

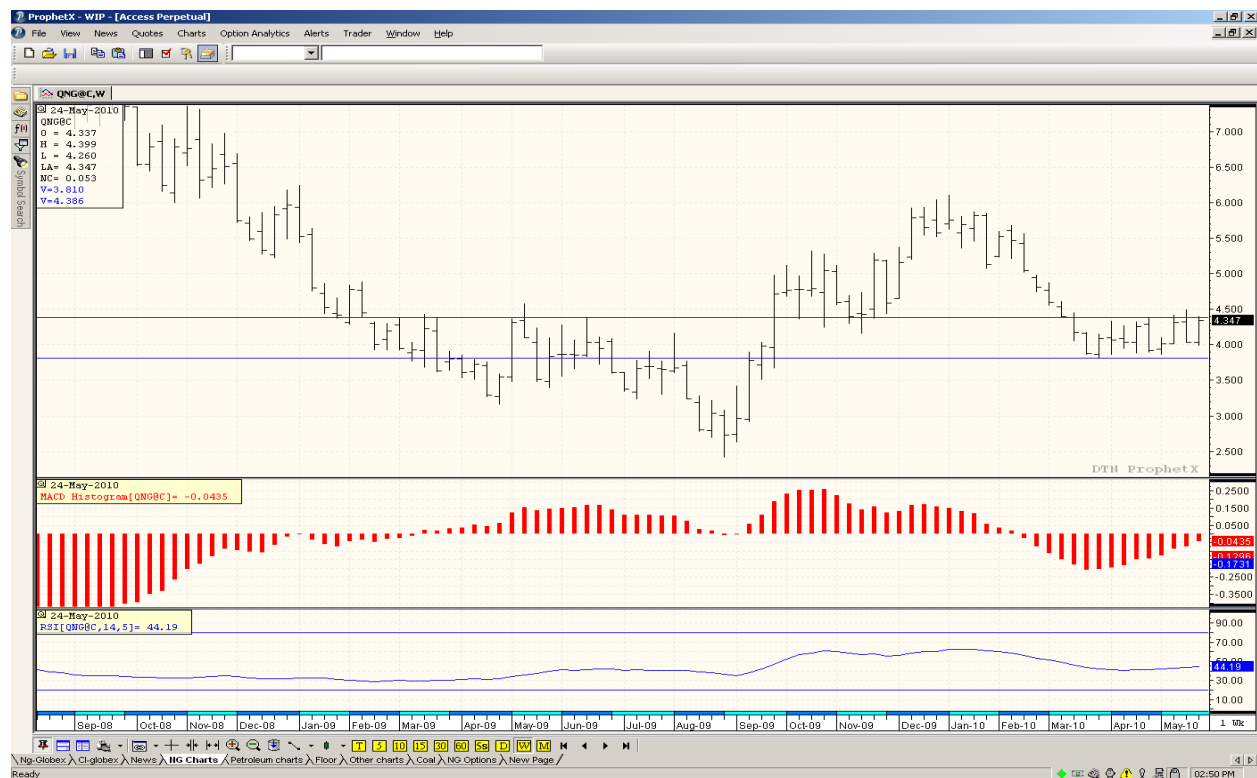
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## Natural Gas Market Summary

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On Monday, the June contract opened trading at about the same price as last week's closing price and continued to trade in fairly tight \$.10/dt price range before posting a contract settlement price on Wednesday of \$4.155/dt, down \$.116 from the May 2010 settlement price of \$4.271/dt.

On Thursday, July began trading as the prompt month. When the weekly storage report was released, the July price rose about \$.15/dt, testing (but failing to trade above) the upper boundary of the often-mentioned trend channel. For the week, the July contract closed at \$4.341/dt, up \$.31/dt from last week's closing price. Below is a weekly continuation chart showing that price activity.



### Strip prices:

1. July 10 through Oct 10 "strip" closed at \$4.45/dt, up \$.23/dt from last week.
2. July through December 2010 closed at \$4.66/dt, up \$.21/dt from last week.
3. July through May 2011 closed at \$4.97/dt, up \$.17/dt from last week.

### Bearish price factors :

1. U.S. Rig counts – as of this week, the number of operating rotary rigs in the United States is 1518, **up 12 from last week and 618 above from this same week in 2009.**
2. Volume of gas in storage. Working gas in storage was 2,269 Bcf as of Friday, May 21, 2010, according to EIA estimates. This represents a net increase of 104 Bcf from the previous week. Stocks were 71 Bcf higher than last year at this time and 318 Bcf above the 5-year average of 1,951 Bcf.

**Bullish price factors:**

1. Alternate fuels – Prompt month crude oil closed at \$74.05/barrel, up \$4.01/barrel from last week's closing price. #2 oil closed today at \$1.98/gallon, up \$.08/gallon from last week's closing price – this equates to roughly \$14.24/dt equivalent natural gas price.
2. Weather forecast – both the 6 – 10 day and the 8 – 14 day forecasts reflect below normal temperatures all along the east coast.

**Technical indicators:**

Both short and long-term technical indicators appear to be positive. The price path of least resistance appears to be sideways.

**Summary:**

Another week, and the same result as prompt month natural gas remains range-bound within the long-term trend channel. Until that trend-channel is 'broken' on a closing basis, it appears the prompt month price could continue to alternate between 'tests' of technical price resistance found at the upper boundary of that trend-channel and technical price support found at the lower boundary.

Due to the seasonal tendency of natural gas to post a second quarter price high, my bias continues for that break (if and when it occurs) to be of the upper boundary. If so, there is a potential technical price target at \$5.008/dt.....I wouldn't be surprised to see this target 'hit' on an upside price break.

Please be reminded the thoughts conveyed above are based on recent price movement and apparent Market sentiment. Random events that could occur may change the Market sentiment and as such, may result in price movement counter to what is mentioned above.

**Hedging:**

Depending on your risk tolerance and your need for price protection, below are some prices that may be considered as a possible purchase points.

July 10 = +/- \$4.00/dt

July 10 – Oct 10 = +/- \$4.15/dt

July 10 – June 11 = +/- \$4.75/dt

Of course, the commodity markets are impossible to predict with accuracy. I hope that you find these views helpful, but I cannot guarantee that my expectations will be accurate or that any particular strategy will be advantageous.

*Please call your account manager if you have questions or want to purchase a fixed price hedge.*

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