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February 9, 2017

## Major Upside Potential in Natural Gas?

The Natural Gas market has had a substantial lid on it for most of the last eight years. This is especially the case when considering how high the market was able to trade for sustainable periods of time between 2002 to late 2007 (bottom right box on the chart represents the price from 2008 to present). With a Republican administration in power once again, there is reason for broad based optimism in the natty gas bull camp. Buying natural gas was at the top of my “interesting list” ahead of the 2012 election, but got placed on the back burner when Obama ultimately prevailed in his run against Mitt Romney.



The thinking here is as simple as looking at the sustainability of the massive price ranges in natty gas between 2002-2007, when the market traded fluidly between \$4.50 and \$15.00, and since that time period from when the Republicans left office in 2008, natural gas has been completely hog tied. In addition, there's another extremely interesting detail to consider, which followed the November 8<sup>th</sup> election night.....Nat Gas rallied from \$2.55 to just shy of \$4.00. Coincidence? Possibly, but it is starting to look as though there are potentially some big players speculating about the same possibility over the course of the next few years.



Charts from Forexpros.com

Front month natural gas futures, trading at \$3.10, carry a notional contract value of \$31,000; each dollar translates to \$10k in real money. Should natural gas trade at \$5.00, \$6.00, or even \$10.00, it's not difficult to compute the risk/reward potential. I don't mind using long futures to scale into a longer term position, but options offer incredibly explosive potential, while knowing exactly what the risk is before entering the trade.

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