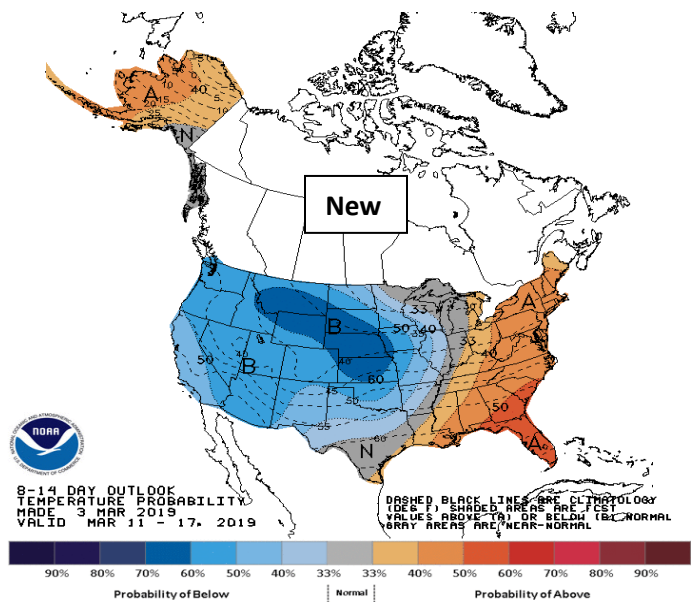
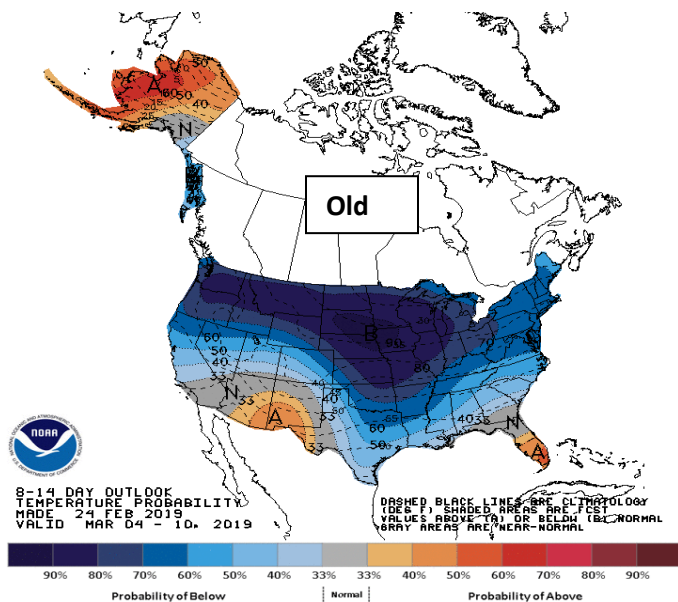


Market Update: 3/3/2019

Technicals: Last week the April natural gas contract rallied \$.12 from \$2.739 to \$2.859 up 4.38% for the week. Stochastics remains in overbought territory suggesting sellers may enter the market in the coming days. MACD continues to trend higher but is testing resistance at the zero (0.00) level. With Stochastics in overbought territory and MACD testing resistance, I would not be surprised to see a pause or even a slight pullback in pricing especially if weather models start to show warmer temps on the horizon, which they are.

Fundamentals: Last week's storage report showed a draw of 166 bcf, which was bearish to expectations, but quite bullish relative to the 5-year average pushing the deficit out to 21.6% below the 5-year average.

Demand has been high due to below normal temps. With only five weeks remaining in the winter withdrawal season, market analysts are now predicting April 1 storage levels to drop to around 1,100 tcf. That's a whopping 32.7% below the 5-year average. And the lowest level since the exit of the Polar Vortex winter of 2014. Until we see a halt to this supply-demand imbalance, risk continues to remain elevated. Note NOAA's 8-14 temp forecast is now calling for warmer temps which may provide some short-term relief. But with summer around the corner, traders have reason to fear the potential for summer heat, which will likely provide price support over the coming day and weeks.

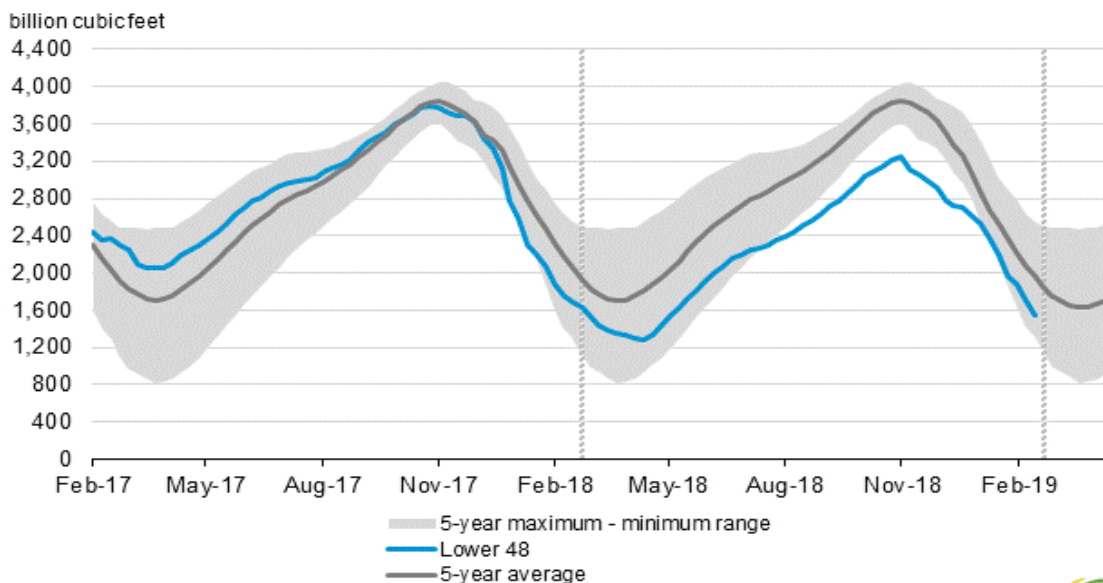


Final Thoughts: For those with expiration dates coming up in the next 6 months or so, I would seriously consider requesting pricing. For those willing to take more risk, you may want to wait and see if prices drift lower possibly testing support at \$2.75 - \$2.70. That being said, if you're able to lock in a savings and remove storage and summer weather risk I would strongly consider it. I noted in the Feb 10th report that seasonally the market tends to put in a low in February. On Feb 7 the market made a low at \$2.565 and has since rallied to a high of \$2.87. It's been a nice run so a pullback would not be out of the question, and most definitely a welcomed second chance to lock in lower levels.

July 2019 nat gas contract. The fact that price is approaching the highs made back in Dec and Jan suggests traders are nervous about the storage deficit as we head into summer.



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 2014 through 2018. The dashed vertical lines indicate current and year-ago weekly periods.