

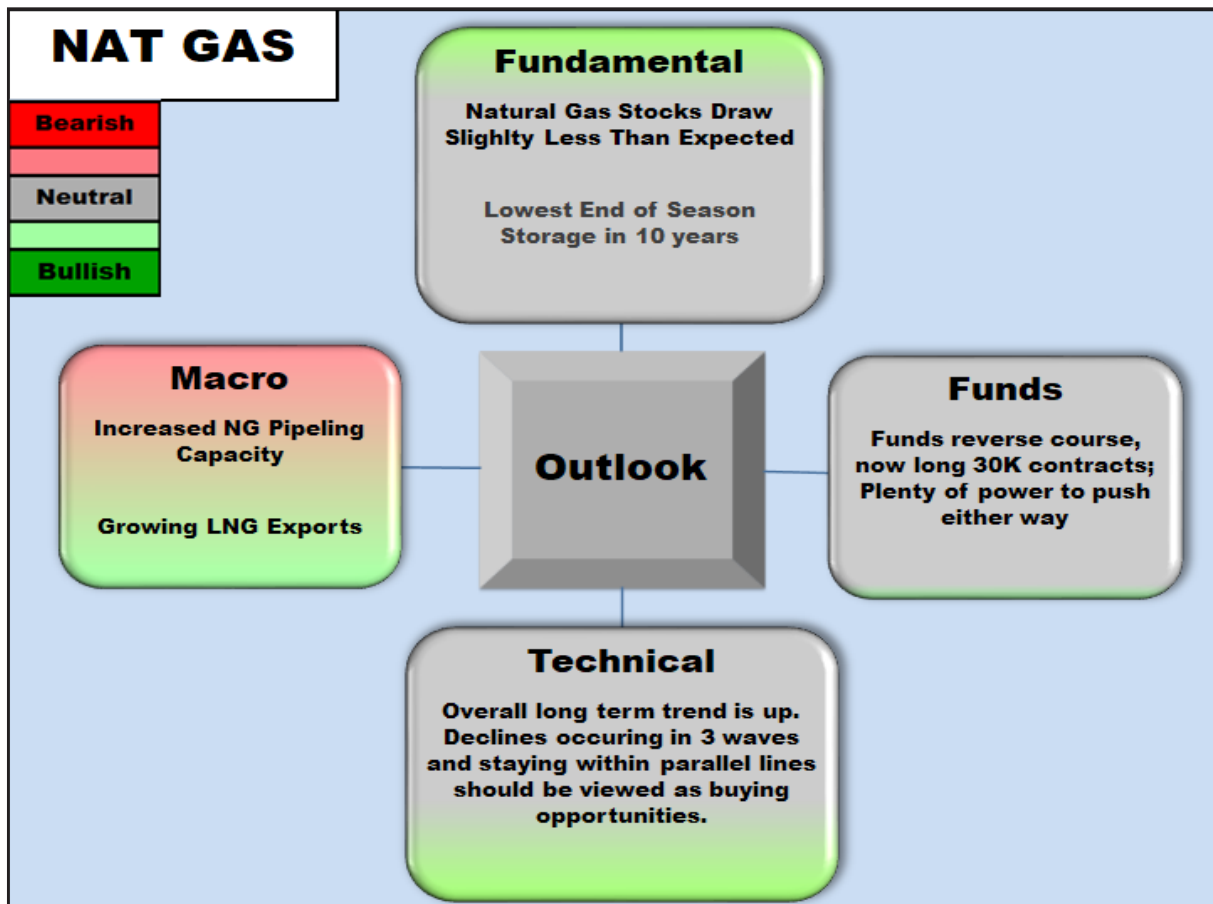


Trilateral Natural Gas Market Update

December 14, 2018

Recommendations

- If coverage is lacking throughout this winter, purchase calls to avoid a worst case scenario. According to the forward curve, the market is providing an opportunity to extend coverage at very attractive levels post April 2019. This week's move should be a wake up call and we recommend adding coverage that extends 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

- Nat Gas Stocks Decline Less Than Expected
- Weekly Stocks Draw In Line With Year Ago/Average
- Weather Calls For Moderate Demand
- Natural Gas Rig Count Up 9 To 198
- Supply Unchanged
- Demand Rose
- U.S. LNG Exports Flat Week Over Week



[Read detailed recap](#)

Market Recap

- The U.S. Energy Information Administration (EIA) reported Thursday morning that U.S. natural gas stockpiles decreased by 77 billion cubic feet for the week ending December 7.
- Analysts were expecting a storage withdrawal in a range of 72 billion to 95 billion cubic feet. The five-year average for the week is a withdrawal of 79 billion cubic feet, and last year's withdrawal totaled 59 billion cubic feet. Natural gas inventories fell by 63 billion cubic feet in the week ending November 30.
- Total U.S. stockpiles decreased week over week from 19.1% to 19.9% below last year's level and also fell from 19.1% to 19.9% below the five-year average.
- The EIA reported that U.S. working stocks of natural gas totaled about 2.914 trillion cubic feet at the end of last week, around 723 billion cubic feet below the five-year average of 3.637 trillion, as well as 722 billion cubic feet below last year's total for the same period. Working gas in storage totaled 3.636 trillion cubic feet for the same period a year ago.
- A strong weather system will sweep across Texas and the South today into Friday with areas of rain, locally as snow, then across the Southeast Friday and Saturday. The rest of the country from Fri into early next week will be mostly mild with highs of 40s and 50s across the northern tier and 60s, to locally 70s elsewhere. A fast moving weather system will race across the Northeast early next week with colder temperatures but remaining mild over the rest of the country. Overall, national demand will be MODERATE.
- According to Baker Hughes, for the week ending Tuesday, December 4, the natural gas rig count increased by 9 to 198. The number of oil-directed rigs fell by 10 to 877. The total rig count decreased by 1, and it now stands at 1,075.
- According to data from PointLogic Energy, the average total supply of natural gas remained the same as in the previous report week, averaging 92.6 Bcf/d. Dry natural gas production decreased by 1% this report week from 88.6 Bcf/d last report week. Average net imports from Canada increased by 27%, or 1 Bcf/d from 3.7 Bcf/d, last week. Daily volumes from Enbridge's Westcoast pipeline, which provides natural gas to northwestern United States, have risen following the explosion in October. According to PointLogic, imports yesterday were 703 million cubic feet (MMcf) compared to 613 MMcf last Wednesday.
- Total U.S. consumption of natural gas rose by 15% compared with the previous report week, according to data from PointLogic Energy. Natural gas consumed for power generation climbed by 9% week over week. Industrial sector consumption increased by 4% week over week. In the residential and commercial sectors, consumption increased by 26%. Natural gas exports to Mexico increased 2%.
- Eight LNG vessels (six from the Sabine Pass liquefaction terminal, one from Cove Point, and one from Corpus Christi) with a combined LNG-carrying capacity of 26.2 Bcf departed the United States between December 6 and December 13, and one vessel was loading at Sabine Pass on Wednesday, according to Bloomberg shipping data.
- Cheniere Energy, the developer of the Corpus Christi liquefaction facility in Texas, announced that the first commissioning cargo departed the terminal on December 11. Corpus Christi is the first greenfield liquefaction export facility built in the Lower 48 states and the first LNG export facility in Texas. The facility was placed in service several months ahead of the originally announced schedule.
- U.S. LNG imports resumed. Two LNG cargoes were imported into the United States so far this month, one to Everett terminal in Massachusetts and one to Cove Point in Maryland. Both cargoes came from Trinidad. Before these imports arrived, the last LNG cargo imported into Everett came in November 2018 and to Cove Point in January 2018. The cargo imported into Cove Point in January was used as a cool down cargo as part of the commissioning process of the new liquefaction facilities.
- [See Natural Gas Charts and Tables](#)

Natural Gas Charts and Tables

January Natural Gas Future (Close 4.242)

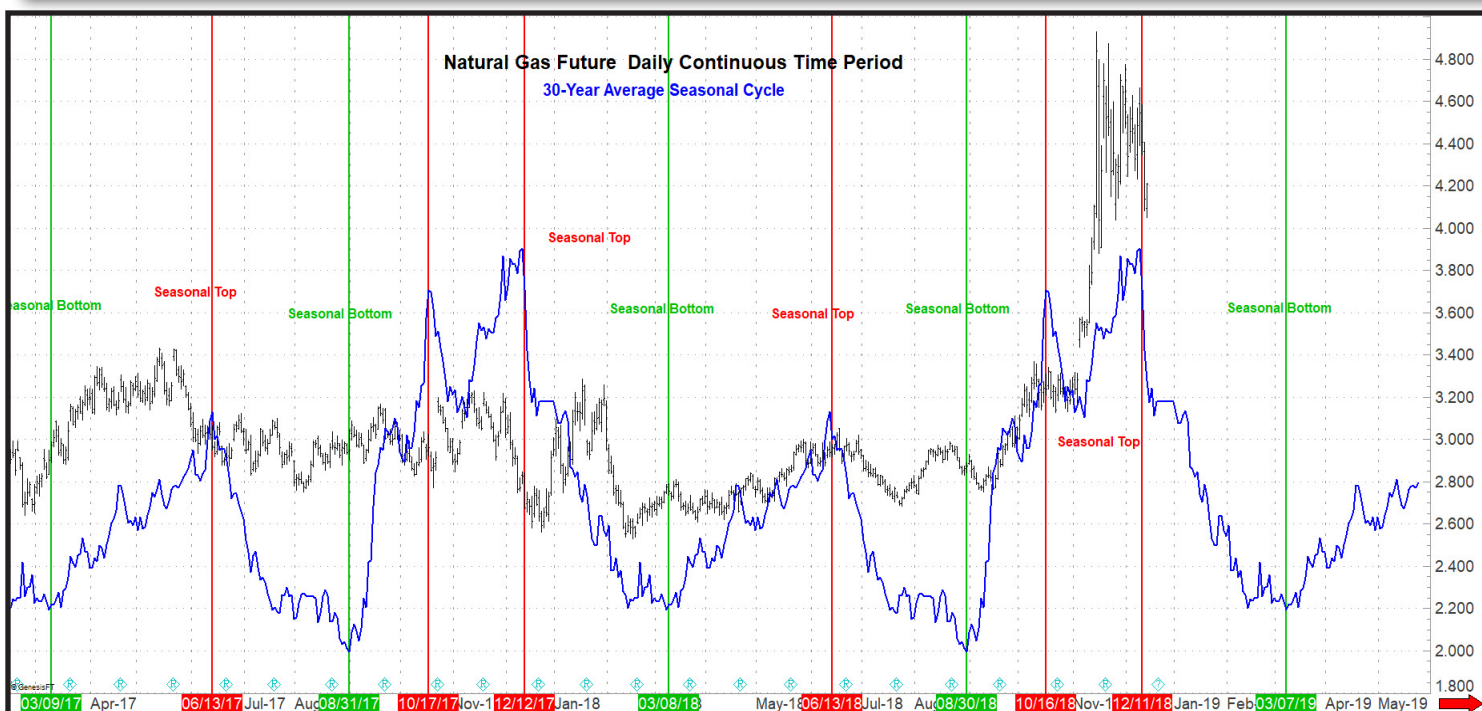
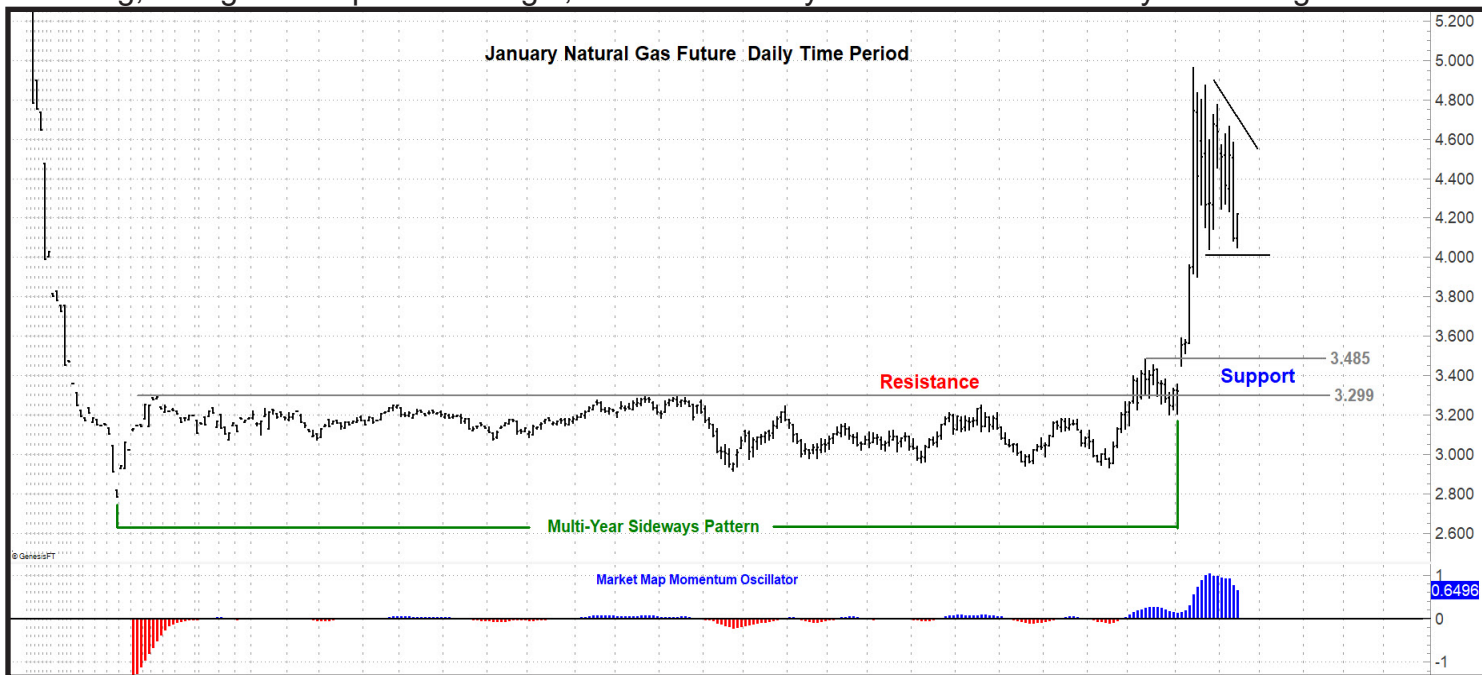
Support: 4.038, 3.908, 3.512, 3.203.

Resistance: 4.666, 4.776, 4.875, 4.964, 5.389.

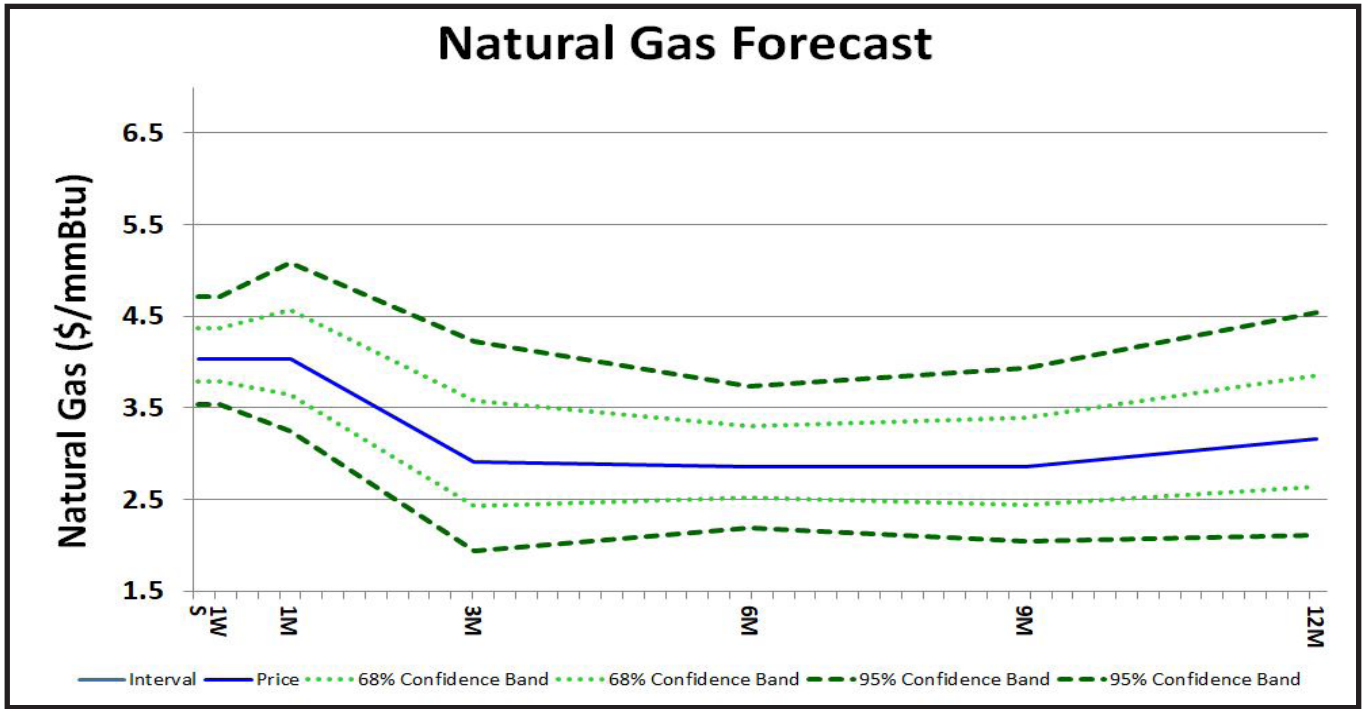
Trend: Short-term: Up.

Long-term: Up.

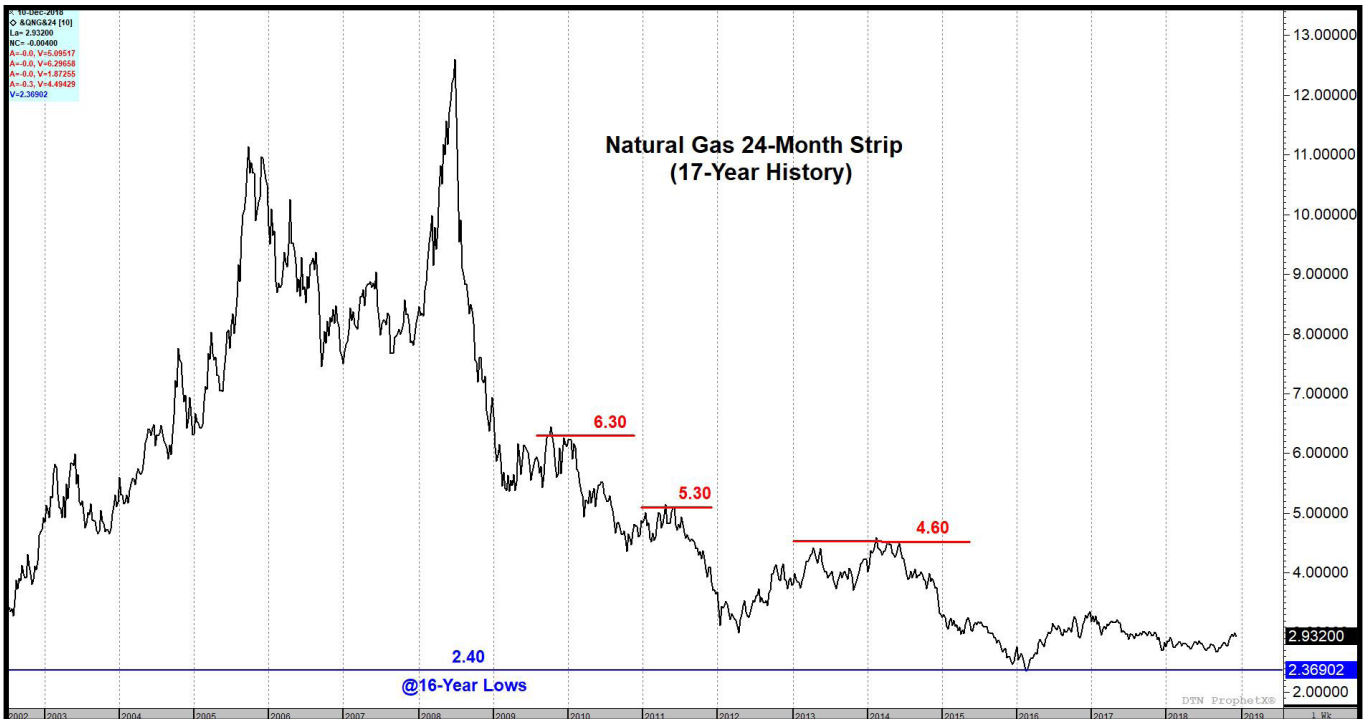
TECHNICAL PERSPECTIVE: Natural gas broke out of its multi-month horizontal trading range, stabilized above resistance (3.101 to 3.183) and accelerated higher. As long as prices remain above the break-out range between 3.101 to 3.183, the bias remains to the up side. While the seasonal cycle remain positive into yearend, it is now transitioning from positive to negative. It appears a 5-wave advance is unfolding with the recent peak the completion of wave 3. While a fourth wave correction currently appears to be unfolding, taking the shape of a triangle, should ultimately lead to a 5th wave rally to new highs.



Natural Gas Price Forecast



Natural Gas 24-Month Strip



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