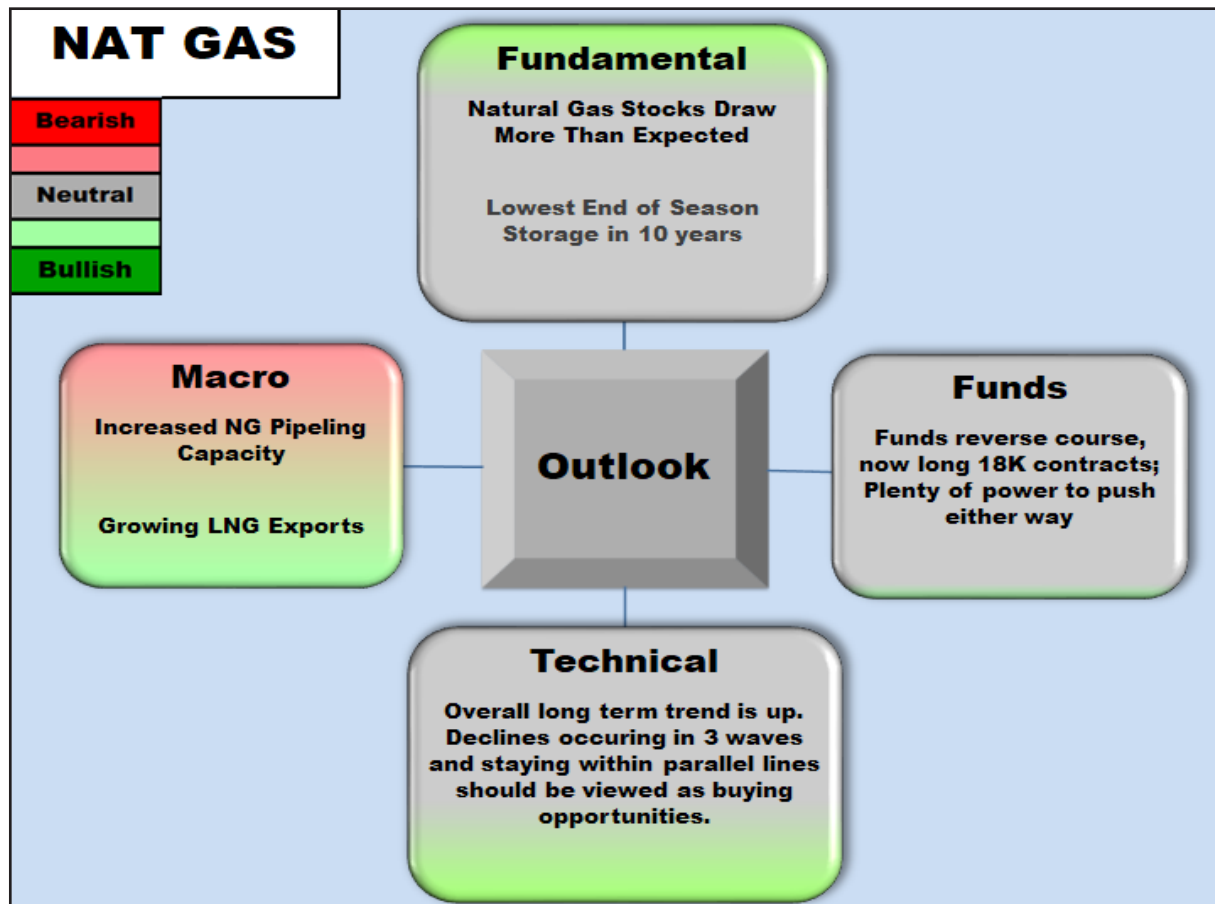


Trilateral Natural Gas Market Update

December 21, 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 More Than Expected
- Weekly Stocks Draw Less Than Year Ago/Average
- Weather Calls For Low Demand
- Natural Gas Rig Count Flat at 198
- Supply Falls
- Demand Falls
- U.S. LNG Exports Decline Week Over Week
- Enbridge Works To Restore Service Following Pipeline Explosion In Tennessee



[Read detailed recap](#)

Market Recap

- The U.S. Energy Information Administration (EIA) reported Thursday morning that U.S. natural gas stockpiles decreased by 141 billion cubic feet for the week ending December 14. Analysts were expecting a storage withdrawal in a range of 116 billion to 146 billion cubic feet. The five-year average for the week is a withdrawal of 144 billion cubic feet, and last year's withdrawal totaled 166 billion cubic feet. Natural gas inventories fell by 77 billion cubic feet in the week ending December 7.
- Total U.S. stockpiles decreased week over week from 19.9% to 20.1% below last year's level and also fell from 19.9% to 20.6% below the five-year average. The EIA reported that U.S. working stocks of natural gas totaled about 2.773 trillion cubic feet at the end of last week, around 720 billion cubic feet below the five-year average of 3.493 trillion cubic feet and 697 billion cubic feet below last year's total for the same period. Working gas in storage totaled 3.470 trillion cubic feet for the same period a year ago.
- A strong weather system will bring heavy rain over the East Coast the next few days with snow into the coldest air. Mild conditions will dominate most of the rest of the country with highs of 40s and 50s north and 60s to locally 70s elsewhere. There will be a brief cold shot across the Midwest and East next week, focused around Christmas Eve for locally stronger demand otherwise mild. The West will see weather systems with valley rains & mountain snows. Overall, national demand will be lighter than normal due to not enough cold air. Overall, national demand will be LOW.
- According to Baker Hughes, for the week ending Tuesday, December 11, the natural gas rig count remained flat at 198. The number of oil-directed rigs fell by 4 to 873. The total rig count decreased by 4, and it now stands at 1,071.
- According to data from PointLogic Energy, the average total supply of natural gas fell by 1% compared with the previous report week. Dry natural gas production remained constant week over week. Average net imports from Canada decreased by 3% from last week.
- Demand falls, driven by decline in residential and commercial consumption. Total U.S. consumption of natural gas fell by 16% compared with the previous report week, according to data from PointLogic Energy. The largest decrease in consumption came in the residential and commercial sectors, where natural gas use declined by 25% with warmer-than-normal weather across the Lower 48 states. Natural gas consumed for power generation declined by 11% week over week. Industrial sector consumption decreased by 3% week over week. Natural gas exports to Mexico decreased 2%.
- U.S. LNG exports decline week over week. Seven LNG vessels (six from the Sabine Pass liquefaction terminal, and one from Cove Point) with a combined LNG-carrying capacity of 24.7 Bcf departed the United States from December 13 to December 19, and one vessel was loading at Sabine Pass on Wednesday, according to Bloomberg shipping data.
- On Tuesday, Cheniere Energy, the developer of the Sabine Pass liquefaction facility in Louisiana, announced it will sell LNG from Train 6 to Malaysia's Petronas in a 20-year deal. Train 6 has been approved but is not yet under construction.
- U.S. LNG imports into Cove Point will continue later this month. One LNG cargo is scheduled to be delivered to Cove Point in Maryland later this month, according to Bloomberg shipping data. The cargo was loaded at the Bonny terminal in Nigeria and is en route to Maryland, according to Bloomberg.
- Enbridge works to restore service following pipeline explosion in Tennessee. On Saturday, December 15, a 22-inch natural gas pipeline exploded in Pleasant Shade, Tennessee, on Enbridge's East Tennessee Natural Gas system (ETNG). There were no injuries, and Genscape data showed flows dropped from an average of 300 million cubic feet per day (MMcf/d) to zero at the Dixon Springs compressor station, located 40 miles northwest of Nashville, Tennessee. Prices at Tenn Zone 1 100L declined from \$3.75/MMBtu on Friday to \$3.34/MMBtu on Wednesday. The Pipeline and Hazardous Materials Safety Administration (PHMSA) is conducting an investigation and working with Enbridge on a restoration plan.
- [See Natural Gas Charts and Tables](#)

Natural Gas Charts and Tables

March Natural Gas Future (Close 3.380)

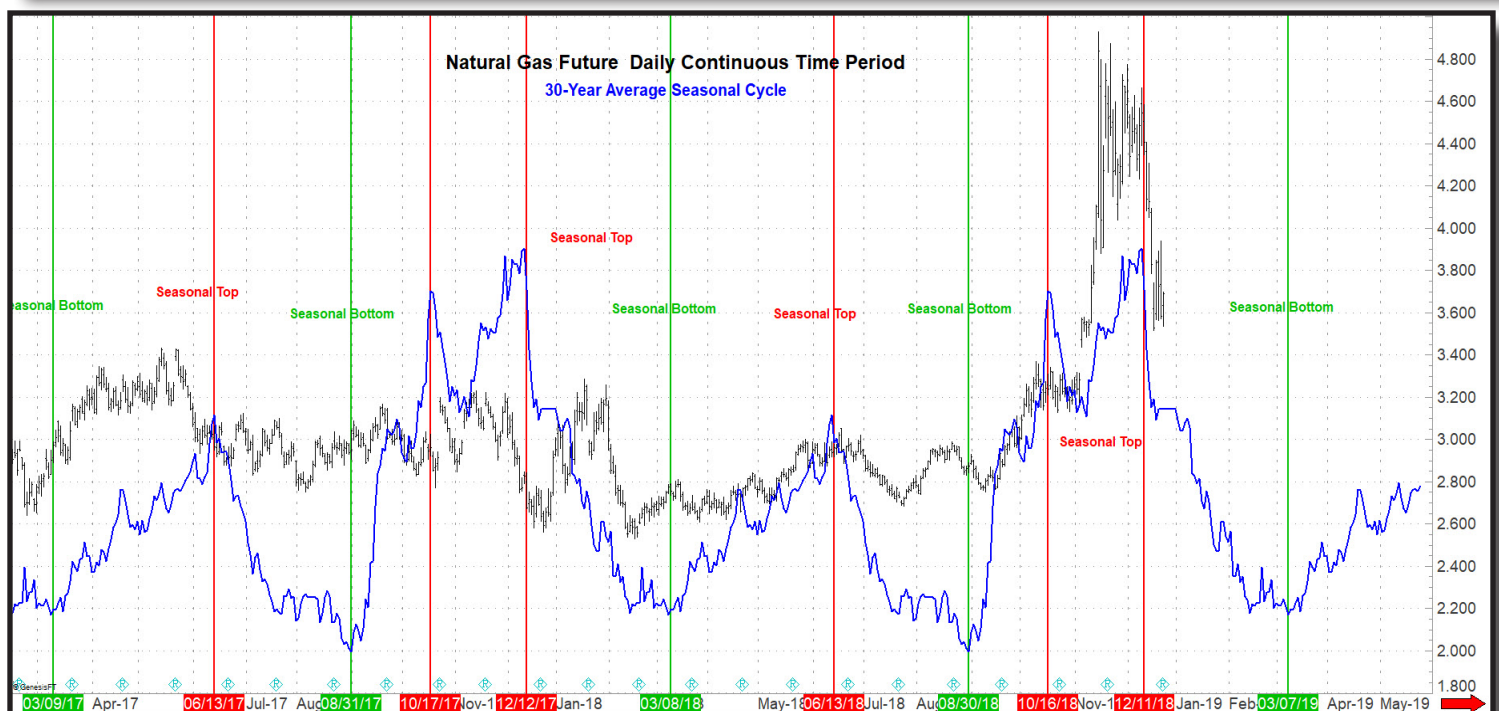
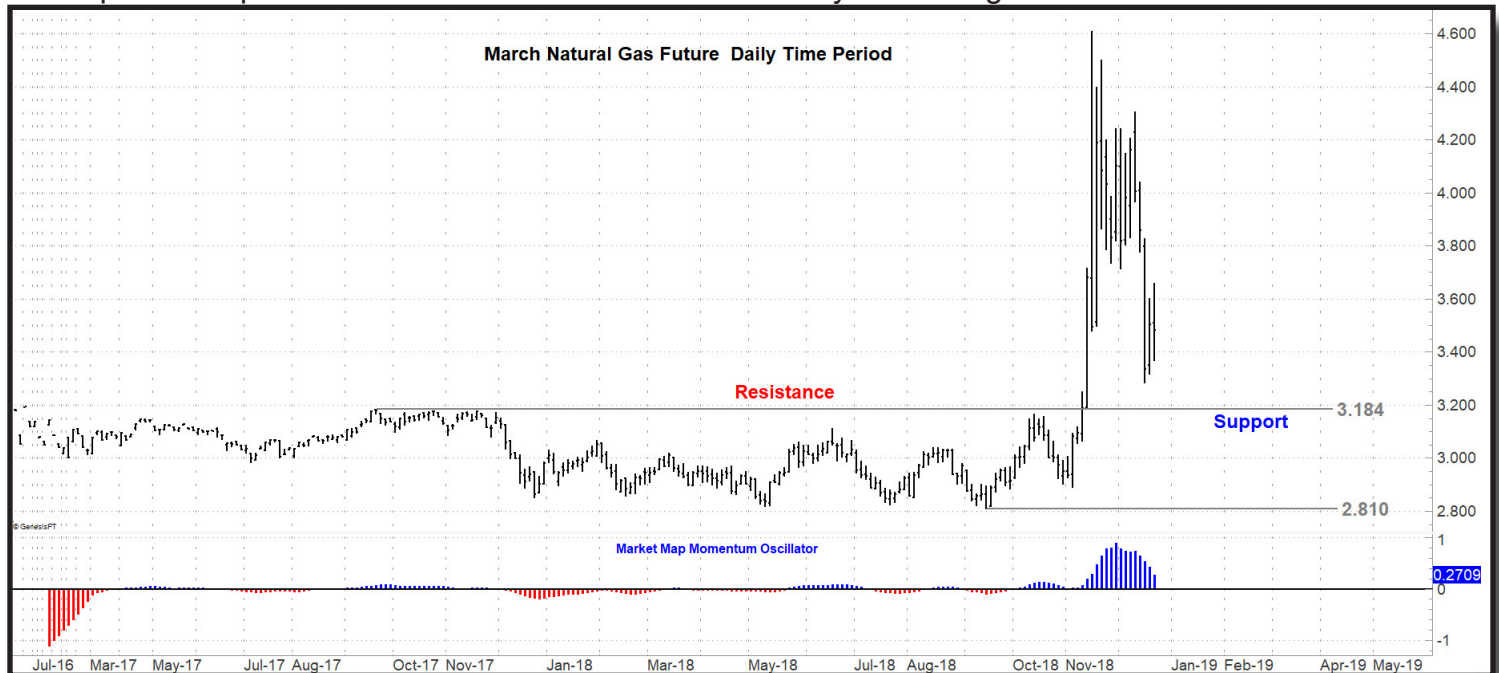
Support: 3.283, 3.064, 2.890, 2.883, 2.810.

Resistance: 3.659, 4.304, 4.500, 4.608.

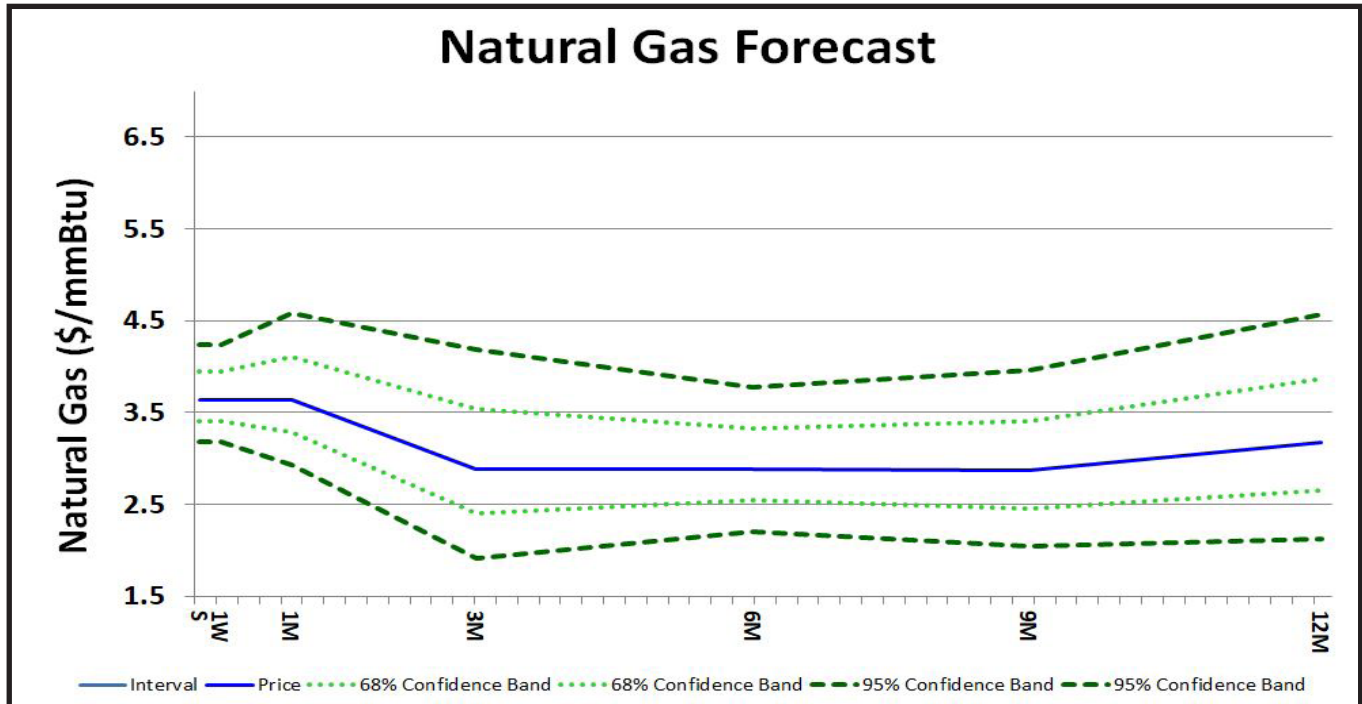
Trend: Short-term: Up.

Long-term: Up.

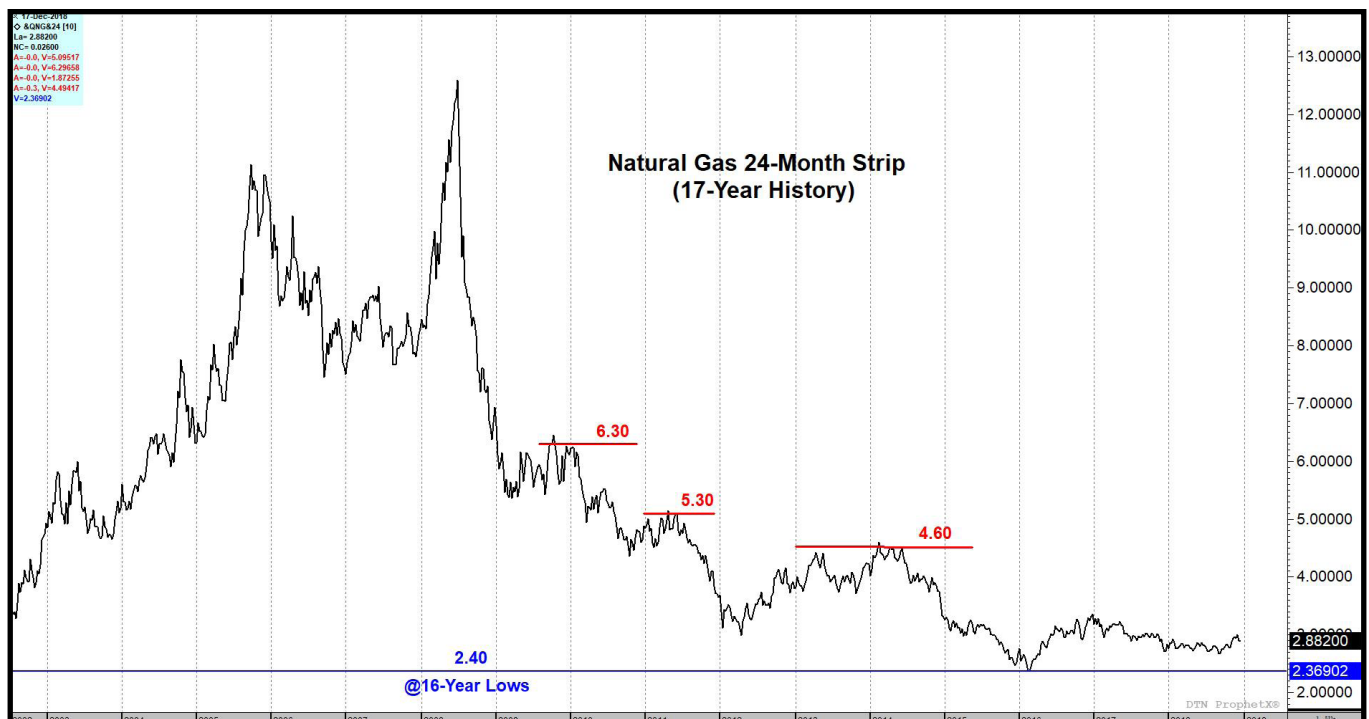
TECHNICAL PERSPECTIVE: Natural gas broke out of its multi-month horizontal trading range, stabilized above resistance (2.810 to 3.184) and accelerated higher. As long as prices remain above the break-out range between 2.810 to 3.184, the bias remains to the up side. The seasonal cycle has now transitioned 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 unfolding. Once the correction of the November rally is complete and prices remain above 3.184 a 5th wave rally to new highs should occur.



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.