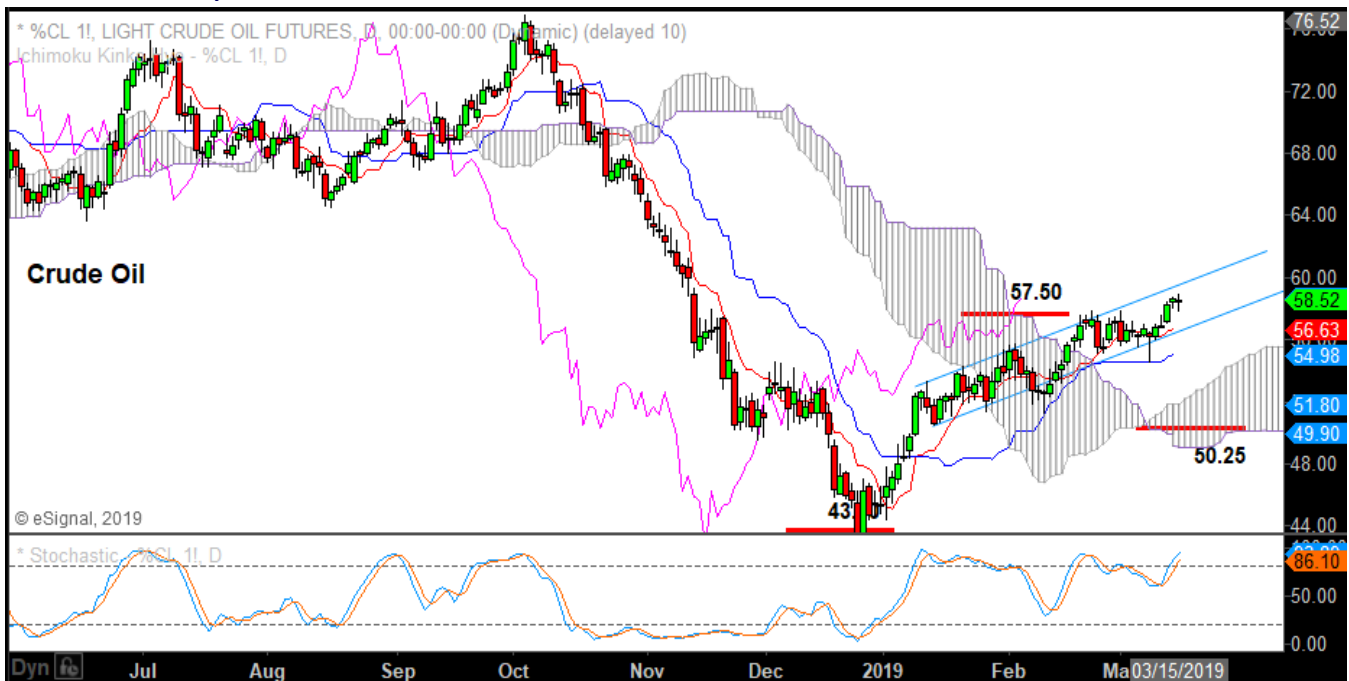


# Long & Short

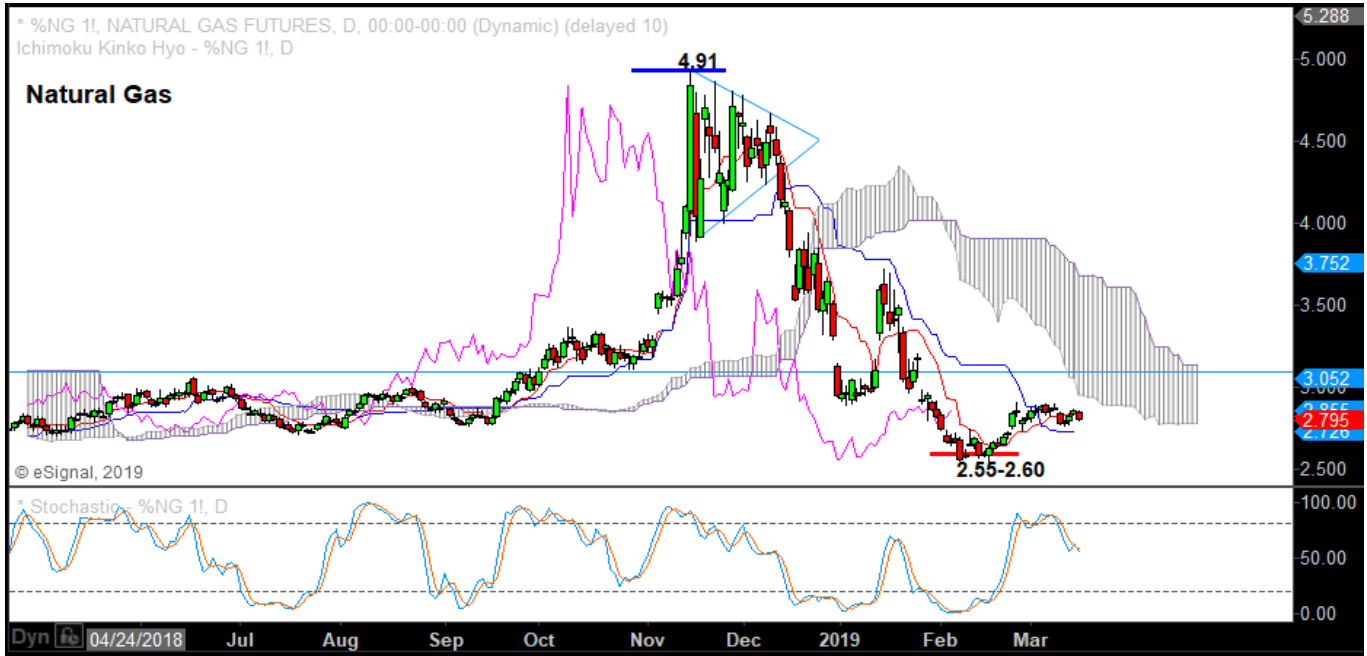
## In the news:

- US employment growth came in at 20,000 for February, well below all expectations in the market. With unemployment below 4%, I would hesitate to draw any negative conclusions on this one monthly number. We could very well be getting to the point where companies having difficulty finding the right people (like shortage of drivers in Transportation). Weather could have been another factor.
- The timeline for a resolution in the tariff talks has been pushed back another 3-4 weeks. With increasing negative economic news coming out of China, any slowdown in talks should only increase the chances of a better deal for the US.

## Market Analysis



**Crude Oil:** The textbook divergence we got two weeks ago just wasn't good enough to help our short trade. The trade stopped out on the close above \$57.50 as this market continues to grind higher in the channel, helped by a bigger than expected 3.9 million barrel drop in inventory this week. With prices extended, I still prefer to wait for a sell signal than try getting long here. However, after one failed short attempt, it is prudent to wait for prices to break below the channel to confirm a change in trend.

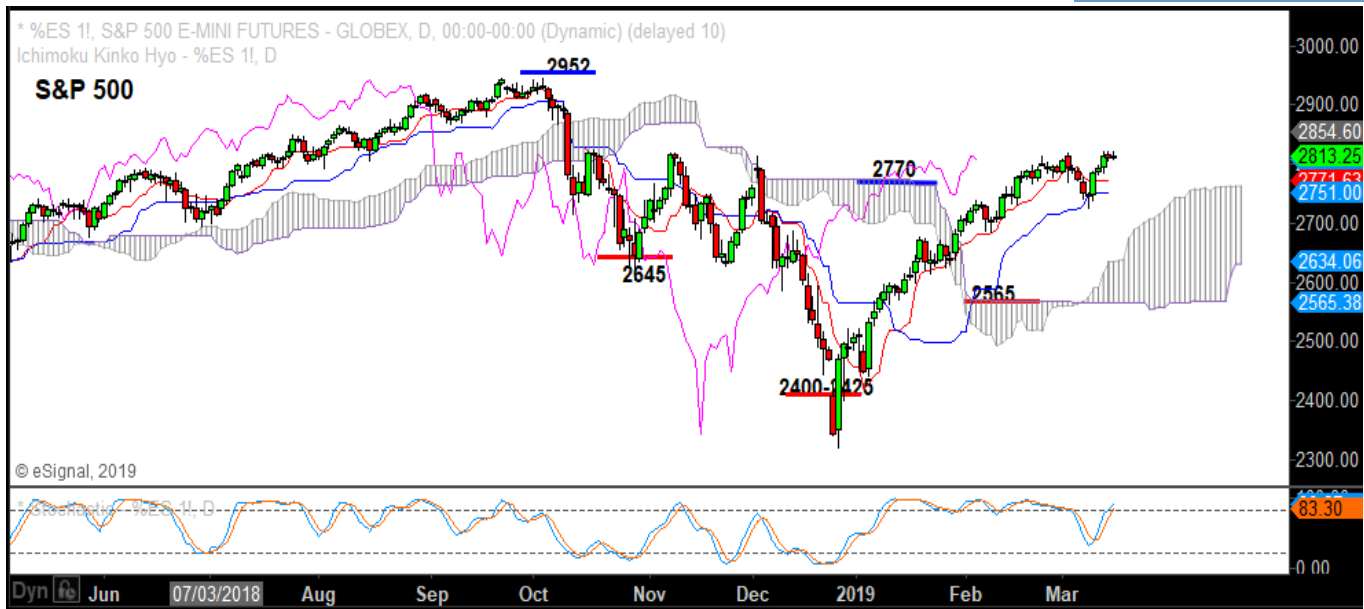


**Natural Gas:** Expect this market to continue trading in a tight range between \$2.70—\$3.00 in the short term while waiting for summer weather forecasts to roll in. Any breakout of this range will find heavy resistance at \$3.15.

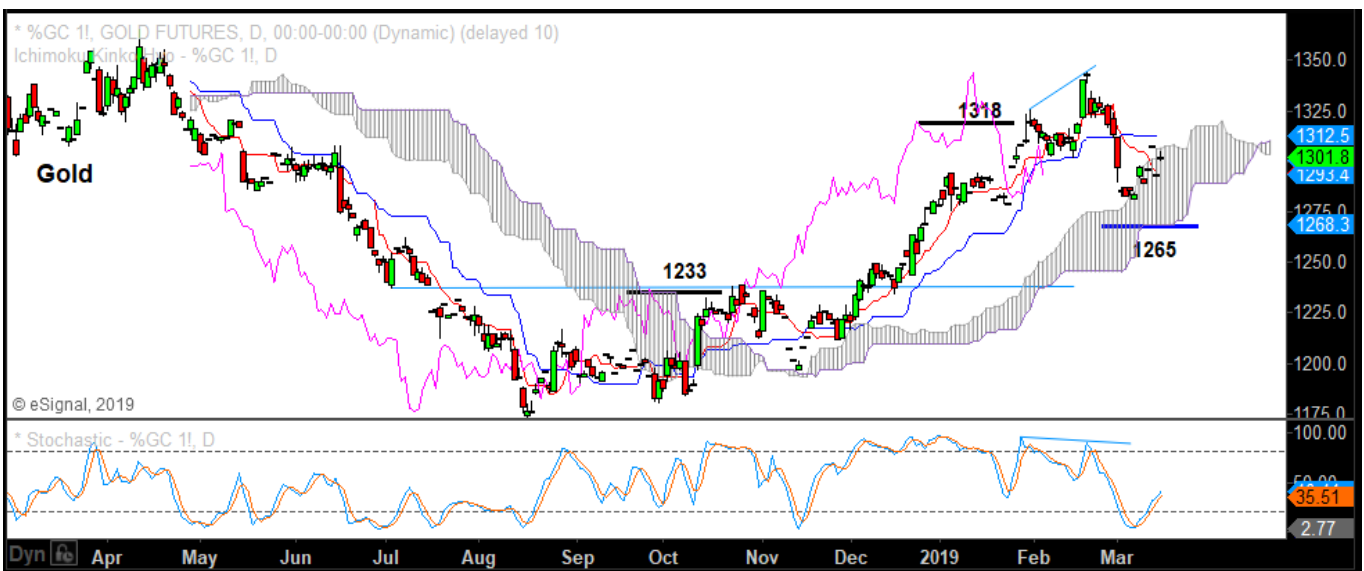
Storage currently at 1,186 Bcf after a 204 Bcf withdrawal for the week ending March 8, 2019. Natural gas storage level is now 359 Bcf below last year’s level and 569 Bcf below the 5-year average. With this lower inventory level and expected growth in demand, I tend to believe natural gas is unlikely to make new lows rest of this year.

**Power:**

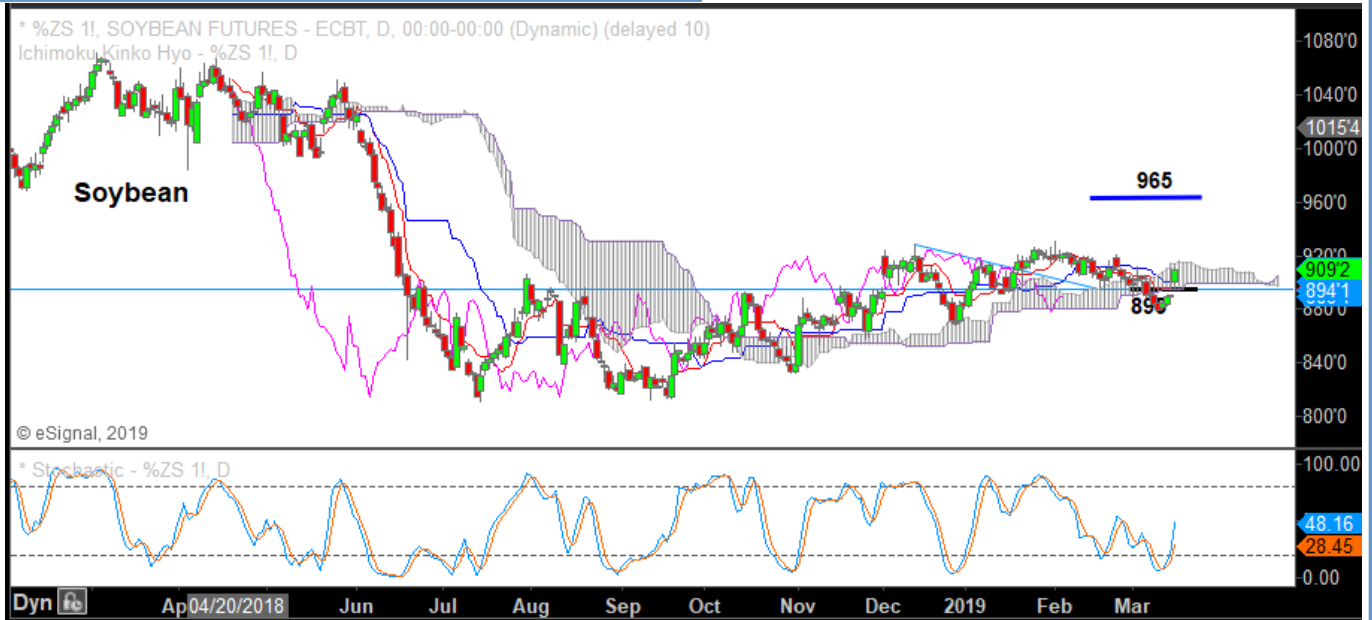
| Monthly Day-Ahead Peak Fixed Price Futures Settlements in \$/MWh |              |          |        |                  |          |        |              |          |        |             |          |         |             |          |        |
|--|--------------|----------|--------|------------------|----------|--------|--------------|----------|--------|-------------|----------|---------|-------------|----------|--------|
| Contract   | PJM West Hub |          |        | MISO Indiana Hub |          |        | NYISO Zone J |          |        | ERCOT North |          |         | CAISO SP-15 |          |        |
| Month  | 03/14/19     | 02/28/19 | Change | 03/14/19         | 02/28/19 | Change | 03/14/19     | 02/28/19 | Change | 03/14/19    | 02/28/19 | Change  | 03/14/19    | 02/28/19 | Change |
| Apr-19   | 34.40        | 36.35    | (1.95) | 33.30            | 35.35    | (2.05) | 35.55        | 37.75    | (2.20) | 30.10       | 29.13    | 0.97    | 28.25       | 32.00    | (3.75) |
| May-19   | 36.10        | 36.75    | (0.65) | 36.20            | 36.65    | (0.45) | 35.15        | 35.75    | (0.60) | 33.86       | 34.10    | (0.24)  | 27.50       | 30.00    | (2.50) |
| Jun-19   | 34.95        | 35.15    | (0.20) | 35.00            | 35.60    | (0.60) | 37.65        | 37.50    | 0.15   | 48.67       | 49.85    | (1.18)  | 42.25       | 42.50    | (0.25) |
| Jul-19   | 39.85        | 40.50    | (0.65) | 39.70            | 40.20    | (0.50) | 49.45        | 48.85    | 0.60   | 98.76       | 106.94   | (8.18)  | 76.45       | 67.25    | 9.20   |
| Aug-19   | 37.55        | 38.00    | (0.45) | 37.40            | 37.65    | (0.25) | 44.20        | 43.60    | 0.60   | 160.05      | 172.79   | (12.74) | 85.65       | 76.75    | 8.90   |
| Sep-19   | 36.85        | 37.10    | (0.25) | 36.60            | 37.30    | (0.70) | 40.40        | 40.10    | 0.30   | 40.11       | 41.32    | (1.21)  | 54.25       | 51.05    | 3.20   |
| Oct-19   | 35.15        | 35.65    | (0.50) | 35.15            | 35.75    | (0.60) | 35.45        | 35.95    | (0.50) | 31.74       | 31.63    | 0.11    | 45.45       | 43.80    | 1.65   |
| Nov-19   | 35.50        | 35.50    | 0.00   | 34.50            | 34.85    | (0.35) | 41.15        | 40.55    | 0.60   | 26.83       | 26.53    | 0.30    | 43.50       | 42.05    | 1.45   |
| Dec-19   | 38.45        | 38.30    | 0.15   | 35.75            | 35.95    | (0.20) | 52.30        | 51.85    | 0.45   | 26.47       | 26.42    | 0.05    | 49.70       | 47.80    | 1.90   |
| Jan-20   | 51.65        | 52.10    | (0.45) | 40.70            | 41.05    | (0.35) | 73.55        | 73.00    | 0.55   | 32.30       | 31.90    | 0.40    | 46.45       | 46.45    | 0.00   |
| Feb-20   | 48.70        | 49.15    | (0.45) | 38.20            | 38.55    | (0.35) | 68.15        | 67.80    | 0.35   | 32.41       | 32.10    | 0.31    | 44.40       | 44.40    | 0.00   |
| Mar-20   | 38.45        | 39.15    | (0.70) | 35.35            | 35.90    | (0.55) | 45.90        | 45.30    | 0.60   | 29.57       | 29.39    | 0.18    | 38.95       | 38.95    | 0.00   |



**S&P 500:** Equities continue to grind up with no clear sell signal yet. If long, keep a tight stop since there is no strong support between where we are and 300 points below. A much weaker than expected employment number and continued tariff resolution delays have failed to stop this run. One macro sign to watch is the steady stream of negative economic numbers out of China and the strength in the dollar. Global fundamentals would support a shift in money into US markets even if equities are not a great value play at these levels.



**Gold:** Closed short position on the bounce from 1280 level. Prices did not get as close to the 1265 major support level. We continue to be in the long term bullish trend for gold and I expect prices to break out above the 1344 high from three weeks ago. Stop level for longs would be at 1270.



**Soybean:** Stopped out of our long trade on the close below 895. The roll of the prompt month contract to the May contract has pushed prices back above the support level, but this market continues to show little life while waiting for tariff resolution. No trade at this time.



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