

# Natural Gas Market Review and Outlook

## For the week ended August 27, '10

### Week-to-Week Natural Gas Price Activity ↓↓

**Main factors driving natural gas prices:** Near-term prices dropped further as average temperatures are expected to fall with the onset of fall. The lack of any impending threats to the Gulf of Mexico from tropical cyclones and growing fears about weakness in the American economy applied strong downward pressure on NYMEX prices. Temperatures into the first full week of September are forecast to be above-normal outside the Pacific Coast and far northeast. These may support prices somewhat if high demand for cooling is matched by elevated levels of gas-fired generation.

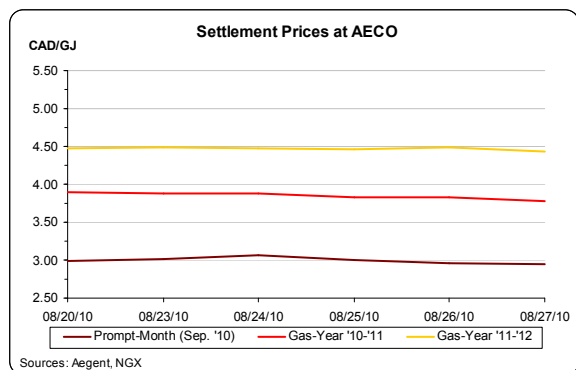
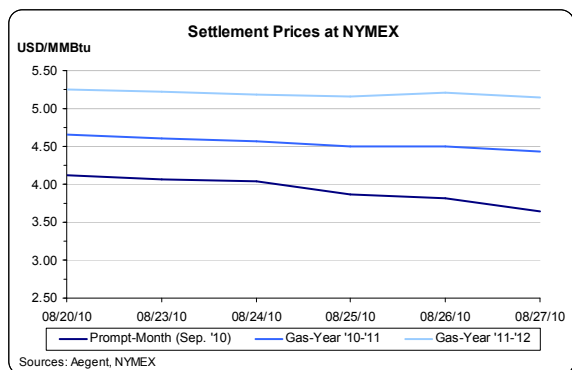
**NYMEX prices for week starting Aug. 30, '10 (USD / MMBtu):** Price for Oct. '10 is not likely to exceed \$4.06. Price for Winter '10-'11 (Nov. - Mar.) is not likely to exceed \$4.66. Price for Gas Year '10-'11 (Nov. - Oct.) is not likely to exceed \$4.68 (all projections are at 90% confidence and based on closing prices and volatilities for Aug. 27, '10).

**AECO prices for week starting Aug. 30, '10 (CAD / GJ):** Price for Oct. '10 is not likely to exceed \$3.33. Price for Winter '10-'11 (Nov. - Mar.) is not likely to exceed \$4.01. Price for Gas Year '10-'11 (Nov. - Oct.) is not likely to exceed \$3.99 (all projections are at 90% confidence and based on closing prices and volatilities for Aug. 27, '10).

NYMEX Prices USD/MMBtu	08/27/10	08/20/10	% Change
Prompt-Month (Sep. '10)	\$3.65	\$4.12	-11%
Summer '10 (Sep. - Oct.)	\$3.68	\$4.13	-11%
Winter '10-'11 (Nov. - Mar.)	\$4.35	\$4.62	-6%
Gas Year '10-'11 (Nov. - Oct.)	\$4.43	\$4.66	-5%
Gas Year '11-'12 (Nov. - Oct.)	\$5.15	\$5.25	-2%

AECO Prices CAD/GJ	08/27/10	08/20/10	% Change
Prompt-Month (Sep. '10)	\$2.95	\$2.99	-2%
Summer '10 (Sep. - Oct.)	\$2.99	\$3.06	-2%
Winter '10-'11 (Nov. - Mar.)	\$3.74	\$3.87	-3%
Gas Year '10-'11 (Nov. - Oct.)	\$3.77	\$3.90	-3%
Gas Year '11-'12 (Nov. - Oct.)	\$4.43	\$4.48	-1%

All prices are settlement prices



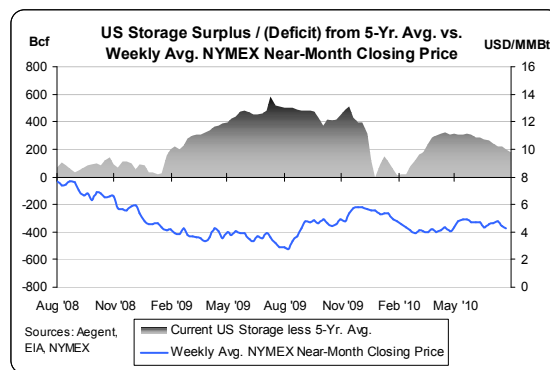
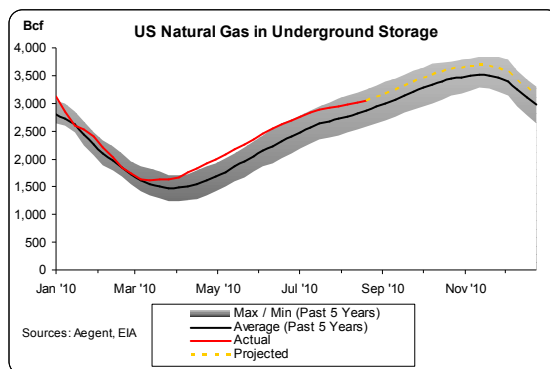
This report is based on interpretation by Aegent Energy Advisors Inc. of publicly available data and is provided for informational purposes only. Aegent Energy Advisors Inc. is not acting as a fiduciary or financial advisor to clients or recipients. The information does not constitute advice, assurance, guarantee or representation whatsoever as to the outcome of any course of action.

Aegent Energy Advisors Inc. makes no representation or warranties, express or implied, regarding the accuracy, reasonability or completeness of the information, assumptions or analysis contained in this report and its attachments. Aegent Energy Advisors Inc. accepts no liability in connection therewith, and nothing contained herein should be considered financial or other advice.

## Fundamentals

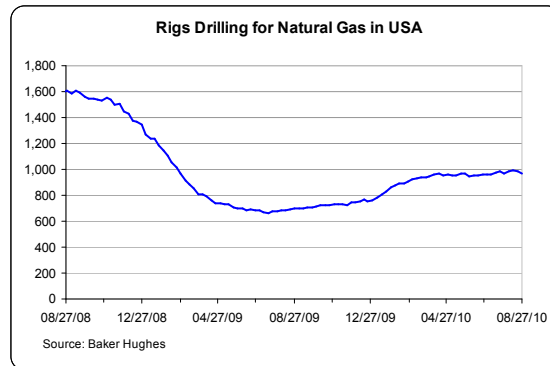
**Natural gas:** The EIA reported a net injection into storage of 40 Bcf for the week ended Aug. 20, '10 increasing total storage to 3,052 Bcf; 6.1% below last year's level but 6.2% above the 5-year average. The injection was slightly above the market's expectations for a net injection of 38 Bcf. Baker-Hughes reported that the weekly rig count fell from 985 as of Aug. 20, '10 to 973 as of Aug. 27, '10.

**Crude oil:** The price of the prompt-month contract rose from \$73.46 US / bbl as of Aug. 20 '10 to \$75.17 US / bbl as of Aug. 27, '10. Crude oil prices closed higher on the week despite mounting fears of the economic recovery losing strength. It is suspected that bargain-hunting lifted crude oil prices as they approached \$71 / bbl by mid-week. A survey of market analysts by Bloomberg News shows that 12 out of 49 respondents, or 24% (down from 39% last week) believe that prices for crude oil futures will drop in the week ending Sep. 3, '10. 20 respondents (41%) believe that prices will rise in the same period (up from 32% last week). The remaining 17 respondents (35%) forecast that prices will change little (up from 29% last week).



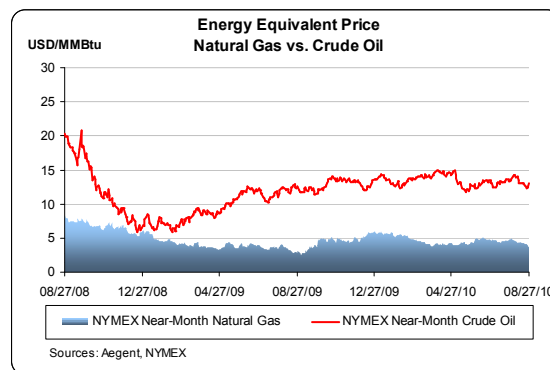
### US Natural Gas in Storage (Bcf) (Source: EIA)

Week ended 08/20/10	This year	Year ago	5-year average
Net change	40	53	59
Gas in storage	3,052	3,250	2,875



### US Petroleum Stockpiles (MMbbl) (Source: EIA)

Week ended 08/20/10	This year	Week ago	Year ago
Crude oil	358.3	354.2	343.8
Distillate (incl. heating oil)	176.0	174.2	162.4



This report is based on interpretation by Aegent Energy Advisors Inc. of publicly available data and is provided for informational purposes only. Aegent Energy Advisors Inc. is not acting as a fiduciary or financial advisor to clients or recipients. The information does not constitute advice, assurance, guarantee or representation whatsoever as to the outcome of any course of action.

Aegent Energy Advisors Inc. makes no representation or warranties, express or implied, regarding the accuracy, reasonability or completeness of the information, assumptions or analysis contained in this report and its attachments. Aegent Energy Advisors Inc. accepts no liability in connection therewith, and nothing contained herein should be considered financial or other advice.

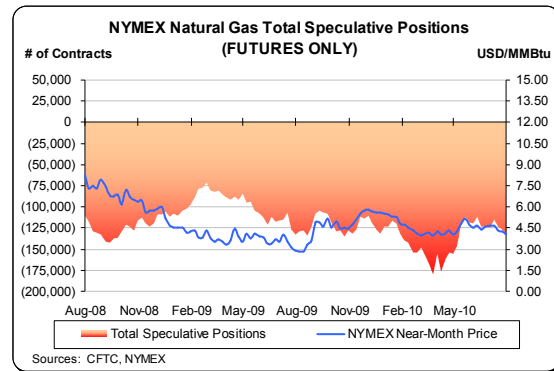
## Technical

Indicators are bearish for the short-run. Candlestick chart shows that the latest closing price of the prompt-month contract (\$3.651 US / MMBtu) is below 5-, 10- and 20-day moving averages (MAs). Both the Oscillator (OSC) and Exponential Moving Average (EMA) are negative with a growing negative differential thus indicating continued near-term bearishness. Relative Strength Indicator (RSI) has stayed in the bearish zone all week but now shows natural gas to be oversold. Price of prompt-month contract may find support in upcoming week near weekly support crossing (\$3.23 US / MMBtu). Resistance may exist near 10-day MA as of Aug. 27, '10 (\$4.043 US / MMBtu).

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

As of 08/24/10	This Week	Week ago
<b>Total Open Interest</b>	828,565	828,693
<b>Net Position - Total</b>	(131,071)	(127,392)
<b>Net Position - Large Speculators</b>	(163,196)	(160,712)

Note: Brackets denote net short position

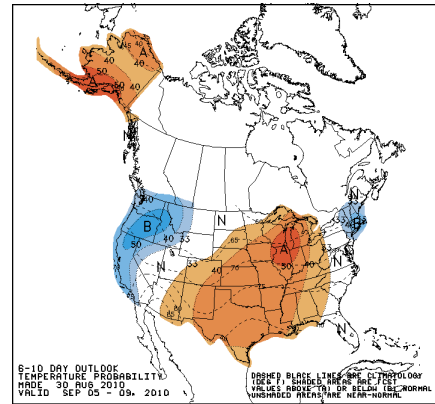


Source: Futuresource.com

This report is based on interpretation by Aegent Energy Advisors Inc. of publicly available data and is provided for informational purposes only. Aegent Energy Advisors Inc. is not acting as a fiduciary or financial advisor to clients or recipients. The information does not constitute advice, assurance, guarantee or representation whatsoever as to the outcome of any course of action.

Aegent Energy Advisors Inc. makes no representation or warranties, express or implied, regarding the accuracy, reasonability or completeness of the information, assumptions or analysis contained in this report and its attachments. Aegent Energy Advisors Inc. accepts no liability in connection therewith, and nothing contained herein should be considered financial or other advice.

Temp. Outlook: 6-10 days (Sep. 5 - 9, '10)



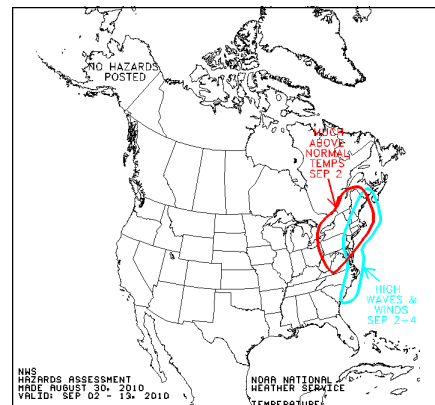
**Weather** (maps courtesy of NOAA)

NOAA reports that total Population-Weighted Cooling Degree Days in the USA for the week ended Aug. 28, '10 was 64. The norm for this time of year is 58. For the period May 2 – Aug. 28, '10, cumulative Population-Weighted Cooling Degree Days is 1118. The 30-year average (1971-2000) for the same period is 898.

For the upcoming week, NOAA forecasts Population-Weighted Cooling Degree Days to be 80. The norm for this period is 52.

For the week ended Aug. 27, '10, Cooling Degree Days in Ontario are estimated to be 11. The 5-year average for this period is 13. For the period May 1 – Aug. 27, '10, estimated cumulative Cooling Degree Days is 339. The average of the past 5 years for the same period is 268.

Hazards Assessment (Sep. 2 - 13, '10)



**About Aegent**

**Aegent Energy Advisors Inc.** provides independent advice and support services to buyers of natural gas and electricity to help them reduce energy costs, manage energy cost risk, and resolve the complexity of the energy marketplace. Aegent's processes for energy procurement and advisory services operate within a Quality Management System that is registered to ISO 9001:2000. Visit us on the web: [www.aegent.ca](http://www.aegent.ca)

**John Voss, Managing Director**

416-622-9449 x 102

[jvoss@aegent.ca](mailto:jvoss@aegent.ca)

**Frank Brennan, Senior Consultant**

416-622-9449 x 109

[fbrennan@aegent.ca](mailto:fbrennan@aegent.ca)

**Cory Slinger, Senior Consultant**

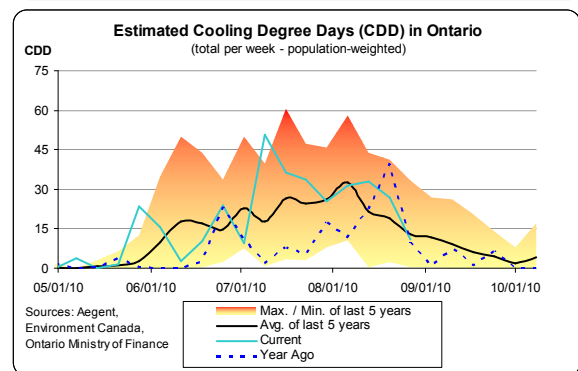
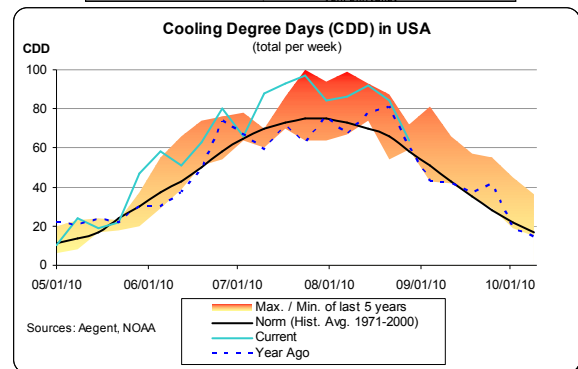
416-622-9449 x 110

[cslinger@aegent.ca](mailto:cslinger@aegent.ca)

**Peter Chong, Energy Markets Analyst**

416-622-9449 x 115

[pchong@aegent.ca](mailto:pchong@aegent.ca)



This report is based on interpretation by Aegent Energy Advisors Inc. of publicly available data and is provided for informational purposes only. Aegent Energy Advisors Inc. is not acting as a fiduciary or financial advisor to clients or recipients. The information does not constitute advice, assurance, guarantee or representation whatsoever as to the outcome of any course of action.

Aegent Energy Advisors Inc. makes no representation or warranties, express or implied, regarding the accuracy, reasonability or completeness of the information, assumptions or analysis contained in this report and its attachments. Aegent Energy Advisors Inc. accepts no liability in connection therewith, and nothing contained herein should be considered financial or other advice.