

THACKRAY SEASONAL TRADE

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Natural Gas Firing Up for Seasonal Run– Sep 5 to Dec 21!

Natural Gas Seasonally Primed

Natural gas tends to perform well from March 22nd to June 19th and from September 5th to December 21st. Out of the two seasonal periods, the September to December period is the strongest. Both of the seasonal periods have been persistent across time from 1995 to 2004 and from 2005 to 2014 (Exhibit 1).

The withdrawal season (natural gas consumed is greater than produced, which equates to declining inventories) does not start until November. The September to December seasonal period is the result of distributors increasing their inventories getting ready for the winter heating season and late summer air conditioning. Whenever natural gas is discussed in autumn, the topic of hurricanes seems to be included. If a hurricane does shut down production in a meaningful way, it will have a positive impact on the price of natural gas, but such an event should not be embedded into price expectations.

September, October, November and December are the strongest month combination as shown in Exhibit 2. Looking back at Exhibit 1, it can be seen that natural gas is typically weak in the final days of December as many producers dump inventory into the market in order to avoid paying a year end inventory tax. Investors should consider exiting natural gas positions on or before December 21st.

The current natural gas storage level is approximately the same as the last five years (Exhibit 3). There are concerns of inventory currently being held in the ground by producers. At the current price, it does not make sense for producers to release the inventory they are holding in the ground. This would probably be done at some level higher than \$3. Although it might dampen any price increase, it would not necessarily mean an absolute cap on the price.

Technical Assessment (Exhibit 4)

For most of 2015, natural gas has traded in a range of \$2.50 to \$3.00. It is currently at the mid-point of this trading range. At the beginning of the seasonal period for natural gas, this presents a good starting position. Although \$2.50 is not an absolute floor, it should provide reasonable support in the seasonally strong period. On the upside, \$3.00 does provide a profit, but if natural gas is able break above this level, then \$4.00 becomes a reasonable target.

Exhibit 1: Natural Gas average yearly seasonal trend



Exhibit 2: Natural Gas Avg/Median/Fq. Pos. (1995-2014)

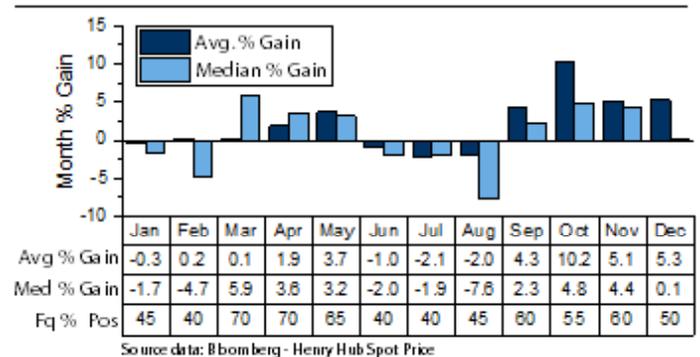


Exhibit 3: Working Natural Gas Storage Lower 48 States

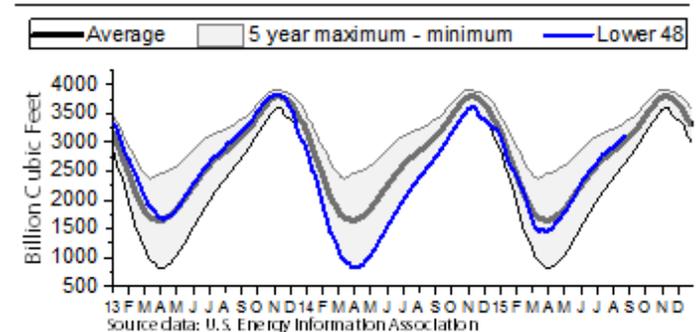
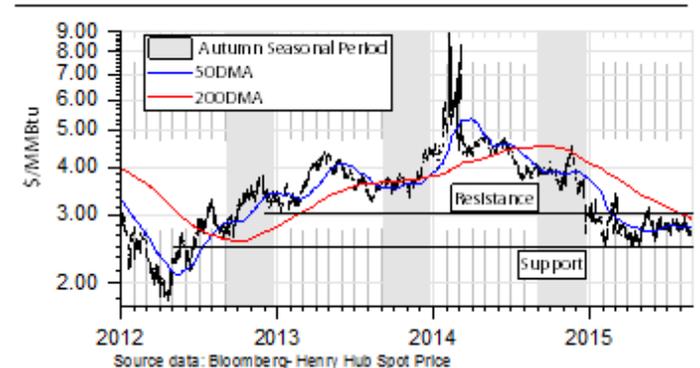


Exhibit 4: Natural Gas Technical Chart



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