

Market Update: 1/27/2019

Technical: A tale of two seasons. The spot month (March 2019) natural gas contract has been trending lower and testing support at the \$3.00 - \$2.90 level, while the July 2019 contract has been trending higher and testing resistance at the \$2.95 level. Assuming those with winter expiration dates have already renewed, I'm going to focus this week's report on the July 2019 contract as it's a good proxy for what is going on with summer 2019 pricing. Stochastics has been in overbought territory for most of January reflecting recent price strength, but as is usually the case in overbought markets, we expect sellers to enter in the coming days. MACD is trending higher and is above zero indicating the bulls are in control. Given the fact the spot month has been trending lower, and July is trending higher testing resistance at \$2.95, our assumption is we will have to see forecasts for continued below normal temps for summer prices to break higher. Normal to below normal temps will likely put downward pressure on price. That said, July's price strength indicates the market is concerned the storage deficit will bleed into this summer.

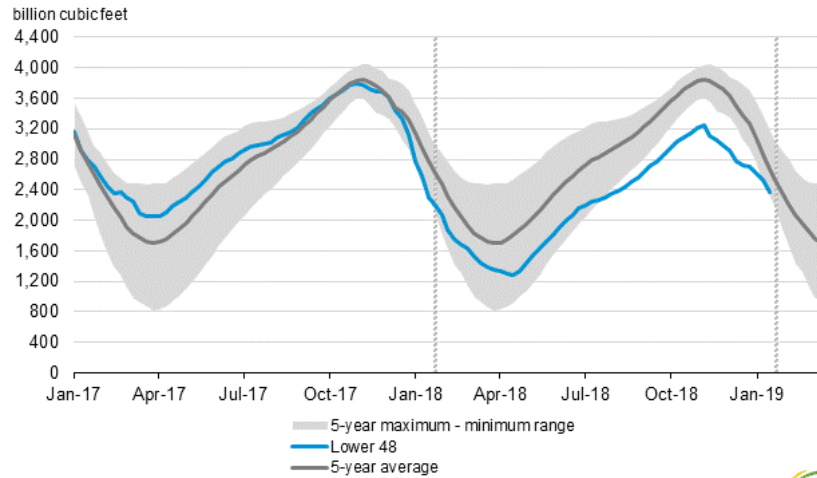
Fundamentals: Last week's EIA storage number was neutral to slightly bearish to expectations. The good news is over the last few weeks, the storage deficit dropped from ~ 20% below the 5-year average to ~11%. Although it's moving in the right direction, there is still plenty of winter left, so we expect more of the same volatility in the days and weeks ahead. Risk remains elevated.

Final Thoughts: For those who have not renewed contracts expiring in the coming months, it may make sense to wait and see if July breaks above resistance at \$2.95. Although some models are calling for below normal temps into February, there has been a high level of volatility in the forecasts. Any hint of warmer temps could send prices lower. In fact, NOAA's 8-14 day outlook is showing temps warming a touch relative to previous forecasts. If it holds, prices may soften. That said, the storage deficit is still a concern and should not be taking lightly.





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



Temperature Probability

