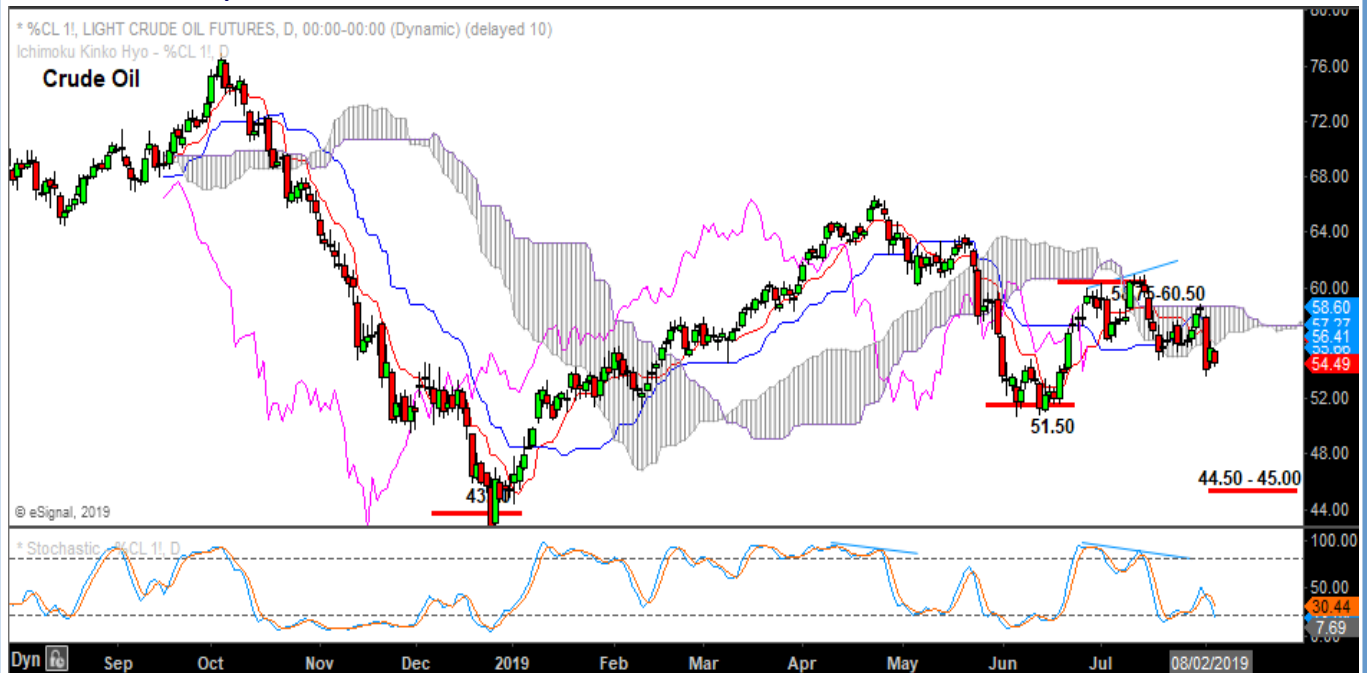


Long & Short

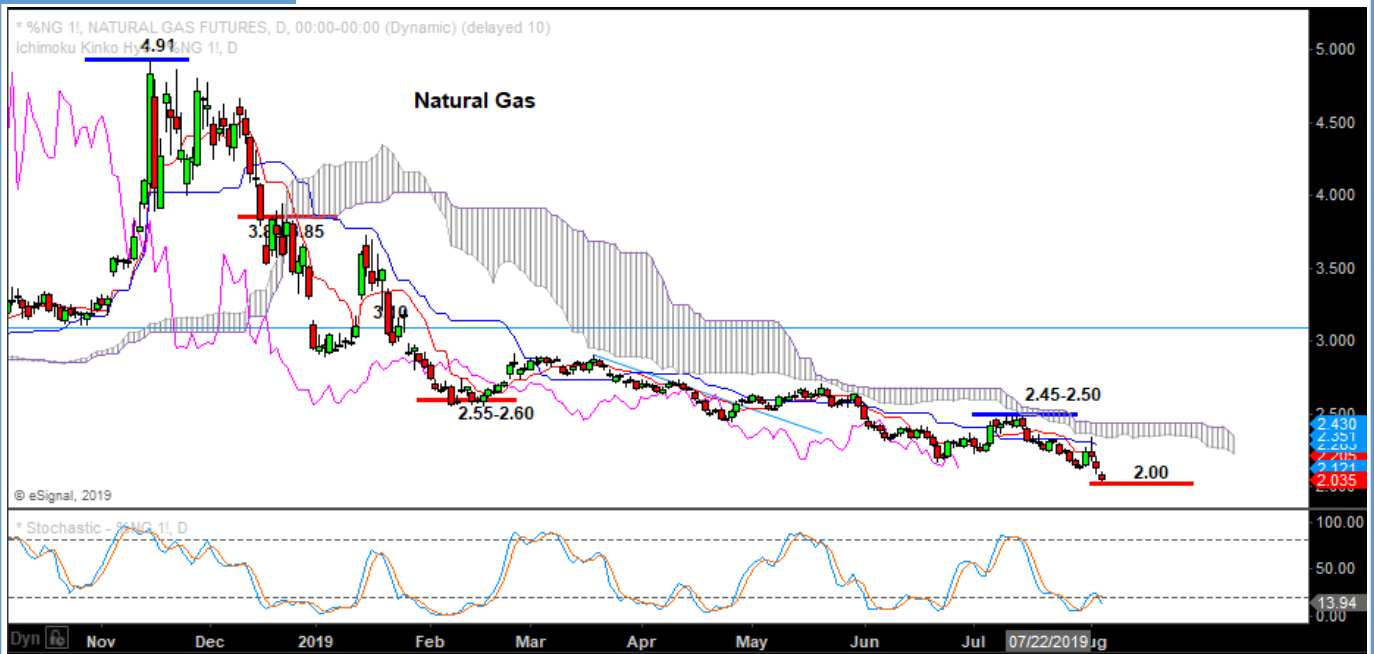
In the news:

- The fed cut rates 25bp to 2% on Wednesday. This was the first rate cut since 2008, although there is nothing in common between the states of the economy then and now. You probably guessed by now that I am not a fan of this rate cut at a time when the economy continues to grow steadily, unemployment is at a low and consumer confidence remains strong. The Powell press conference was difficult to watch given the lack of sound reasoning to support the cut other than uncertainties in the global economy. Ironically, the cut and the Fed's inability to rationalize it has created one of the biggest uncertainties for the economy going forward—no one knows now what drives rate policy at the Fed. If the Fed can cut rates as an “insurance” (in their own words) in a growing economy, what is the time for a rate cut or a rate raise going forward?

Market Analysis



Crude Oil: Crude chart is following a textbook move down, including the test of the \$58.50 level mentioned in the last report. The \$44.50-\$45.00 target is now very much alive and well. China buying Iran crude could be the fundamental trigger for the move. That would make sense for China since, besides lowering crude prices for domestic consumption to aid growth, also hurts US exports.

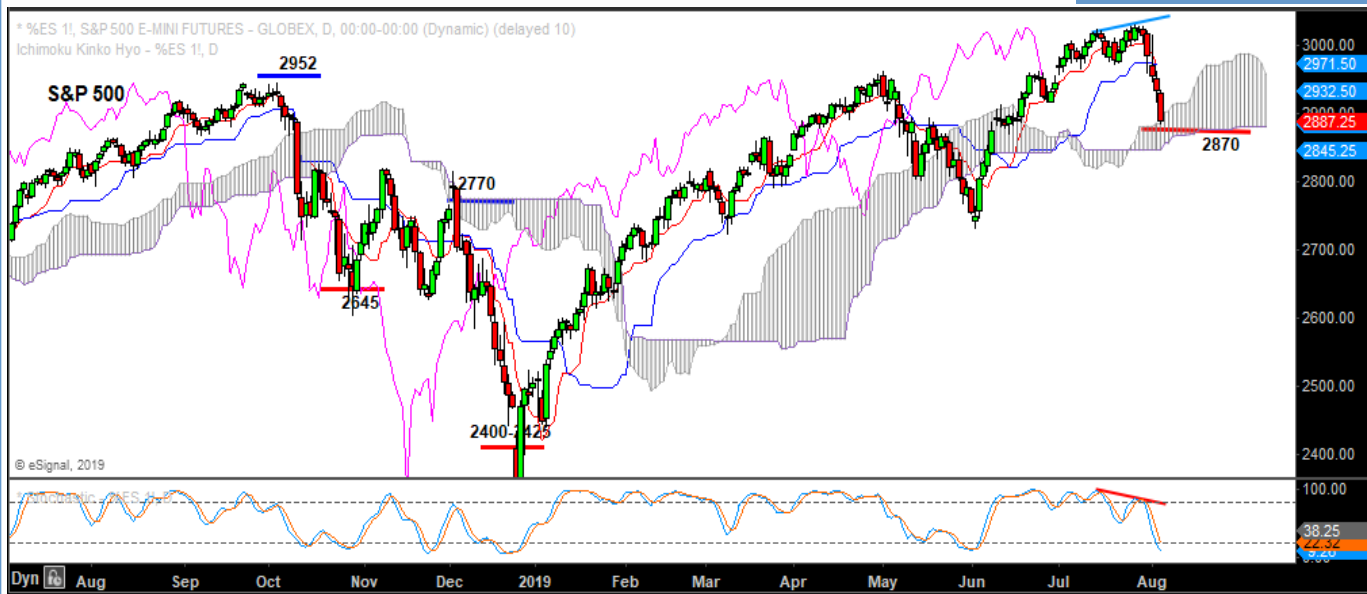


Natural Gas: The fundamentals and charts for natural gas continue to be bearish. As expected, we broke through the \$2.16 level and are now trading close the \$2.00 support. I expect a brief bounce here to alleviate oversold conditions but do not expect a change in the bearish trend anytime soon. We are likely to break below \$2.00 on the next test of the level.

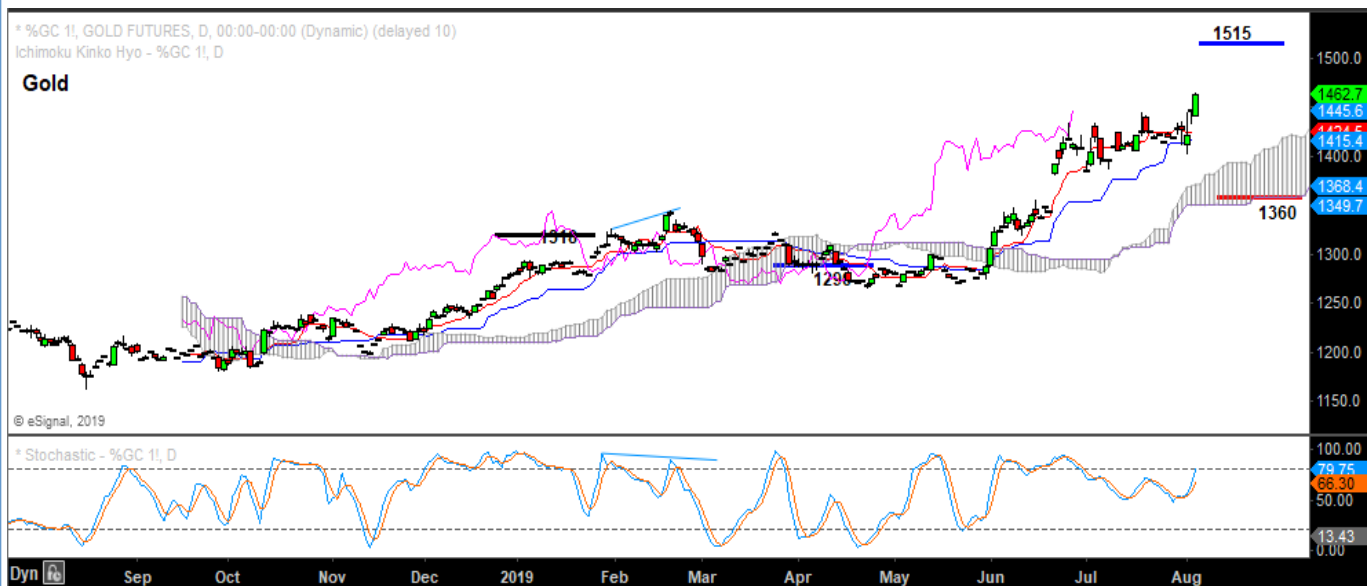
Storage currently at 2,634 Bcf after a bearish, above expectations 65 Bcf injection for the week ending July 26, 2019. Natural gas storage level is now 334 Bcf above last year’s level and 123 Bcf below the 5-year average.

Power:

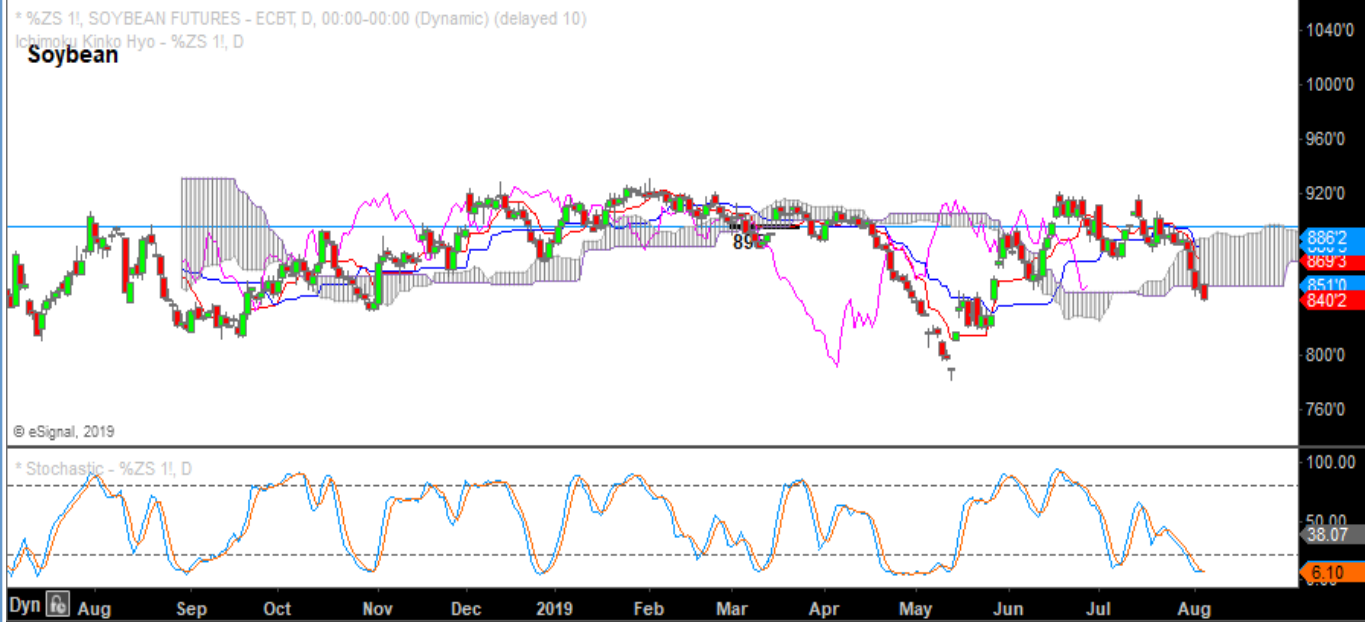
| Monthly Day-Ahead Peak Fixed Price Futures Settlements in \$/MWh | | | | | | | | | | | | | | | |
|--|--------------|----------|--------|------------------|----------|--------|--------------|----------|--------|-------------|----------|--------|-------------|----------|--------|
| Contract | PJM West Hub | | | MISO Indiana Hub | | | NYISO Zone J | | | ERCOT North | | | CAISO SP-15 | | |
| | 08/02/19 | 07/19/19 | Change | 08/02/19 | 07/19/19 | Change | 08/02/19 | 07/19/19 | Change | 08/02/19 | 07/19/19 | Change | 08/02/19 | 07/19/19 | Change |
| Sep-19 | 29.55 | 30.80 | (1.25) | 31.70 | 32.50 | (0.80) | 31.15 | 32.25 | (1.10) | 35.15 | 34.27 | 0.88 | 39.25 | 42.25 | (3.00) |
| Oct-19 | 29.10 | 29.40 | (0.30) | 29.90 | 30.85 | (0.95) | 29.65 | 29.55 | 0.10 | 25.59 | 26.19 | (0.60) | 36.15 | 36.85 | (0.70) |
| Nov-19 | 30.05 | 30.30 | (0.25) | 29.85 | 30.35 | (0.50) | 33.15 | 34.05 | (0.90) | 21.97 | 22.76 | (0.79) | 34.85 | 35.35 | (0.50) |
| Dec-19 | 32.80 | 33.35 | (0.55) | 31.40 | 31.95 | (0.55) | 46.70 | 46.80 | (0.10) | 21.42 | 22.77 | (1.35) | 43.95 | 46.50 | (2.55) |
| Jan-20 | 45.65 | 46.05 | (0.40) | 37.05 | 37.55 | (0.50) | 66.95 | 67.20 | (0.25) | 27.81 | 29.20 | (1.39) | 43.30 | 44.00 | (0.70) |
| Feb-20 | 42.70 | 43.35 | (0.65) | 34.45 | 35.10 | (0.65) | 66.45 | 68.10 | (1.65) | 27.48 | 28.80 | (1.32) | 38.70 | 39.40 | (0.70) |
| Mar-20 | 32.25 | 31.90 | 0.35 | 32.10 | 32.20 | (0.10) | 41.75 | 42.05 | (0.30) | 25.41 | 26.49 | (1.08) | 29.50 | 29.10 | 0.40 |
| Apr-20 | 29.30 | 29.15 | 0.15 | 30.95 | 31.20 | (0.25) | 33.35 | 33.40 | (0.05) | 24.15 | 25.37 | (1.22) | 22.90 | 22.65 | 0.25 |
| May-20 | 28.90 | 29.10 | (0.20) | 29.85 | 30.40 | (0.55) | 30.45 | 30.90 | (0.45) | 27.20 | 27.72 | (0.52) | 22.35 | 22.15 | 0.20 |
| Jun-20 | 28.50 | 28.35 | 0.15 | 30.80 | 31.20 | (0.40) | 31.55 | 32.10 | (0.55) | 36.06 | 37.13 | (1.07) | 34.05 | 32.50 | 1.55 |
| Jul-20 | 33.55 | 34.50 | (0.95) | 34.95 | 36.20 | (1.25) | 40.05 | 40.55 | (0.50) | 74.59 | 71.52 | 3.07 | 51.15 | 51.55 | (0.40) |
| Aug-20 | 30.25 | 31.20 | (0.95) | 32.10 | 33.30 | (1.20) | 35.70 | 36.15 | (0.45) | 117.67 | 112.86 | 4.81 | 52.75 | 52.25 | 0.50 |



S&P 500: Stop for this contract has moved up to 2870 and we are trading right around there now. This is a key level since a close or two below will change the long term trend to bearish. And that would trigger a lower target at 2635. But, I expect a bounce here at least in the short term. Notice that the market gave us a very clear sell sign the day after the Fed announcement with that lane divergence. I don't send alerts to the entire newsletter distribution when I see big changes between reports, but if you are interested in receiving them on specific contracts, do let me now.



Gold: This chart continues to look good, technically and fundamentally. Stay on the long train with stop moved up slightly to 1360. The next target level higher for Gold is 1515.



Soybean: Well, that escalated quickly. The trade war obviously has the most important influencer for Soybeans, and the bad news stopped us out of our long position on Friday's close. Stay on the sidelines.



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www.clonecap.com
 anand@clonecap.com
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