

## FXEmpire Fundamental Analysis:

Natural gas prices consolidated for a second day on Friday since reaching its lowest level since March 3 at \$2.722 on November 9. We've seen this price action twice over the last three weeks. Each time a rally has failed to gain traction. Those support clusters occurred, however, during periods of warm weather so there was no incentive to continue buying. The current chart pattern is forming as we move closer to more seasonal temperatures.

The next move in natural gas will be triggered by a combination of the technical chart pattern and a change in the weather pattern.

Technically, prices are relatively cheap, hovering near levels not seen since March. When the current low was reached at \$2.722, the buying was strong enough to form a potentially bullish closing price reversal bottom. This chart pattern typically indicates the buying is greater than the selling. It can be formed by aggressive counter-trend buying, short-covering or a combination of both.

It doesn't mean the trend is changing to up, but that current conditions are ripe for a rally. This chart pattern will be confirmed by a move over \$2.906. Once confirmed, this chart pattern often leads to the start of a 2 to 3 day rally. The main objective at this time is \$3.199 to \$3.311, but first the buying is going to have to be strong enough to overcome resistance at \$2.949 and \$3.088.

The current catalyst for a rally is a change in the weather pattern. Just last week, forecasters were calling for above average temperatures until at least Thanksgiving.

According to a new forecast from natgasweather.com, the week is likely to begin with unseasonably warm temperatures. This has already been priced into the market.

However, there is a weather system pushing into the western U.S. It is expected to track toward the eastern U.S. next week-end with rain, snow and cooler than normal temperatures. This system is expected to bring a surge in natural gas demand to the strongest levels so far this fall season.

So we should begin the week with a bullish tone as investors begin to price in the colder weather due next week-end. If this type of pattern continues to show up week after week then prices are likely to continue to rise into the seasonal start of winter in late December.

## FXEmpire Technical Analysis:

The natural gas markets fell initially on Friday, but we did find enough support to turn around and form a hammer. The hammer of course is a very bullish sign but I also recognize that we are in a massive downtrend, and the \$2.75 level above should continue to offer resistance. I think there's a lot of resistance between there and the \$2.85 level beyond. I'm waiting for the rally to show signs of exhaustion that I can start selling again. I have absolutely no interest in buying the natural gas markets.

