

Natural Gas Market Review and Outlook

For the week ended Nov. 9, '18

Week-to-Week Natural Gas Price Activity ↑↑

Main factors driving natural gas prices: Prices at NYMEX and Dawn for delivery in the upcoming winter rose noticeably for the week with updated weather forecasts showing unusually cool weather in much of the USA and southern Canada to persist this month. Prices at AECO also picked up for the week as demand gradually rises in western Canada and northern Ontario with conditions becoming cooler as fall progresses, although increases there were not as pronounced as at NYMEX and Dawn. There is a 20% chance of temperatures being far below normal from the Midwest to the Atlantic coast from November 20 to 24, 2018, while similar conditions may occur at 40% probability in New England from November 20 to 23, 2018.

NYMEX prices for week starting Nov. 12, '18 (USD / MMBtu): Price for Dec. '18 is not likely to exceed \$4.00. Price for Winter '18 - '19 (Dec. - Mar.) is not likely to exceed \$3.84. Price for Summer '19 (Apr. - Oct.) is not likely to exceed \$2.87.

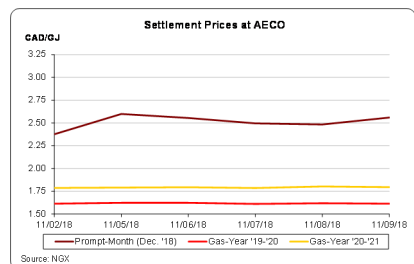
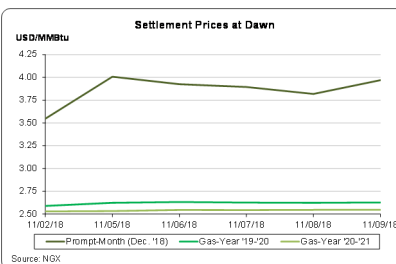
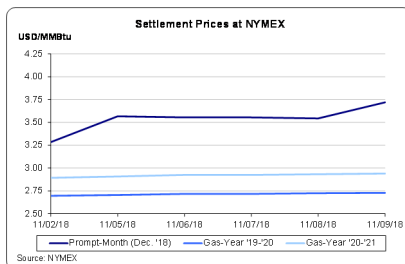
Dawn prices for week starting Nov. 12, '18 (USD / MMBtu): Price for Dec. '18 is not likely to exceed \$4.28. Price for Winter '18 - '19 (Dec. - Mar.) is not likely to exceed \$4.20. Price for Summer '19 (Apr. - Oct.) is not likely to exceed \$2.64.

AECO prices for week starting Nov. 12, '18 (CAD / GJ): Price for Dec. '18 is not likely to exceed \$2.75. Price for Winter '18 - '19 (Dec. - Mar.) is not likely to exceed \$2.62. Price for Summer '19 (Apr. - Oct.) is not likely to exceed \$1.29.

(N.B. all projections are at 90% confidence and based on data for Nov. 9, '18)

NYMEX prices (USD/MMBtu)	11/09/18	11/02/18	% Δ	Dawn prices (USD/MMBtu)	11/09/18	11/02/18	% Δ	AECO prices (CAD/GJ)	11/09/18	11/02/18	% Δ
Prompt-Month (Dec. '18)	\$3.72	\$3.28	13%	Prompt-Month (Dec. '18)	\$3.97	\$3.55	12%	Prompt-Month (Dec. '18)	\$2.56	\$2.38	8%
Winter '18-'19 (Dec. - Mar.)	\$3.55	\$3.18	11%	Winter '18-'19 (Dec. - Mar.)	\$3.87	\$3.50	11%	Winter '18-'19 (Dec. - Mar.)	\$2.41	\$2.30	5%
Summer '19 (Apr. - Oct.)	\$2.77	\$2.69	3%	Summer '19 (Apr. - Oct.)	\$2.55	\$2.48	3%	Summer '19 (Apr. - Oct.)	\$1.24	\$1.24	0%
Gas Year '19-'20 (Nov. - Oct.)	\$2.73	\$2.70	1%	Gas Year '19-'20 (Nov. - Oct.)	\$2.63	\$2.59	1%	Gas Year '19-'20 (Nov. - Oct.)	\$1.61	\$1.61	0%
Gas Year '20-'21 (Nov. - Oct.)	\$2.64	\$2.62	1%	Gas Year '20-'21 (Nov. - Oct.)	\$2.55	\$2.53	1%	Gas Year '20-'21 (Nov. - Oct.)	\$1.79	\$1.79	0%

All prices are settlement prices



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Fundamentals

Natural gas: The EIA reported a net addition to storage of 65 Bcf for the week ended Nov. 2, '18, increasing total storage to 3,208 Bcf which is 15.3% below last year's level and 16.2% below the 5-year average. This change exceeded the market's expectations of a net addition of 55 Bcf. Baker-Hughes reported that the weekly US natural gas rig count as of Nov. 9, '18 was 195 compared to 193 as of Nov. 2, '18.

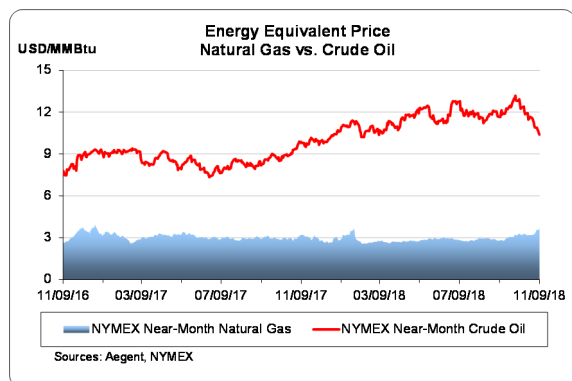
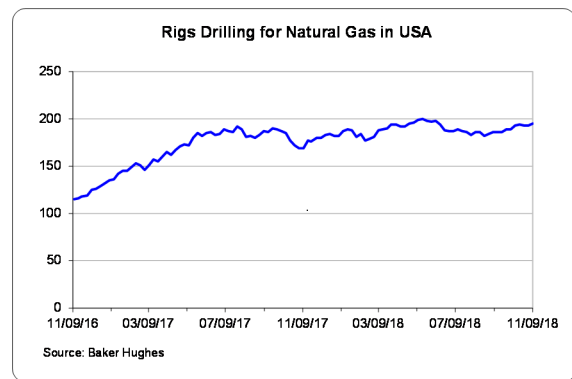
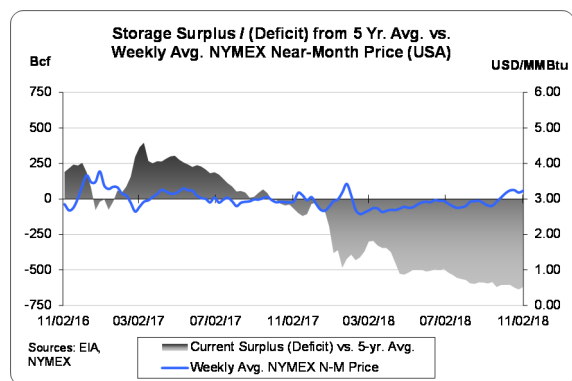
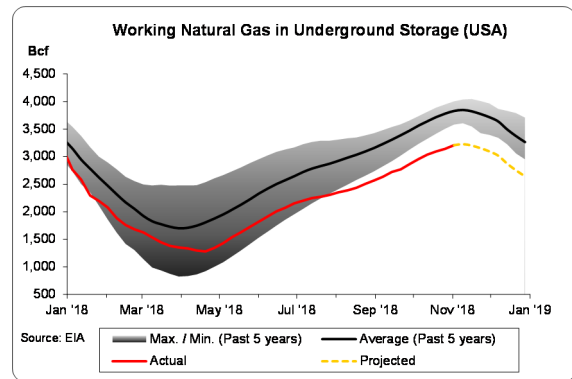
Crude oil: The price of the prompt-month contract dropped for the week moving from \$63.14 US / bbl as of Nov. 2, '18 to \$60.19 US / bbl as of Nov. 9, '18. Crude oil prices continued to drop with market participants accounting for production growth by the USA, Russia and OPEC and a partial reprieve on US-led sanctions on Iranian crude oil exports through temporary waivers for India and China. The risk of sluggish global economic performance in the near term caused by a worsening in trade relations between the USA and China also contributed to the bearish turn in the market.

US Natural Gas in Storage (Bcf) (Source: EIA)

Week ended 11/02/18	This year	Year ago	5-year average
Net change	65	22	47
Gas in storage	3,208	3,787	3,828

US Petroleum Stockpiles (MMbbl) (Source: EIA)

Week ended 11/02/18	This year	Week ago	Year ago
Crude oil	431.8	426.0	457.1
Distillate (incl. heating oil)	122.9	126.3	125.6

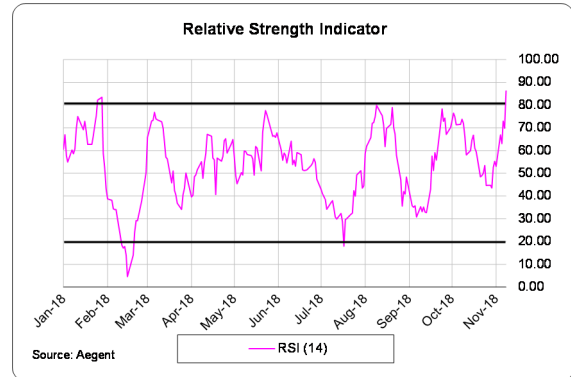
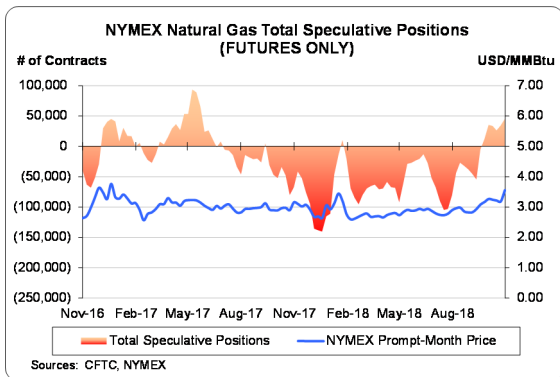
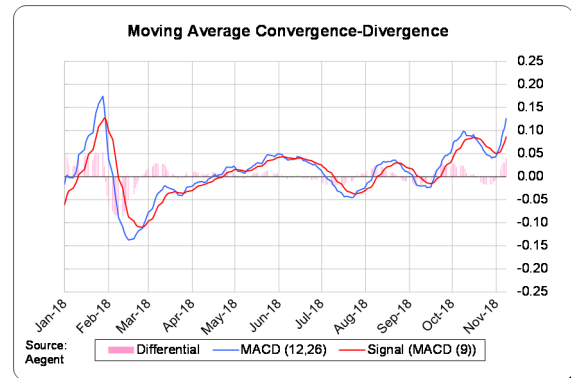
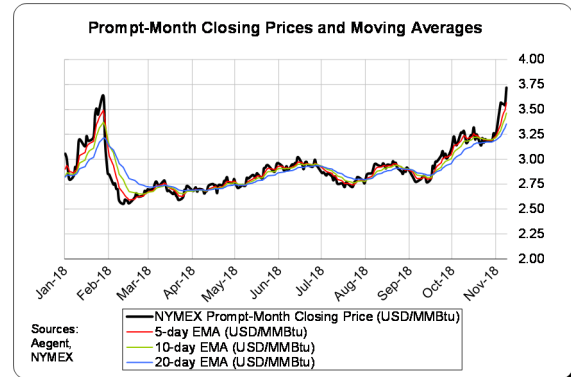


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Technicals

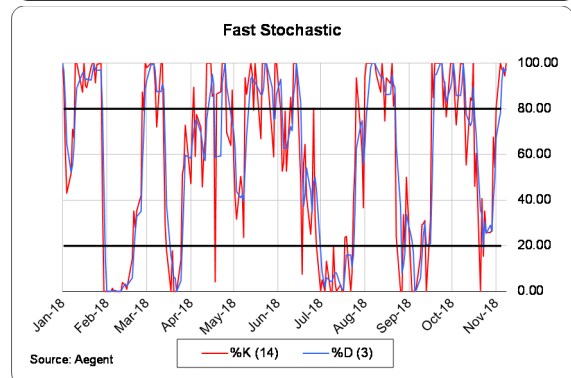
Indicators are bullish for the short-run. The latest closing price of the contract for near-month delivery on NYMEX (\$3.719 US / MMBtu as of Nov. 9, '18) is above the 5-, 10- and 20-day EMAs (Exponential Moving Average). Moving Average Convergence-Divergence indicator gave a signal to buy on Nov. 5, '18. Relative Strength Indicator (RSI) and Fast Stochastic are bullish but both show the commodity as overbought. For the upcoming week, the contract for near-month delivery may find resistance near highest closing price of 2016 (\$3.93 US / MMBtu). Near-month contract may find support near 5-day EMA (\$3.57 US / MMBtu as of Nov. 9, '18) or 20-day EMA (\$3.35 US / MMBtu).



Speculative Positions on NYMEX Natural Gas Futures (Source: CFTC)

As of 11/06/18	This Week	Week ago
Total Open Interest	1,515,475	1,521,366
Net Position - Total	45,023	34,228
Net Position - Large Speculators	5,420	(4,878)

Note: Parentheses denote net short position



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Temperature Outlooks: Nov. 18 – 26, '18

Weather (maps courtesy of NOAA)

NOAA reports that total Gas Home Heating Degree Days in the USA for the week ended Nov. 10, '18 were 122. The 5-year average for this time of year is 101. For the period Sep. 30 — Nov. 10, '18, cumulative total Gas Home Heating Degree Days stand at 464. The average cumulative total of the past 5 years for the same period is 371.

For the upcoming week, NOAA forecasts Gas Home Heating Degree Days to be 165. The estimated average of the past 5 years for this period is 126.

For the week ended Nov. 9, '18, estimated Heating Degree Days in Ontario were 91. The 5-year average for this period is 82. For the period Sep. 29 — Nov. 9, '18, cumulative total estimated Heating Degree Days are 436. The average cumulative total of the past 5 years for the same period is 341.

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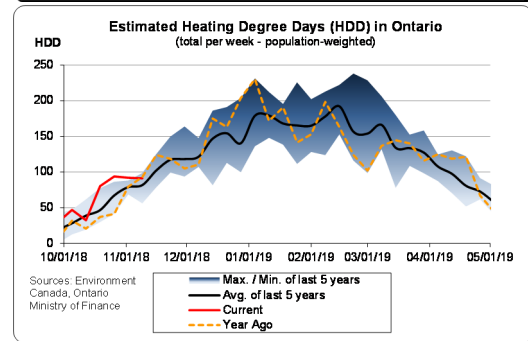
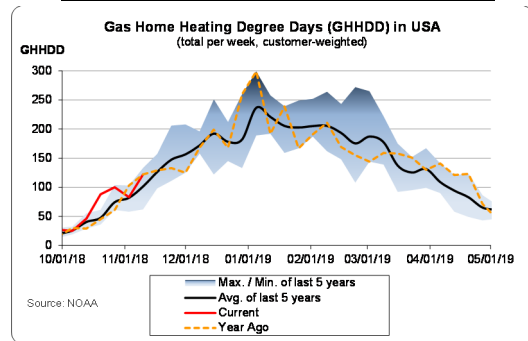
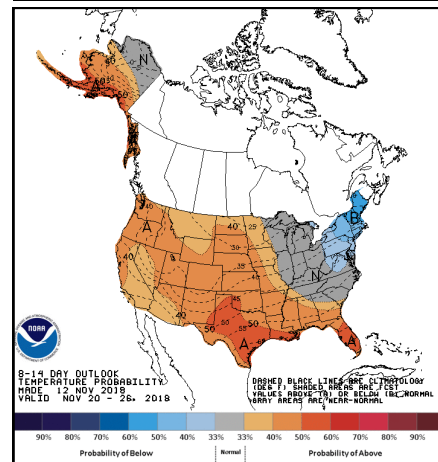
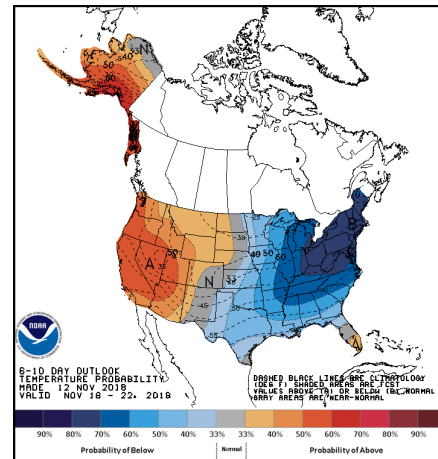
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