heating demand loosened balances allowing for storage levels to improve from ~20% below the 5-year average to ~17%. However, there is still a lot of winter left with some weather models forecasting a return of below normal temps as we head into February. With storage still dangerously low, a shift back to below normal temps could send prices higher once again. For now though, NOAA's 8-10 day forecast is showing a continuation of above normal temps for most of the country. If this pattern continues the reduction in demand will continue to help reduce the storage deficit resulting in a possible test of support at \$2.75.

Final Thoughts: For anyone with expiration dates in the next 6 month +/-, this dip provides an excellent opportunity to lock in rates removing winter weather and storage risk. The back of the curve offers excellent value encouraging longer term contracts.





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



Source: U.S. Energy Information Administration



Note: The shaded area indicates the range between the historical minimum and maximum values for the weekly series from 2013 through 2017. The dashed vertical lines indicate current and year-ago weekly periods.

