Market Movers

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20th November 2018

OIL & GAS

PCAM

PHENIX CONSULTING & ASSET MANAGEMENT

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Brent Crude

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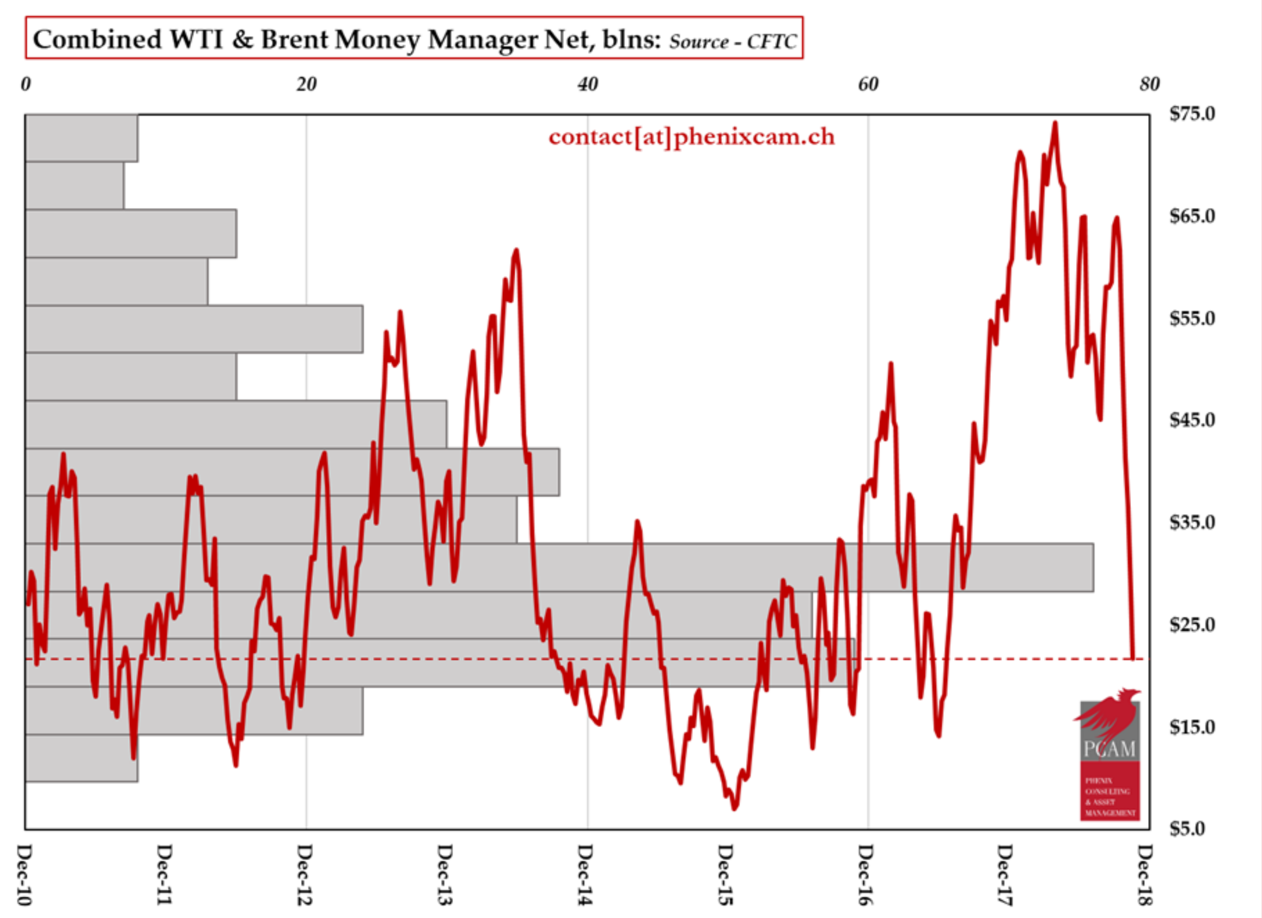
In closer detail, the renewed weakness has made a test of that support all the more imminent. In turn, if that breaks, we could unwind 50% of the 2016-18 rally, putting us atop the 2017 consolidation at ~\$57. For WTI, \$51.50 beckons

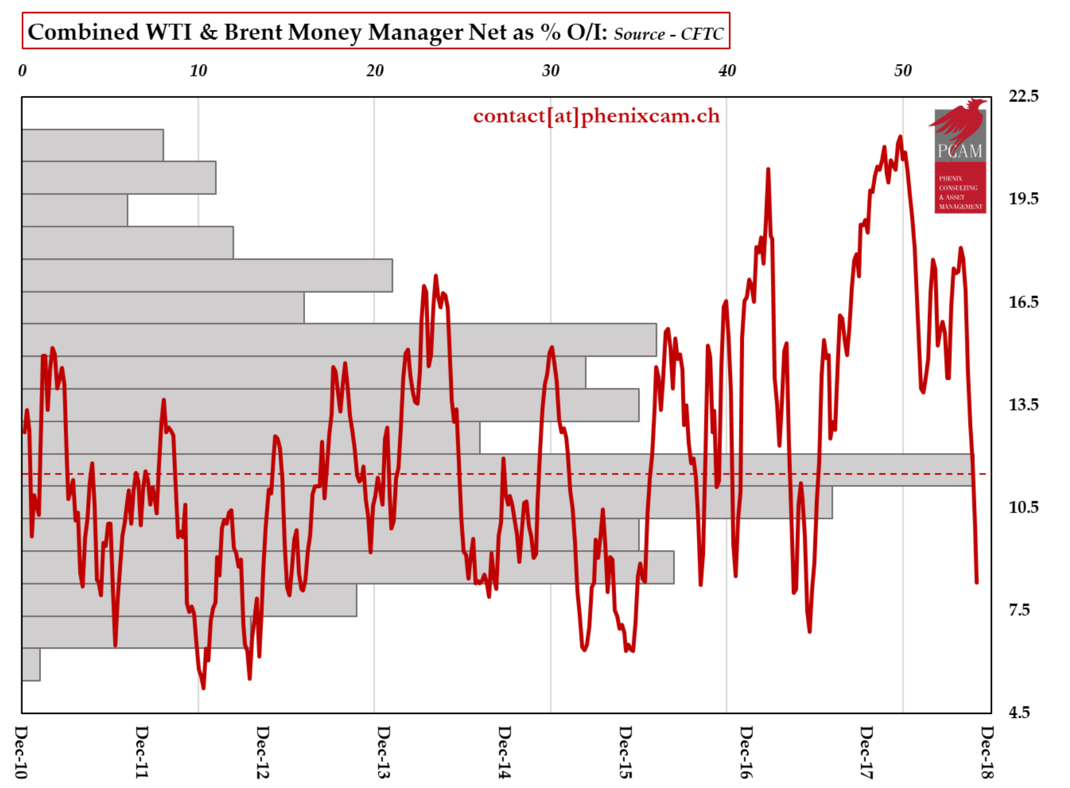
Crude Oil Positioning



Money manager net position has undergone a spectacular, ~$43 billion collapse in six short weeks. Shorts – then at record lows – have rebuilt to a 14-month high: longs are now at 2 1/2-year lows.

The ratio has crashed from an all-time high 18.7L:1S (and from 29.6:1 on WTI alone!) to a modest 2.7:1

This is perhaps our best hope of finding a base, given that any major move would now rapidly require net shorts to emerge – something requiring a Lehman-style scenario to occur.



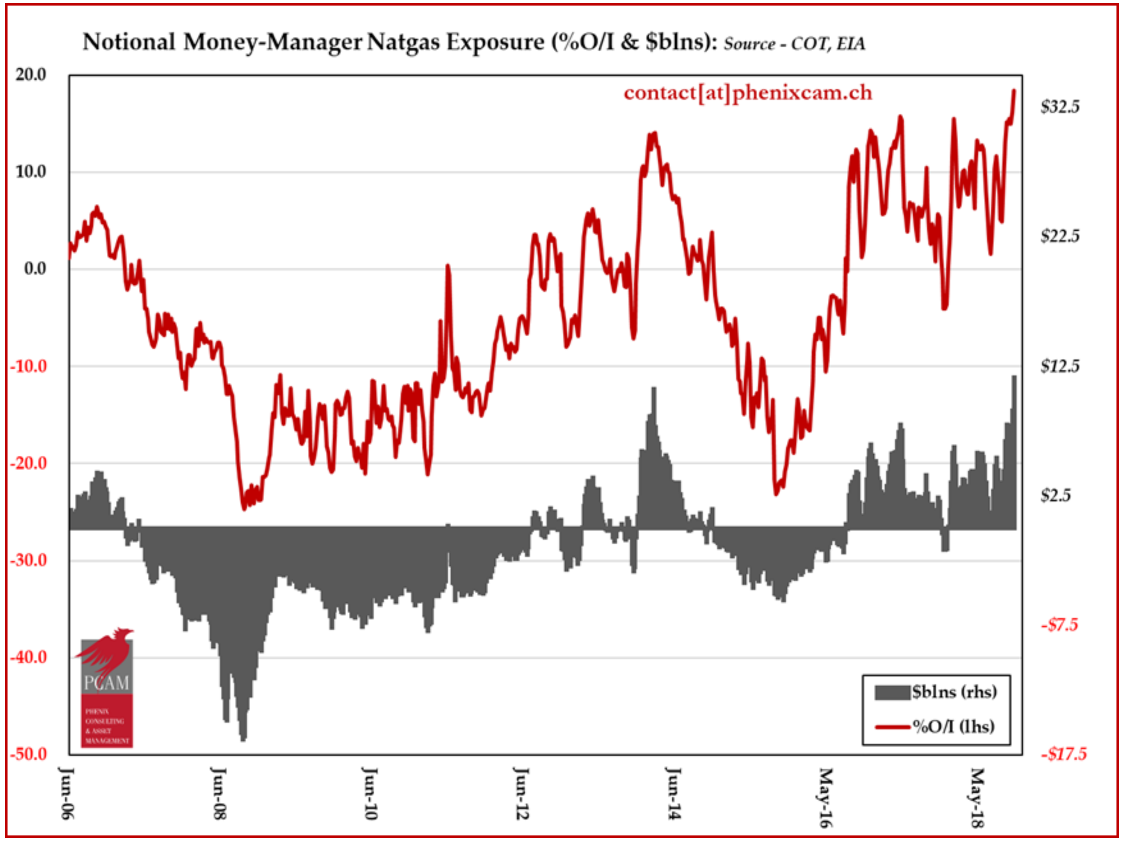
Natgas

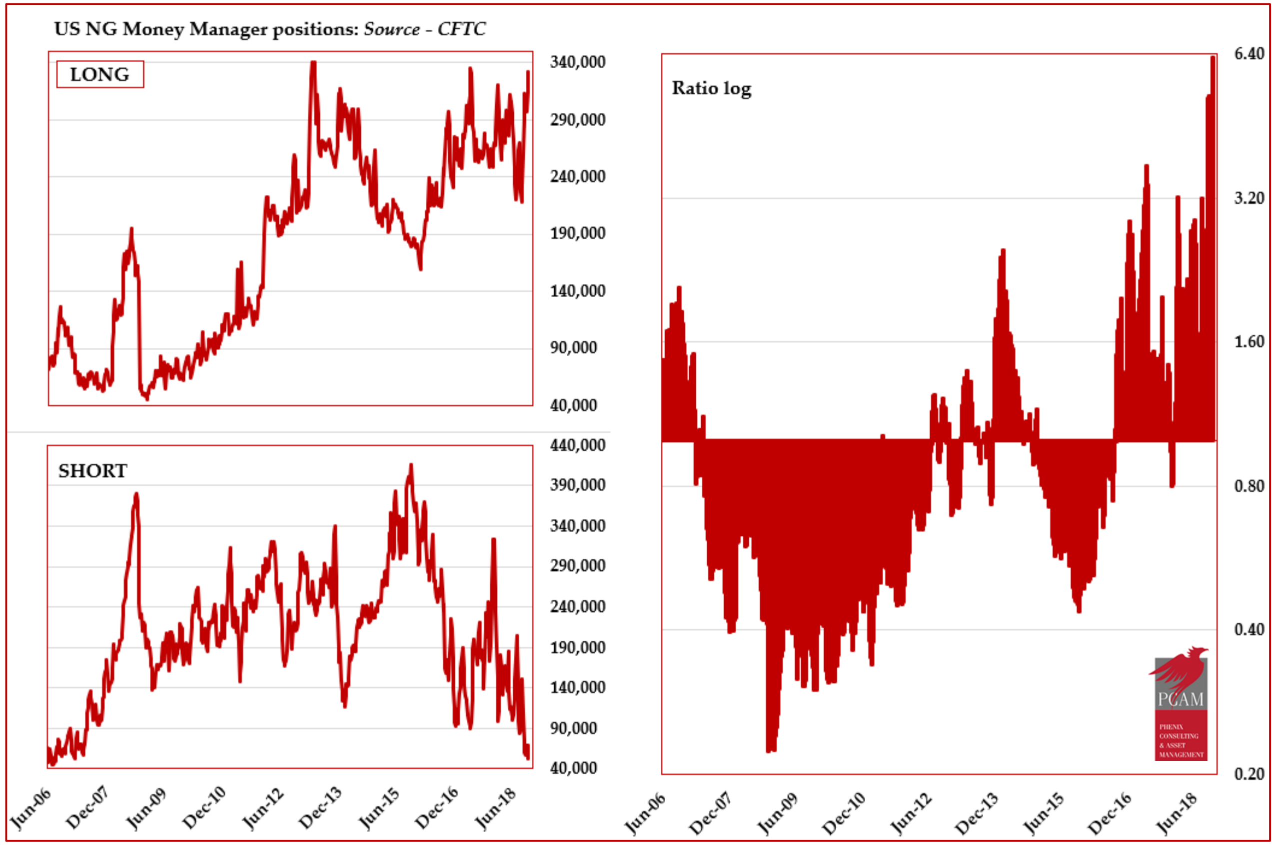
In a few, short, crazy sessions, Natgas blasted to its highest level since the winter of 2013/14. Undertakers are still reading the rights over foolhardy options sellers.

The price is elevated right out to March 2019 but drops away sharply in April and again, to a lesser extent in May.

Therefore, one possible trade might be to sell the NGH19-NGK19 spread for around 140 in anticipation of winter either not being as severe or lasting as far into the new year as is currently being priced.

Nat Gas





For all the talk that the Natgas explosion was driven by frantic short-covering, note that such positions were already fairly depressed and that substantial longs simultaneously shot to near record highs.

What we now have is a record long - outright, as a ratio, as a percentage of O/I, and in dollar terms, too.

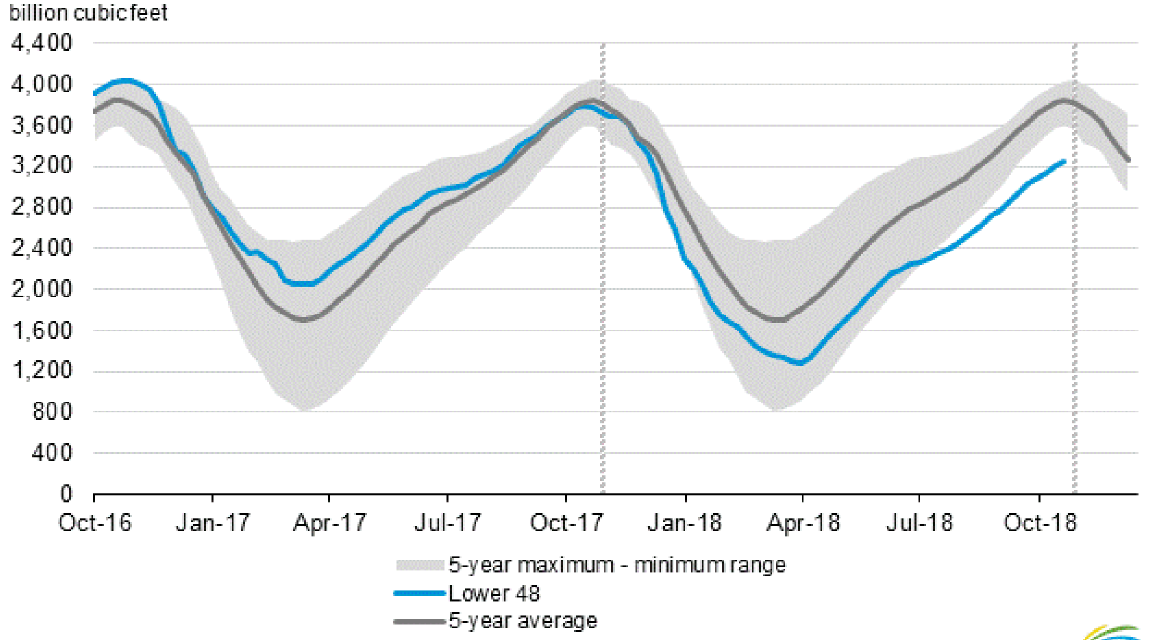
Let the weather once begin to show signs of warmth and the action will all be on the downside.

Summary

Working gas in storage was 3,247 Bcf as of Friday, November 9, 2018, according to EIA estimates. This represents a net increase of 39 Bcf from the previous week. Stocks were 528 Bcf less than last year at this time and 601 Bcf below the five-year average of 3,848 Bcf. At 3,247 Bcf, total working gas is below the five-year historical range.

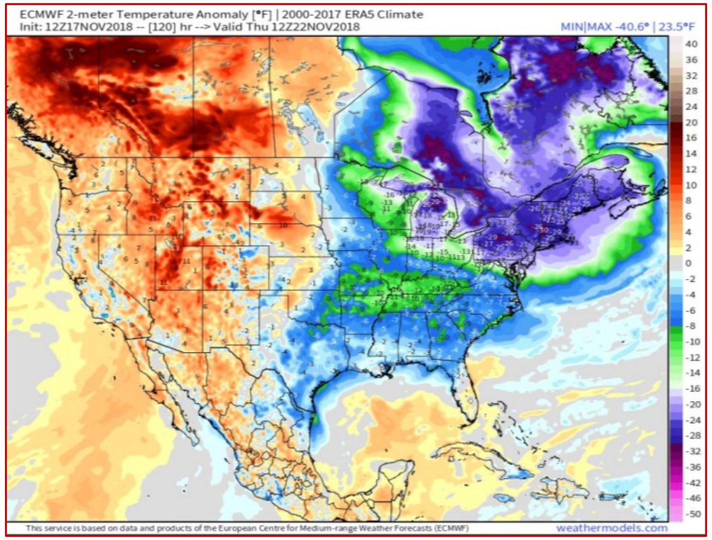
For information on sampling error in this report, see Estimated Measures of Sampling Variability table below.

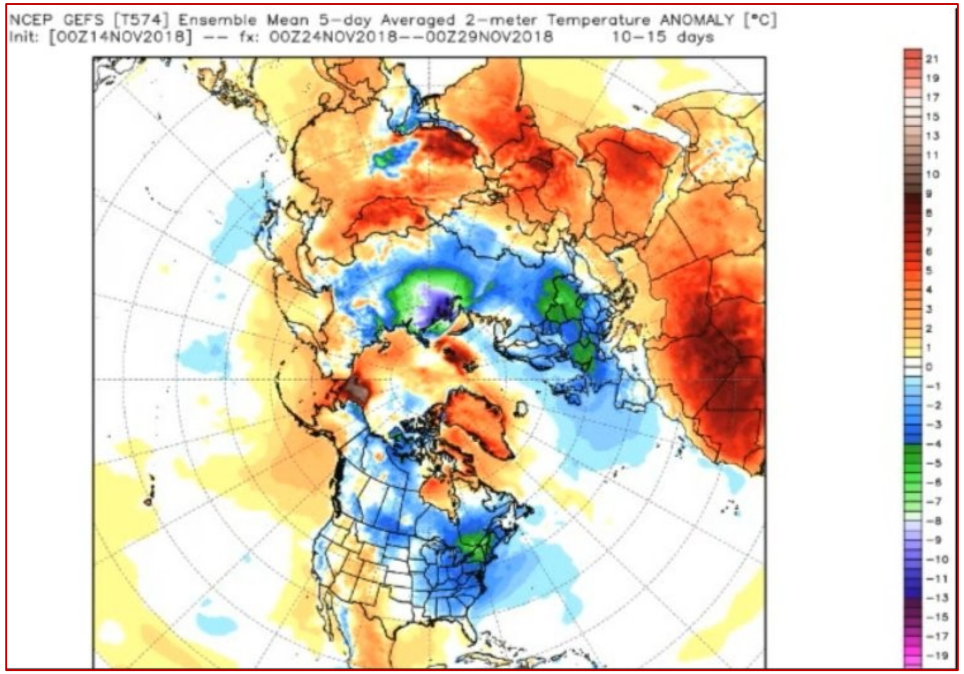
Working gas in underground storage compared with the 5-year maximum and minimum



Source: U.S. Energy Information Administration

Note: The shaded area indicates the range between the historical minimum and maximum values for the weekly series from 2013 through 2017. The dashed vertical lines indicate current and year-ago weekly periods.





The cold spring, hot summer, and long, warm autumn depleted gas storage to 13-year seasonal lows, 15% below recent norms. Forecasts for the next two-weeks are 'coldest in the satellite era' according to some sources. Don't sell yet!

WTI v Natgas

With bullishness almost completely switched to gas from oil, we must be alert to signs of exhaustion.

While by no means at unprecedented levels, as we can see here, NG is already as expensive in relative terms as at any time during the post-GFC recovery.

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- Commodity prices and therefore the value of commodity-linked financial derivative instruments can be more volatile than investments in traditional securities.
- At times the Fund may be concentrated in one or more individual commodities which may further increase volatility.
- Although the majority of the Fund's assets will be invested in cash, cash equivalents and short-dated instruments, investors should be aware that the Fund may not benefit from the returns arising from those investments and that those investments will serve primarily as collateral for financial derivative instruments (principally swaps).
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