

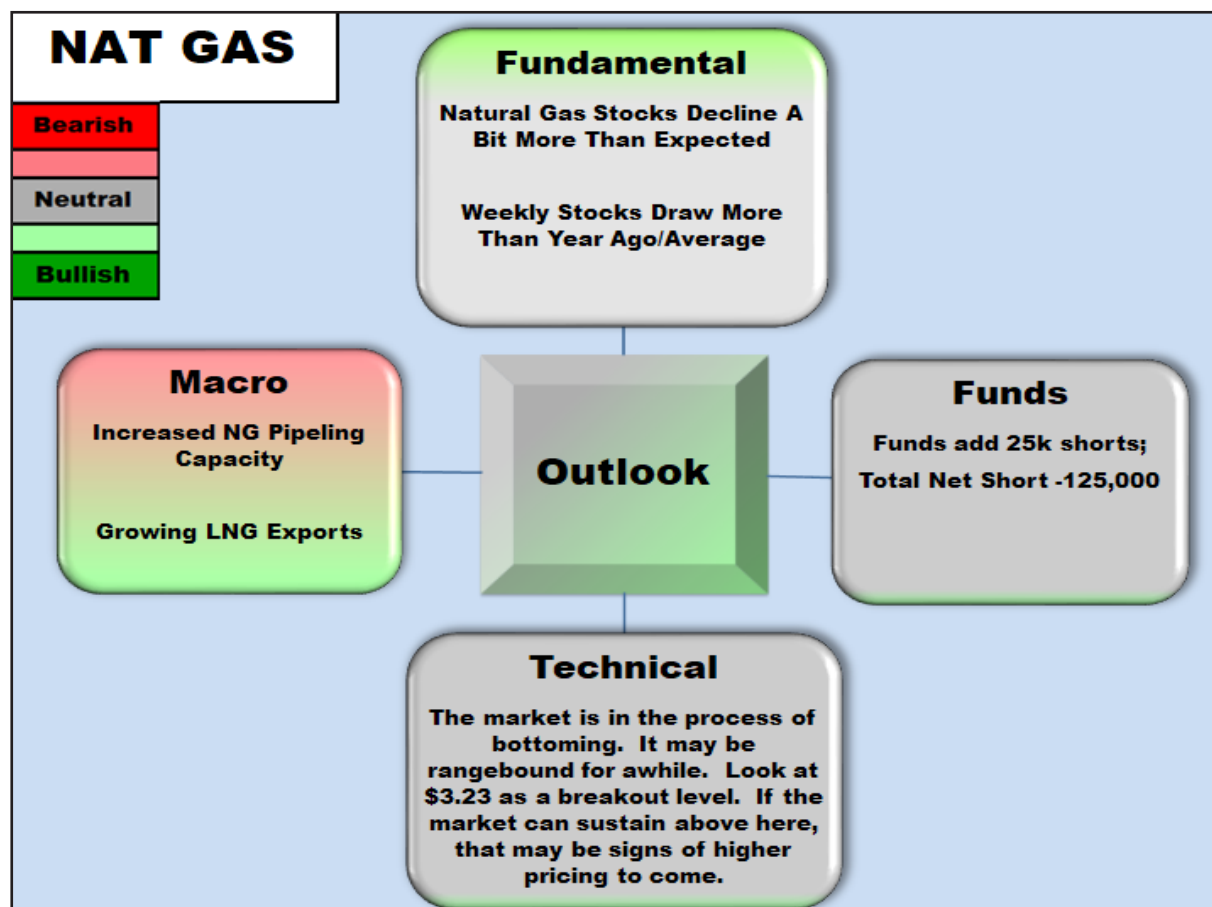


Trilateral Natural Gas Market Update

March 2, 2018

Recommendations

- Coverage should be extended two to four years, dependent on individual local pricing opportunities. The risk/reward ratio is very favorable to extending coverage; [check out chart 2 on page 5](#).



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Market Highlights



Natural Gas

- Natural Gas Stocks Decline Slightly More Than Expected
- Weekly Stocks Decline More Than Last Year, Less Than Average
- Weather Forecasts For Moderate Demand
- Natural Gas Rig Count Up 2 to 179



- Supply Rises Slightly
- Demand Remains Flat
- U.S. LNG Exports Increase Week Over Week

[Read detailed recap](#)

Market Recap

Natural Gas

- The U.S. Energy Information Administration (EIA) reported Thursday morning that U.S. natural gas stocks decreased by 78 billion cubic feet for the week ending February 23.
- Analysts were expecting a storage withdrawal between 68 billion and 78 billion cubic feet. The five-year average for the week is a withdrawal of 118 billion cubic feet, and last year's storage increase for the week totaled 7 billion cubic feet. Natural gas inventories fell by 124 billion cubic feet in the week ending February 16.
- Total U.S. stockpiles fell week over week to 28.8% below last year's level and are now 18.1% below the five-year average.
- The EIA reported that U.S. working stocks of natural gas totaled about 1.682 trillion cubic feet at the end of last week, around 372 billion below the five-year average of 2.054 trillion cubic feet and 680 billion below last year's total for the same period. Working gas in storage totaled 2.362 trillion cubic feet for the same period a year ago.
- The Eastern US will be mild again today, then cooling Fri-Sat as a storm spins up and strengthens with areas of rain and snow, but overall just not able to tap much subfreezing air. High pressure will return over much of the east-central US Sun-Mon, followed by colder systems for the middle of next week. A powerful winter storm with heavy rain and snow will move into the West through the weekend, including California, with additional systems next week. Demand overall will be MODERATE.
- According to Baker Hughes, for the week ending Tuesday, February 20, the natural gas rig count increased by 2 to 179. The number of oil-directed rigs rose by 1 to 799. The total rig count increased by 3, and it now stands at 978.
- According to data from PointLogic Energy, the average total supply of natural gas rose by 1% compared with the previous report week. Similarly, dry natural gas production grew by 1% compared with the previous report week. The trade press has noted that record production in recent weeks may be having a moderating effect on prices. Average net imports from Canada increased by 4% from last week.
- Total U.S. consumption of natural gas was unchanged from the previous report week, averaging 75.0 Bcf/d according to data from PointLogic Energy. Natural gas consumed for power generation climbed by 4% week over week. Industrial sector consumption stayed constant, averaging 21.8 Bcf/d. In the residential and commercial sectors, consumption declined by 2%. Natural gas exports to Mexico increased by 1%.
- Five LNG vessels (LNG-carrying capacity 17.6 Bcf combined) departed the Sabine Pass liquefaction facility from February 22 to February 28. One tanker (LNG-carrying capacity 3.5 Bcf) was loading at the terminal on Wednesday.
- Commissioning activities at the Dominion Energy Cove Point liquefaction facility are on-going. Although Dominion Energy does not yet report the natural gas feedstock deliveries into the terminal, according to estimates by S&P Global Platts Bentek Energy, the implied pipeline feedgas deliveries averaged 0.45 Bcf/d during the past two weeks and reached 0.8 Bcf/d on Wednesday. An LNG tanker (carrying capacity 2.97 Bcf) was docked and loading LNG at the terminal on Wednesday, with a departure likely in the next 24–48 hours.
- [See Natural Gas Charts and Tables](#)

Natural Gas Charts and Tables

April Natural Gas Future (Close 2.709)

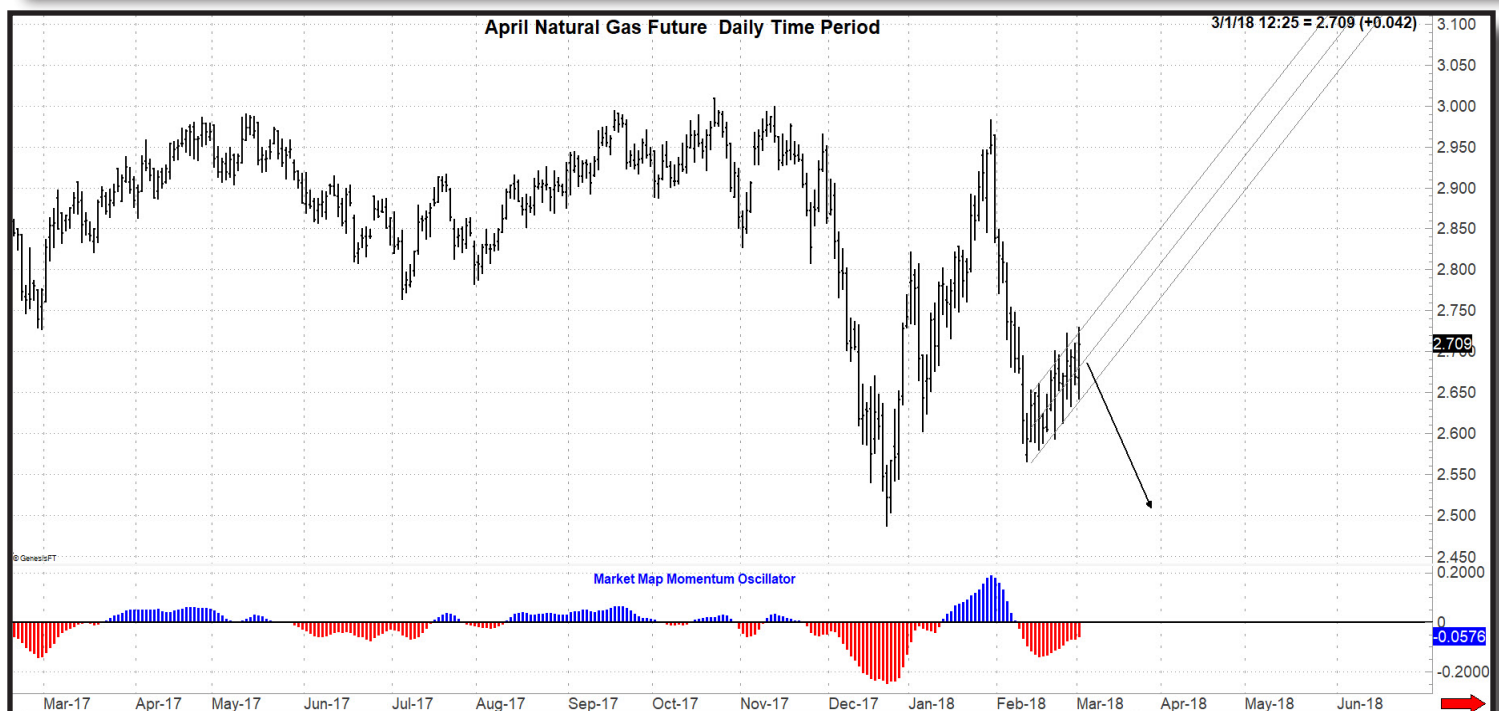
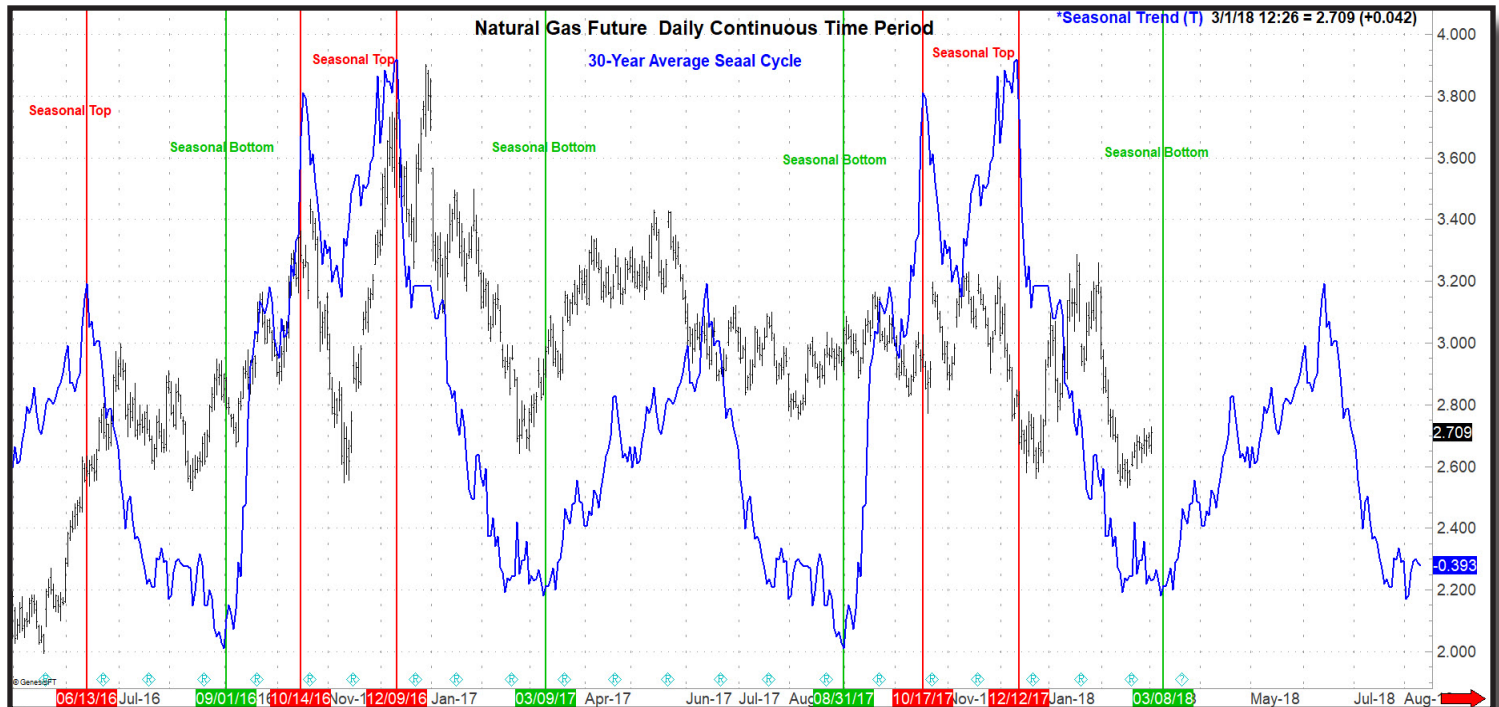
Support: 2.612, 2.593, 2.565, 2.487.

Resistance: 2.731, 2.754, 2.834, 2.983.

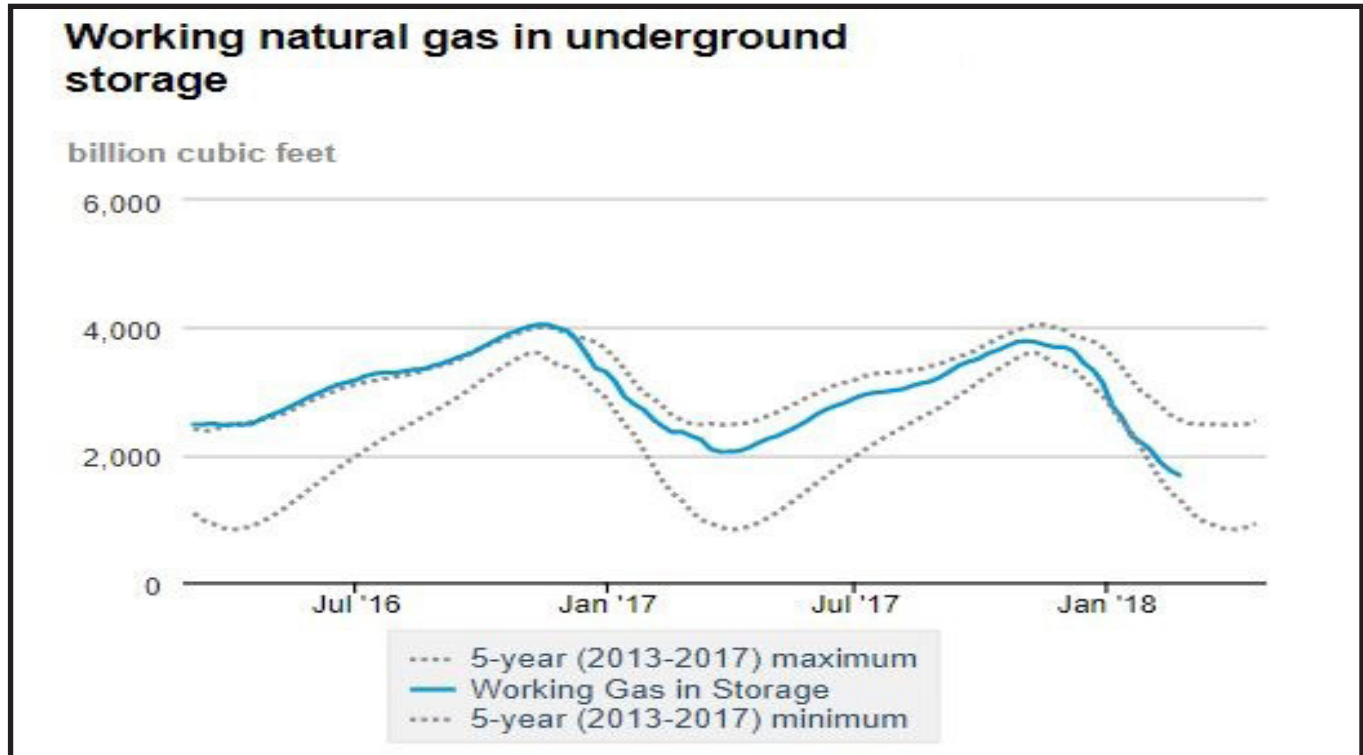
Trend: Short-term: Down.

Long-term: Down.

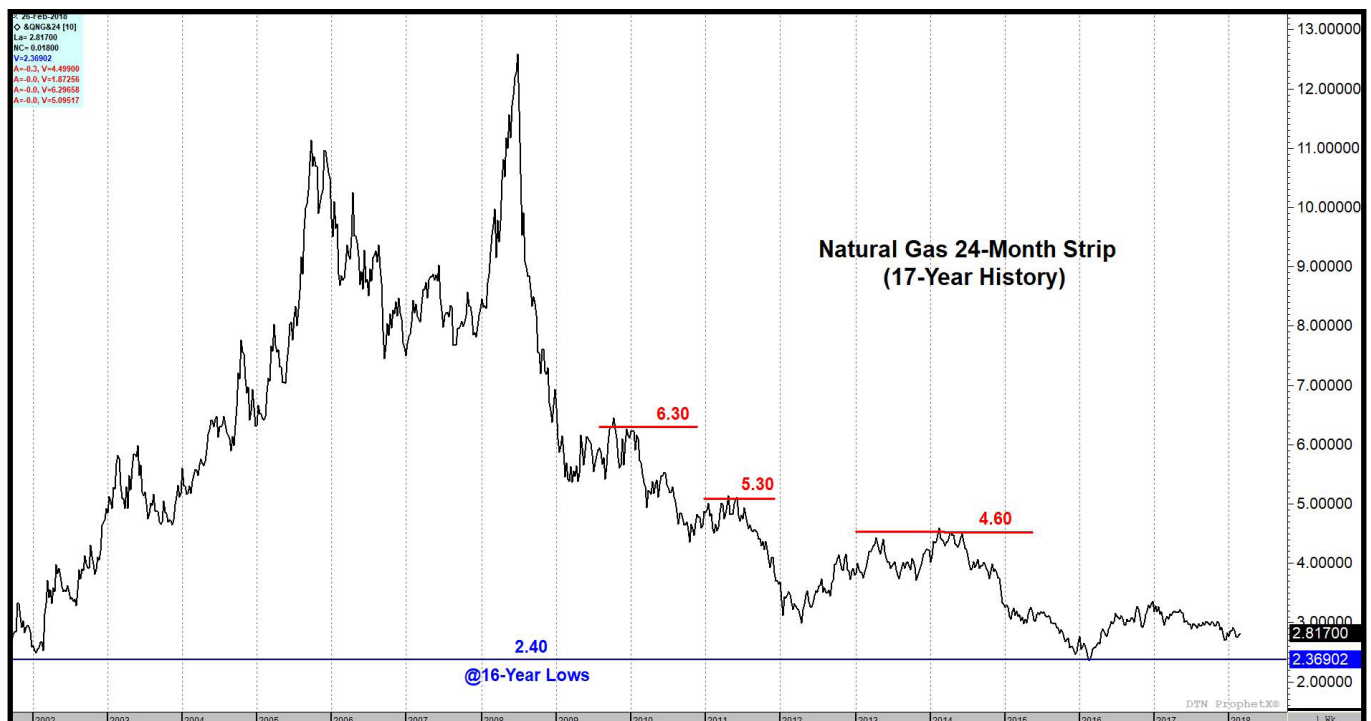
TECHNICAL PERSPECTIVE: While Natural gas prices remain range-bound, the seasonal cycle bottom (turning positive) is fast approaching. We continue to expect prices to stabilize at long-term support between 2.636 and 2.534. However, recent price action on the April chart below appears to be corrective, strongly suggesting the possibility of one more new low to complete the decline into the seasonal bottom.



U.S. Natural Gas Supply & Demand



Natural Gas 24-Month Strip



The chart of the 24-month Strip illustrates the value and beneficial risk/reward in extending coverage longer-term.