

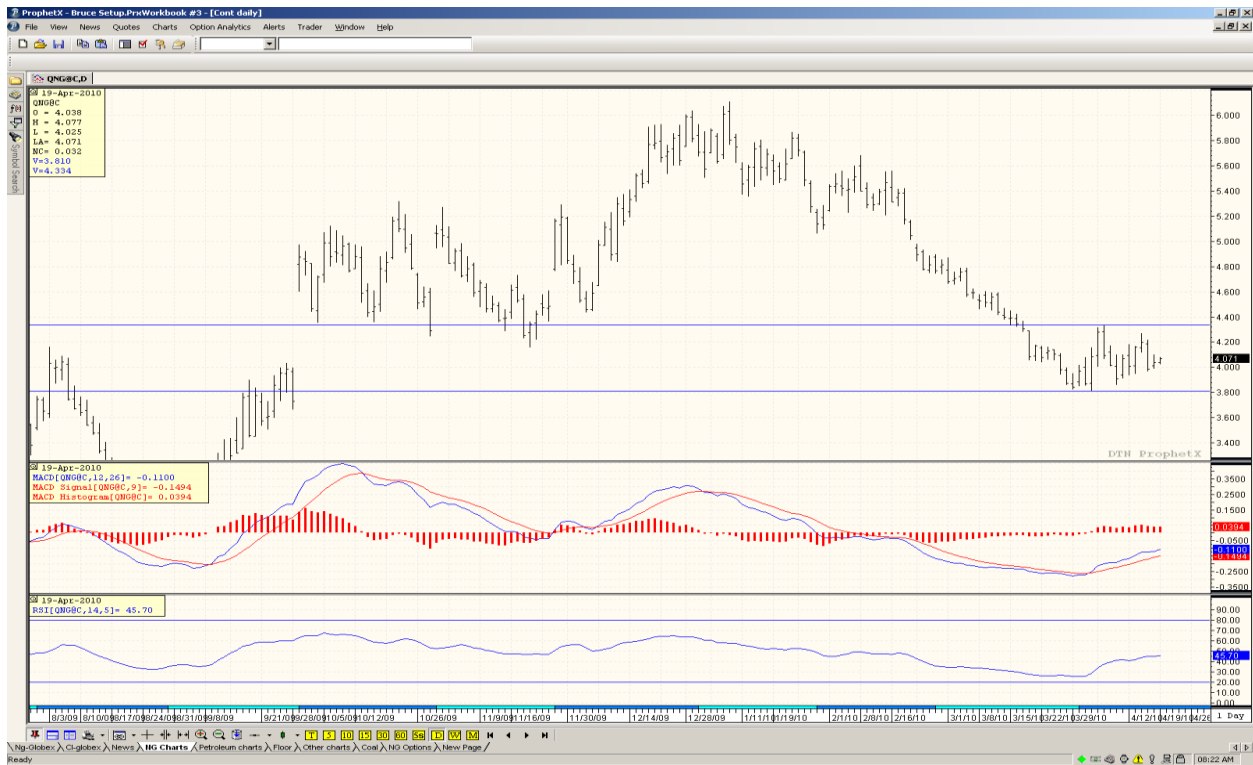
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## Natural Gas Market Summary

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On Monday, the May contract opened trading about \$.02/dt above the previous week's closing price then rallied about \$.10/dt higher before reversing lower. Then for the next several days, the prompt month traded in a range between \$3.95/dt and \$4.27/dt. When the Weekly Storage report was released, the May price moved below \$4.00/dt only to once-again, reverse higher. For the week, the May contract closed at \$4.04/dt, down \$.03/dt from last week's closing price.

For the past 21 trading days, the prompt month has traded between \$3.81/dt and \$4.33/dt (two blue horizontal lines on the below graph). Below is a daily continuation charts showing this trading pattern.



### Strip prices:

1. May 10 through Oct 10 "strip" closed at \$4.267/dt, down \$.061/dt from last week.
2. May through December 2010 closed at \$4.461/dt, down \$.066/dt from last week.
3. May through April 2011 closed at \$4.75/dt, down \$.0672/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 1476, **up 11 from last week and 471 above from this same week in 2009.**

**Bullish price factors:**

1. Alternate fuels – Prompt month crude oil closed at \$83.13/barrel, down \$1.79/barrel from last week's closing price. #2 oil closed today at \$2.21/gallon, down \$.016/gallon from last week's closing price – this equates to roughly \$15.89/dt equivalent natural gas price.

**Neutral price factors:**

1. Volume of gas in storage. Working gas in storage was 1,756 Bcf as of Friday, April 9, 2010, according to EIA estimates. This represents a net increase of 87 Bcf from the previous week. Stocks were 64 Bcf higher than last year at this time and 246 Bcf above the 5-year average of 1,510 Bcf.
2. Weather forecast –both the 6 – 10 day forecast 8 – 14 day forecasts reflect normal to above normal temperatures for the eastern half of the country.

**Technical indicators:**

Short-term technical indicators appear to be neutral to positive. Longer-term technical indicators appear to be neutral. The price path of least resistance appears to be sideways.

**Summary**

As mentioned in the opening paragraphs, for the past 21 trading days the prompt month has been 'stuck' between technical price support at \$3.81/dt and technical price resistance at \$4.33/dt. Also, notice that for the past 10 trading days, prices have followed the pattern of posting a 'higher-low' in price and a 'lower-high' in price indicating the market may be positioning itself for a breakout of the above range. If this occurs, I think it's possible we could see the prompt month extend that move another \$.30 - \$.40/dt. In other words, a break above \$4.33/dt could see the prompt month quickly move to the mid - \$4.60's/dt and a break below \$3.80/dt could see the prompt month move to the \$3.50's. Considering the market's tendency to post a second quarter price high, my guess is the break could be higher.

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.

May 10 = +/- \$3.85/dt

May 10 – Oct 10 = +/- \$4.05/dt

May 10 – April 11 = +/- \$4.55/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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