

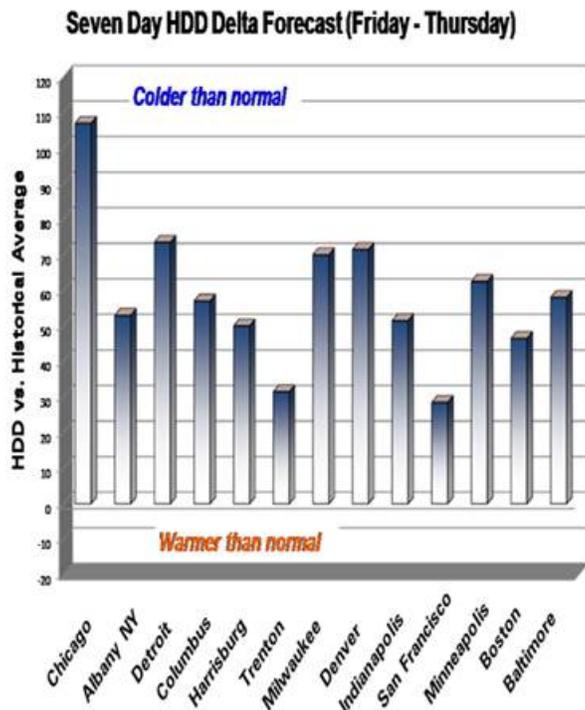
Blake Baxter

Subject: FW: MEP Weekly Gas Update 12-15-2016
Attachments: MEP Gas Storage Chart 2016 12 15.pdf; NG Price Curve 2016 12 15.pdf

From: Blake Baxter
Sent: Thursday, December 15, 2016 5:26 PM
Subject: MEP Weekly Gas Update 12-15-2016

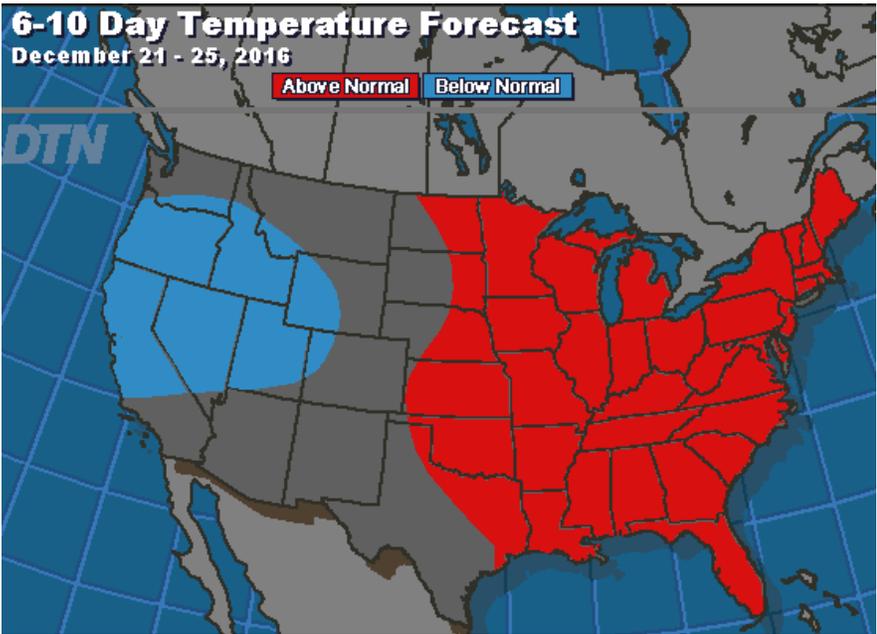
Natural gas is currently trading at \$3.434 per Dth

Whether it is the stock market or the commodity markets I have always counseled would-be traders to avoid day trading. Day trading to me is on the same level with going to Vegas and playing craps except even then you can calculate the odds of craps. So let's consider the facts: today represented (1) one of the coldest days of the year; (2) the issuance of a storage report showing a withdrawal of -147 BCF (well above expectations); and, (3) the day that the 1 TCF of 2016 gas surplus was officially erased. So what direction do you think the market took today?



(Courtesy BP Canada)

Naturally after that lead in you must have guessed that the market went down today. Yes, the Bulls have taken a back seat most of this week. To a certain extent this is understandable as markets never move in a straight line for very long. Short-term traders could never make any money if it did. They look for corrections and profit taking opportunities. They look at things like momentum indicators closely to see if the market is running out of steam. It actually does not matter if any of this is real as long as enough people believe it. The funny part is when they try to explain it based on "news". Often in the energy markets "news" means any change in any weather forecast. And that my friends is what we are hearing this week.



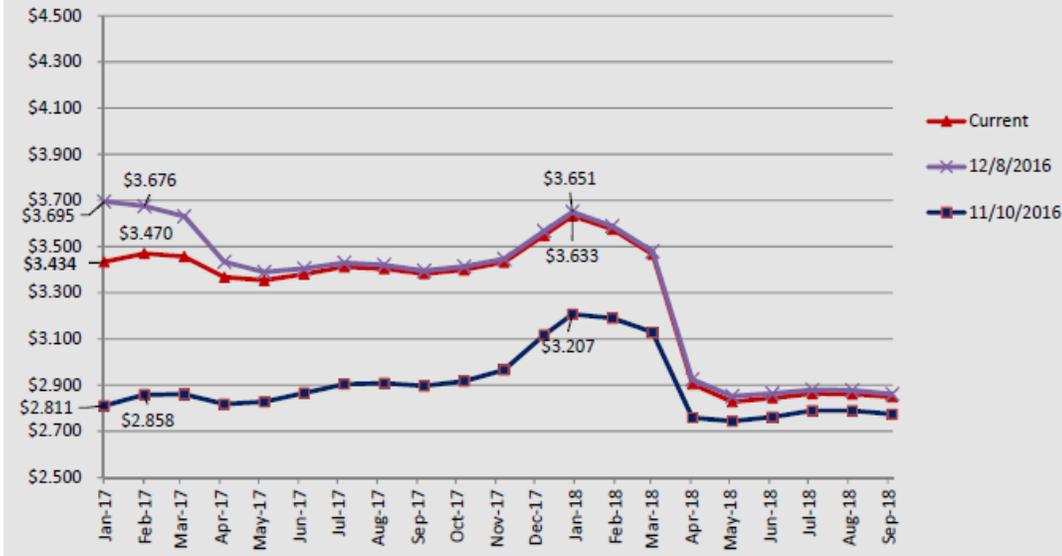
NOAA’s mid-term forecast is now painted with red. Again, as I have said before, these charts have to be taken with a grain of salt. Above normal, does not mean that we are going to be basking on the back deck drinking rum laced egg nog on Christmas day, at least not this year. This year it means that we will see a high of 30 on Christmas day which while it may technically be above normal is still going to be colder than last year. And that is the problem for the Bears as I see it. No matter how we paint it, the next 2 storage reports are going to easily eclipse last year’s numbers and even a normal winter from there on out is going to eclipse last year’s Monster el Nino warm winter.

As mentioned, the market traded off 10.6 cents today to finish at \$3.434 /Dth.



The weekly change has been mostly in the front months. The 2017 Calendar strip was down 7.2 cents week-on-week to \$3.492 /Dth while the 2018 Calendar strip was off 1.5 cents to \$3.057 /Dth. The 2017/18 Winter strip was down 1.6 cents for the week to finish at \$3.547 /Dth.

Natural Gas Price Changes - December 15, 2016



Well these are my final comments for the year. Nancy and I will be heading off to Germany to spend the holidays with the German branch of our family. We have never spent Christmas with our German grandchildren so everyone is very excited on both sides of the Atlantic. In the meantime Josh will have the desk until my next update on January 12th.

Past copies are available on our website at <http://mepsolutions.org/monthly-market-updates/>

We are also available on **Twitter** at **@MEPNatGas** with updates on natural gas prices as well as national & Wisconsin gas industry news.

Auf wiedersehen meine Herren und Damen.

Blake



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