

Long & Short

S&P special comment:

- Prices are currently trading in the low target area (2400-2425) mentioned in the last report. This is a significant support level, which means two things—1. there is a good chance of a short term bounce here, and 2. more importantly, a break below this level would be bad news and trigger a new lower target at 2266. Looking at the monthly chart, I do see a high probability of prices reaching those levels over the next few weeks or months. For passive investors, the time to get long this market would be only after we get above 2675 and show strength to hold that level. With unemployment at 3.7%, and fed funds rate at 2.5%, it seems crazy to see this bearishness in the market. In my opinion, record levels of government, and corporate debt, increasing deficits, and trade uncertainty could explain most of it. Having said that, Happy New Year!!

Market Analysis



Crude Oil: Prices are approaching the \$43.50 target, hitting a low of \$45.13 in trading today. There are multiple technical reasons for support to show up in this area. If entering a long position, the \$43.50 level should be the stop for the trade. A break below that would trigger lower targets at \$41.50 and \$36.65.

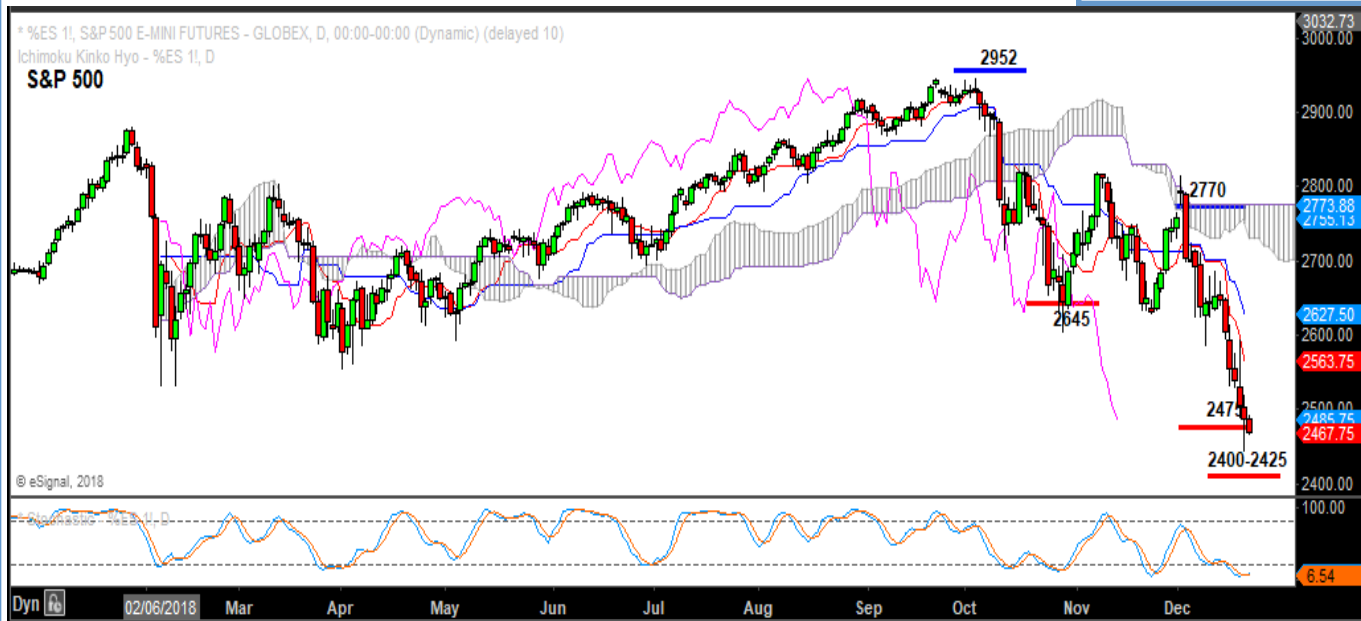


Natural Gas: My expectation of a break above from the triangle was way off target. With weather forecasts continuing to be bearish, prices broke down below the \$3.80-\$3.85 support level. That level is now a resistance that we failed at the last couple of days. The next few weeks are one of the most volatile seasonally and with no clear signal on the chart, I would be staying on the sidelines for now.

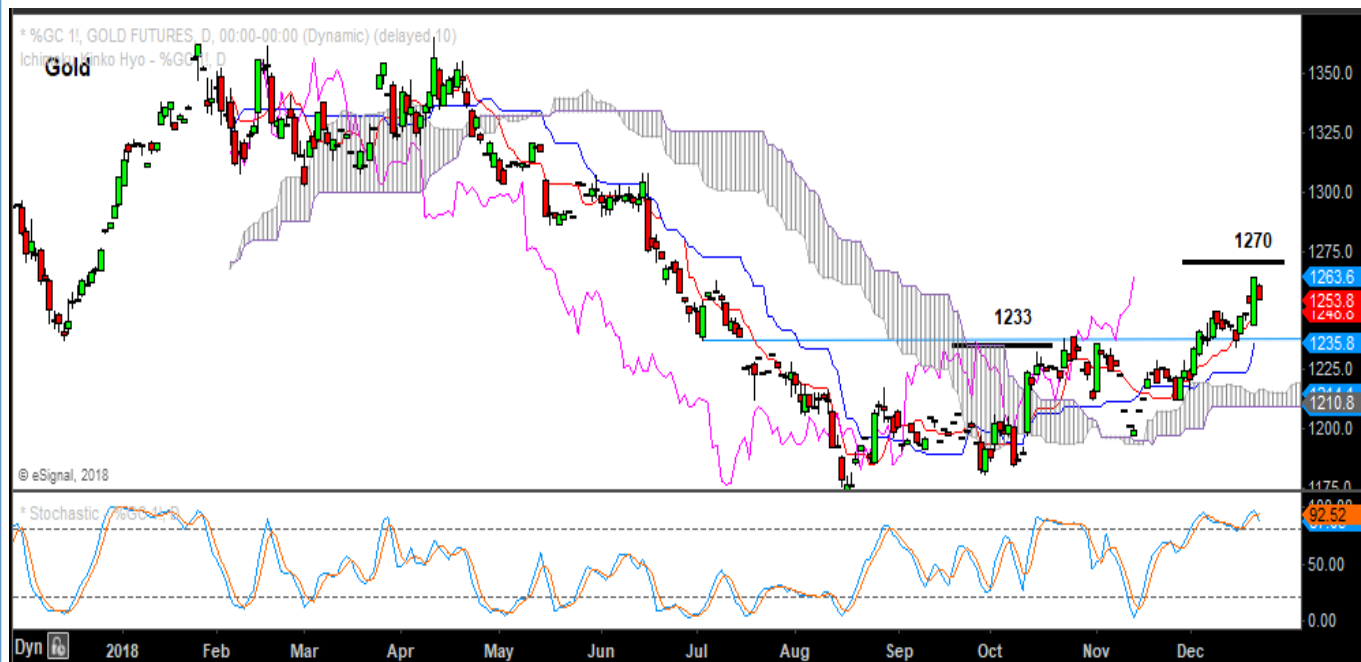
Storage currently at 2,773 Bcf after a 141 Bcf withdrawal for the week ending December 14, 2018. Natural gas storage level is now 697 Bcf below last year's level and 720 Bcf below the 5-year average.

Power:

Monthly Day-Ahead Peak Fixed Price Futures Settlements in \$/MWh															
Contract	PJM West Hub			MISO Indiana Hub			NYISO Zone J			ERCOT North			CAISO SP-15		
	12/20/18	12/06/18	Change	12/20/18	12/06/18	Change	12/20/18	12/06/18	Change	12/20/18	12/06/18	Change	12/20/18	12/06/18	Change
Jan-19	59.15	66.25	(7.10)	45.75	51.15	(5.40)	73.10	84.50	(11.40)	40.92	48.14	(7.22)	59.50	66.25	(6.75)
Feb-19	59.90	61.75	(1.85)	46.65	47.70	(1.05)	77.10	80.70	(3.60)	39.06	43.81	(4.75)	55.20	57.50	(2.30)
Mar-19	47.05	48.60	(1.55)	41.15	41.30	(0.15)	55.20	56.30	(1.10)	36.48	42.14	(5.66)	42.05	43.05	(1.00)
Apr-19	38.60	38.45	0.15	36.00	35.85	0.15	41.80	40.95	0.85	30.65	31.15	(0.50)	27.35	27.75	(0.40)
May-19	38.60	37.70	0.90	37.00	36.25	0.75	37.10	37.10	0.00	34.91	36.00	(1.09)	27.45	28.00	(0.55)
Jun-19	36.55	35.60	0.95	36.00	35.05	0.95	38.50	38.90	(0.40)	49.25	51.21	(1.96)	47.10	47.65	(0.55)
Jul-19	41.45	40.85	0.60	40.20	39.45	0.75	48.15	47.60	0.55	100.25	112.14	(11.89)	76.95	75.25	1.70
Aug-19	38.45	37.85	0.60	37.20	36.50	0.70	45.75	45.20	0.55	165.26	183.86	(18.60)	77.55	75.55	2.00
Sep-19	37.40	36.50	0.90	37.15	36.05	1.10	39.55	38.75	0.80	40.57	41.23	(0.66)	61.30	61.70	(0.40)
Oct-19	34.70	35.10	(0.40)	34.50	33.90	0.60	34.80	34.75	0.05	30.81	31.34	(0.53)	48.10	47.40	0.70
Nov-19	35.10	35.10	0.00	34.30	33.50	0.80	38.20	37.05	1.15	26.15	26.90	(0.75)	48.20	47.50	0.70
Dec-19	38.95	39.35	(0.40)	36.45	36.30	0.15	50.65	50.35	0.30	26.36	26.36	0.00	50.75	50.05	0.70



S&P 500: The March S&P futures contract is currently trading 2415 and ticking lower while I am writing this note. This is a critical level where I do expect a bounce. However, we are far from ready to call a bottom on this chart on a long term basis. A break below this 2400 level, now or in the next few weeks, would trigger a target below at 2266. See Page 1 for more on the long term view.



Gold: Price approaching the 1270 target, hitting a high yesterday of 1263. Still in long position with stop moved up to 1227.



Soybean: The restart of some imports by China couldn't help prices move past 920. Still long with stop at 875, and we are flirting with that level right now. The tariff war seems far from over and this market looks like it needs a lot of help. One of the big questions now is whether import volumes will ever get back to previous highs even if there was a resolution on the trade front.



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