

# *When to Step Up to the Plate*

Prepared for:

GasMart 2007

*How to Manage Price Risk in a \$5-\$10 per MMBtu World*

Hyatt Regency McCormick Place Hotel

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By

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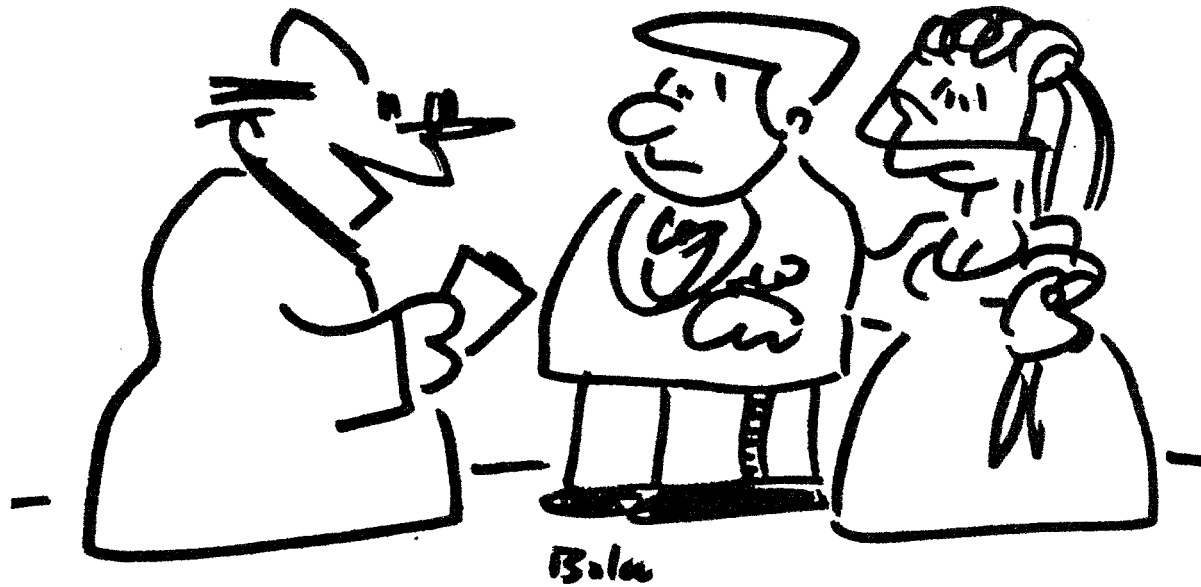
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## ***Three Essential Concepts to Success***

1. Our job is to ...*process information*... to make the best possible decisions, and to **communicate** it to your costumers.
2. The ...*price*... of natural gas futures is determined in a...  
...double oral **auction** (pit), and  
...double electronic **auction** (Globex).
3. A ...*graph*... is a **communication** vehicle.



*“ . . . And past performance is no guarantee of future results.”*

**BACK TESTING AND/OR HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.**

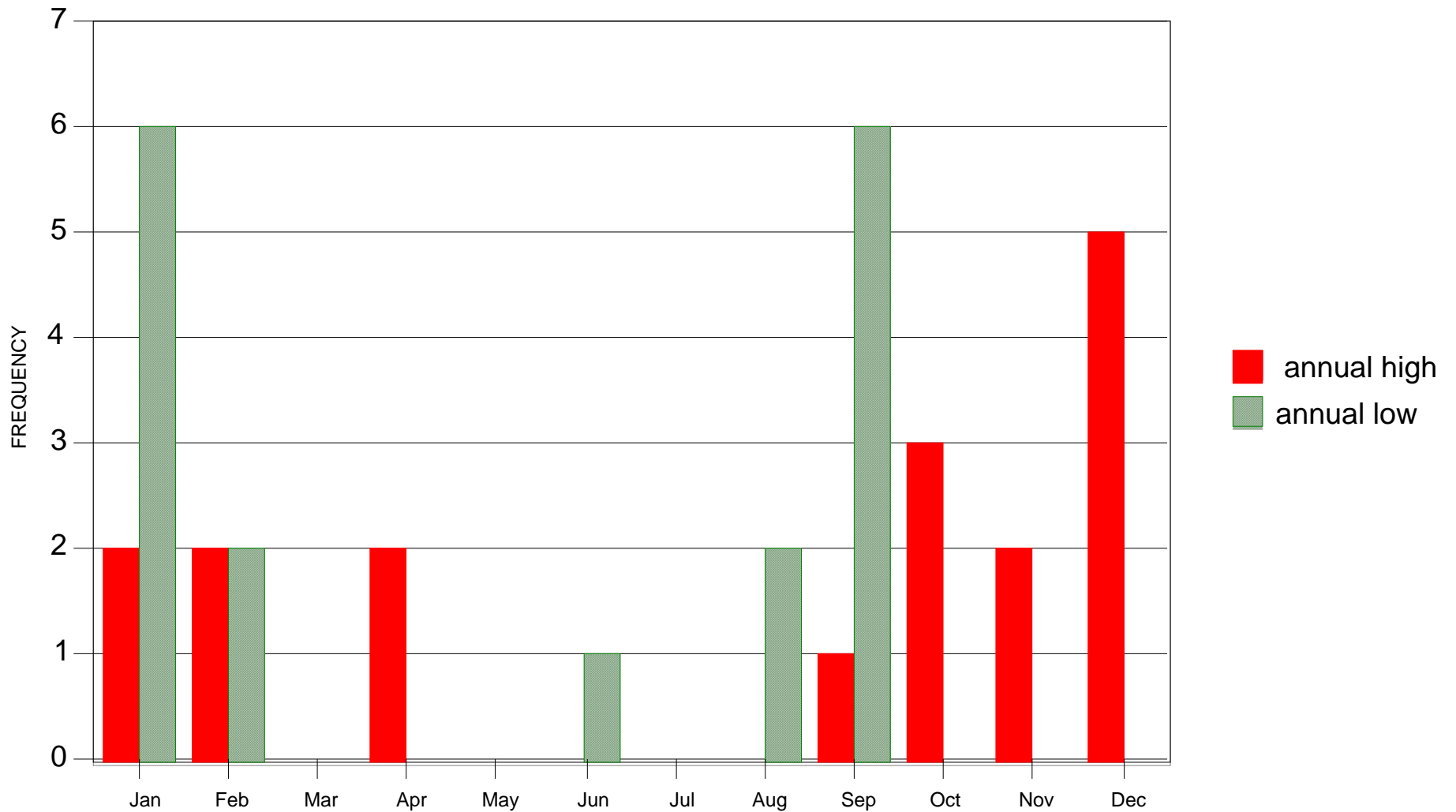


### Spot contract - Monthly data - Bar chart



# ANNUAL HIGH & LOW NATURAL GAS SPOT FUTURES PRICES

MONTH OF OCCURANCE  
(FROM 1990 THROUGH 2006)



SOURCE: NYMEX

...from one information processor to another...

**Simplify, simplify, simply...**

Henry David Thoreau



**Spot contract – Weekly data – Bar chart**

**Slow Stochastics**

\$10.00

\$5.00

**BUYER'S signal - Oversold**

11000

10000

9000

8000

7000

6000

5000

4000

3000

2000

Stoch

Overbought

Oversold

A

B

C

D

E

F

75

67.5

50

25

0

2000

Jan Jul

2001

Jan Jul

2002

Jan Jul

2003

Jan Jul

2004

Jan Jul

2005

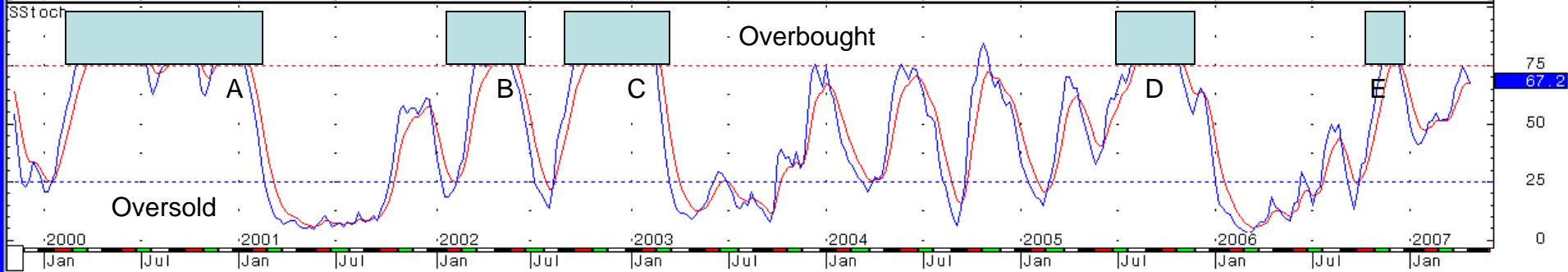
Jan Jul

2006

Jan

### Spot contract – Weekly data – Bar chart

### Slow Stochastics



...from one information processor to another...

Forget what you **believe**....

...and...

**Believe** what you see!!!

John Gambino



### Spot contract – Monthly data - Market Profile (since January 2006)

10400  
10300 D  
10200 D  
10100 D  
10000 D  
9900 E  
9800 EFA  
9700 EFA  
9600 EFA  
9500 EFJKA  
9400 EIJKLVfgA  
9300 EIJKLVfgA  
9200 IJKLRSVfgA  
9100 IJKLRSVfgA  
9000 LRSVfAf  
8900 LMSTZfAef  
8800 MSTZfAef  
8700 MSTZfAef  
8600 STYZacfCeA  
8500 STYZacBCBeA  
8400 TYZacBCFBA  
8300 YbcBCFBdA  
8200 bcBCFTVgABINrd  
8100 bcBFHSTVgABINPQRVwdD  
8000 bcFHSTVWgABBCHIMNPQRVwcdDK  
7900 bFGHSTVWgABIJBCGHI MNPQRVWcdNgAEHIJKLm  
7800 bGHSTVWZgABIJbBCGHIJMNQRxcDEgNgAEGHIbJKLm  
7700 bGHWsZgABIJabcABCgHJMqXDEFGHMNfgABEFgHWXYbcdefBEJma  
7600 I WYCSZgAIJabcfgABFGHMxYEFghmnyfgABEFgQWXYbcdefBCEIJQZa  
7500 IJWYZfCRZACIJabcfgABFGHLMNYZfgABEFQVWXYbcGcdeBCDEIJQRSTYZab  
7400 IJMPWXYZZfCRaACIJKaabcfgABFGKLPYzfgABFLMNQVbdfGcCDRSTVYZb  
7300 IJMPRWXYZQYZefCRabCDIKaYyacgGKLPXYZefALMNPQVdABEFgXYbcCDsVY  
7200 JMNPRWXYZNPQRXYZdegCDFRabPQcdCDHKZavYacgKXabeTLMPVdABEFHIXYbcY  
7100 MNPQRXYZNPQRXYZcdegDEFMabcPQcdDHQYZaTVYZacgSTXabeLNPAEHI NPWX  
7000 NPQRXYZcMNPXYcDEFKmbcEKpQcdGHQsXYZaTVYZcSTVXabePIMNPW  
6900 PQYZcBMNVWXYcDEFJKLmcdDEJKPTVbcdGHNPQsXYZeTVYZTVT XabeLMNPQTVW  
6800 cdABCJMvwGJKLmcdABDEJKPTVbGHNPQsXYeIRSTYZVWJTabeLMQTV  
6700 cdABCgHIJWgJKLmcdABCDEHIJKAPT VabNPQRsWXYeIRSTVWXJQT  
6600 dABCfGHIJMdABCDHIJKABENPVWZabQRSWefIJRSTWXIJKLQT  
6500 dBFgHI dACDHIJKLABENPVWXZabQRSWdefFIJRSHIJKLQRT  
6400 FHI dLYgABEFINvXNZabRwdefFIJKQRSDHIKLQR  
6300 LQRXYfgABFIMNXNZadeFEFJKQRdeDHIKLRS  
6200 LPQRXYfgFHI LMYeNvefgEFKQRbdeCDEIKRS  
6100 PQRXYZfgGHI LMYcdefMNRVWegFDEFKQbeCDES  
6000 PSTXZabgGHbcdefMRVWegEFDEFLQbeE  
5900 STZabGbcdeMRSTVWgAEFDLQc  
5800 STbdeFKLMRSTWAEGLCDLmc  
5700 BEFJKLMRSTGHLeBCDLmc  
5600 FGJKLSTGHKLMdeBCM  
5500 GJKSKLMdeCM  
5400 GKMdeC  
5300 Nd  
5200 N  
5100 NST  
5000 NPSTV  
4900 NPSTVW  
4800 NPSVWX  
4700 WX  
4600 WX  
4500 ab  
4400 abc  
4300 bc  
4200 c  
4100 c  
4000 c  
3900

Minus development

A TPO (time price opportunity - letter) is a trade at a given price and time  
Minus development is a pricing area to-be-filled-in to complete a bell curve  
A bell curve of TPO's is a completed Market Profile pattern  
After a completed bell curve, prices usually break away from the MODE

7.250 MODE = Most popular price

...from one information processor to another...

Not everything that **counts** can be *counted*...

...and...

not everything that can be *counted* **counts**.

-Sign hanging in Albert Einstein's  
Princeton University office

## *Supplemental Information*

*Bollinger on Bollinger Bands*, John Bollinger, 2001

*The Futures Game*, Teweles and Jones, 2000

*Rocket Science for Traders*, John F. Ehlers, 2001

*Steidlmayer on Markets Trading with Market Profile*, Steidlmayer and Hawkins, 2003

*Technical Analysis of the Financial Markets*, John Murphy, 1999

*Trading Systems and Methods*, Perry J. Kaufman, 1998

*The Visual Investor*, John J. Murphy, 1996

## *Disclaimer*

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