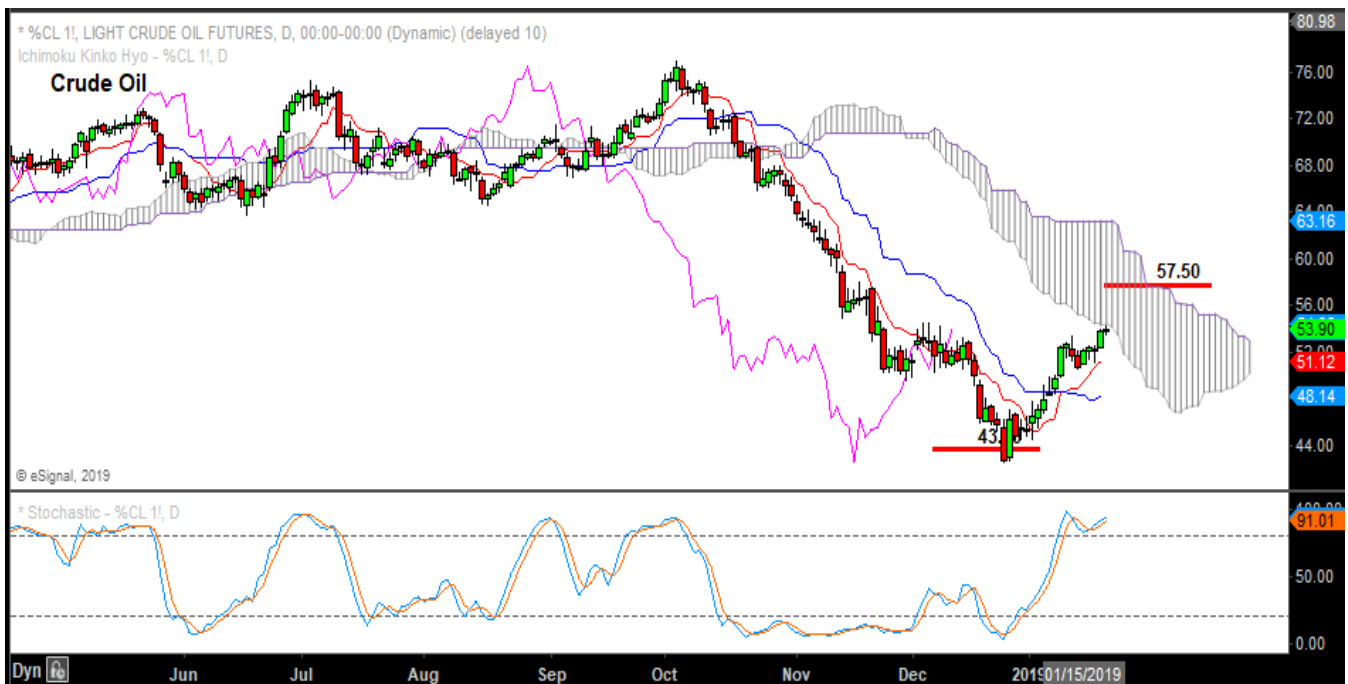


Long & Short

In the news:

- US-China trade talks seem more promising than ever, although with no deal set. There was news of Beijing's offer to add \$1 trillion to imports over the next six years to shrink their trade surplus with the US. The "good" news is that there is enough concern over the effect of the trade conflict on the local economy on both sides now.
- The Brexit drama continues, with Theresa May continuing to make tweaks to her Brexit proposal to get it passed through Parliament. This is where we are two and a half years after the referendum was voted. Almost makes you think this was not thought through well prior to going down the path!

Market Analysis



Crude Oil: Prices continue to climb towards the \$57.50 target. Stay long with the stop moved up to \$49.75. While prices seem overextended for now, the quick implementation of OPEC production cuts should keep prices above the support level around \$50.

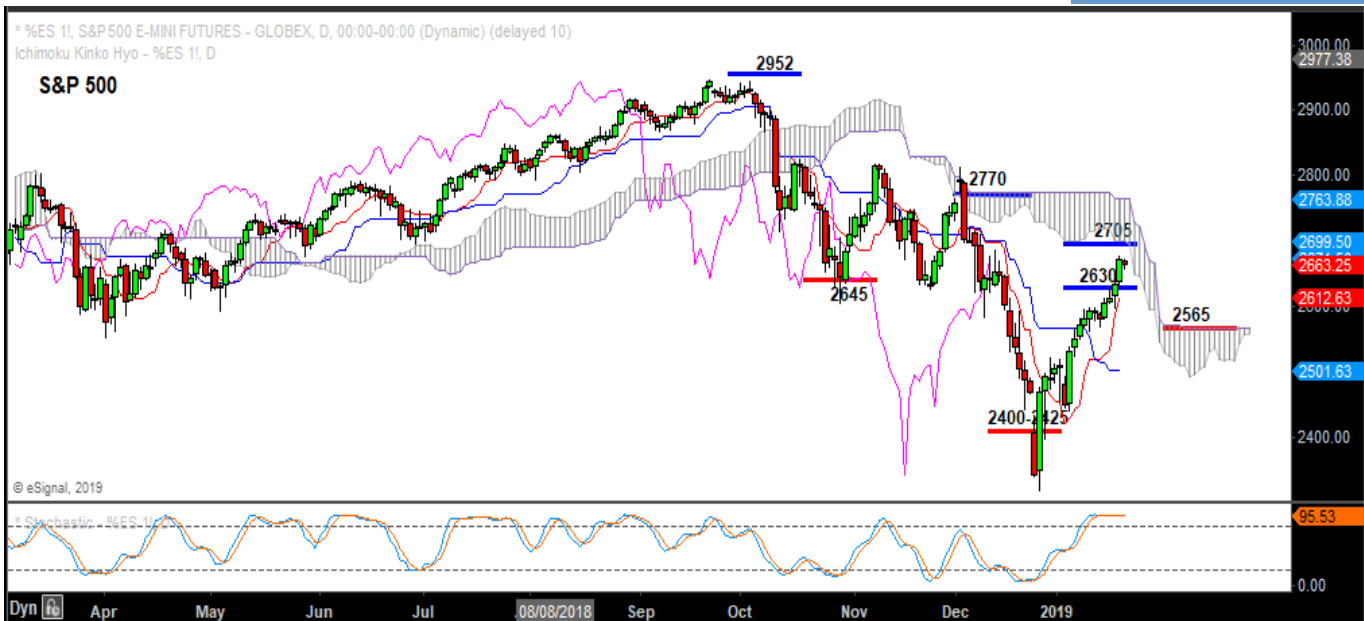


Natural Gas: When priced moved above the \$3.10 level, we more than filled the gap at \$3.30 to hit a high of \$3.72. But, the run up was short lived as expected and gave us good opportunities to sell. Prices are back down approaching \$3.10 again. Expect choppiness over the next few weeks in the \$3.00—\$3.30 area, with higher likelihood of breaking lower rather than higher.

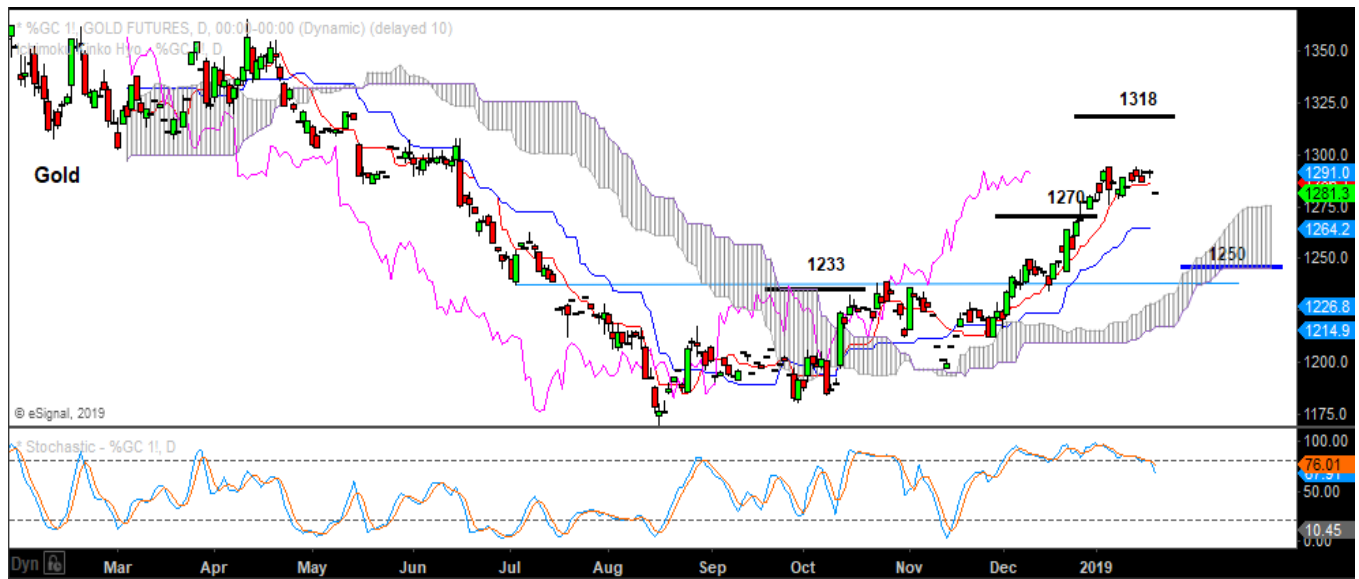
Storage currently at 2,533 Bcf after an 81 Bcf withdrawal for the week ending January 11, 2019. Natural gas storage level is now 77 Bcf below last year’s level and 327 Bcf below the 5-year average—we made up almost 380 Bcf of deficit to last year’s levels in just two weeks!

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		
	01/17/19	01/03/19	Change	01/17/19	01/03/19	Change	01/17/19	01/03/19	Change	01/17/19	01/03/19	Change	01/17/19	01/03/19	Change
Feb-19	63.75	47.20	16.55	44.85	37.45	7.40	78.90	60.50	18.40	37.92	31.63	6.29	47.00	43.60	3.40
Mar-19	44.80	40.30	4.50	36.70	34.80	1.90	50.30	46.80	3.50	33.56	31.02	2.54	36.85	36.25	0.60
Apr-19	38.40	37.45	0.95	36.00	35.15	0.85	41.50	40.55	0.95	29.93	27.53	2.40	28.85	26.90	1.95
May-19	38.50	37.45	1.05	36.60	35.90	0.70	37.70	35.85	1.85	35.83	32.88	2.95	28.40	26.70	1.70
Jun-19	36.35	35.60	0.75	36.00	35.10	0.90	38.70	37.50	1.20	51.42	47.79	3.63	43.75	43.75	0.00
Jul-19	41.30	39.95	1.35	40.50	39.05	1.45	48.00	46.50	1.50	107.67	103.68	3.99	68.65	75.60	(6.95)
Aug-19	37.90	37.35	0.55	37.05	36.35	0.70	44.20	43.45	0.75	177.34	170.83	6.51	73.00	76.15	(3.15)
Sep-19	37.15	36.50	0.65	37.10	36.30	0.80	39.60	38.60	1.00	41.79	39.53	2.26	55.25	60.20	(4.95)
Oct-19	34.85	34.10	0.75	34.80	34.10	0.70	35.15	34.10	1.05	31.40	29.16	2.24	44.25	45.65	(1.40)
Nov-19	35.00	34.65	0.35	34.15	34.05	0.10	39.65	37.75	1.90	26.45	24.50	1.95	44.00	45.75	(1.75)
Dec-19	39.10	37.85	1.25	36.45	35.50	0.95	50.80	48.70	2.10	26.47	24.57	1.90	46.75	48.20	(1.45)
Jan-20	57.60	53.00	4.60	42.00	42.25	(0.25)	76.85	72.30	4.55	32.97	30.82	2.15	47.20	48.20	(1.00)



S&P 500: We reached our 2630 target level and are approaching the 2705 level. As we expected on our last report, this was driven by positive news out of the China trade talks. Although, we are yet to end the government shutdown, which is not yet a major concern for equities. The next 2-3 weeks are critical for this chart—if we can hold above 2565 in that time period, I would be ready to call a reversal of the bear trend from October. With earnings not as bad as expected, and an inevitable end to the shutdown, there is a decent chance of that happening. Watch 2565.



Gold: No change on this chart. Target still at 1318, with stop at 1250. The last few days have seen consolidation right below 1300, potentially setting up for the next move up.



Soybean: Technicals and fundamentals are looking quite promising for this contract. We are breaking out of a short term resistance, and setting up for a move to the 965 target. Fundamentals continue to improve with tariff talks seeming to be on the threshold of a breakthrough. Continue to stay long with 875 stop.



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