

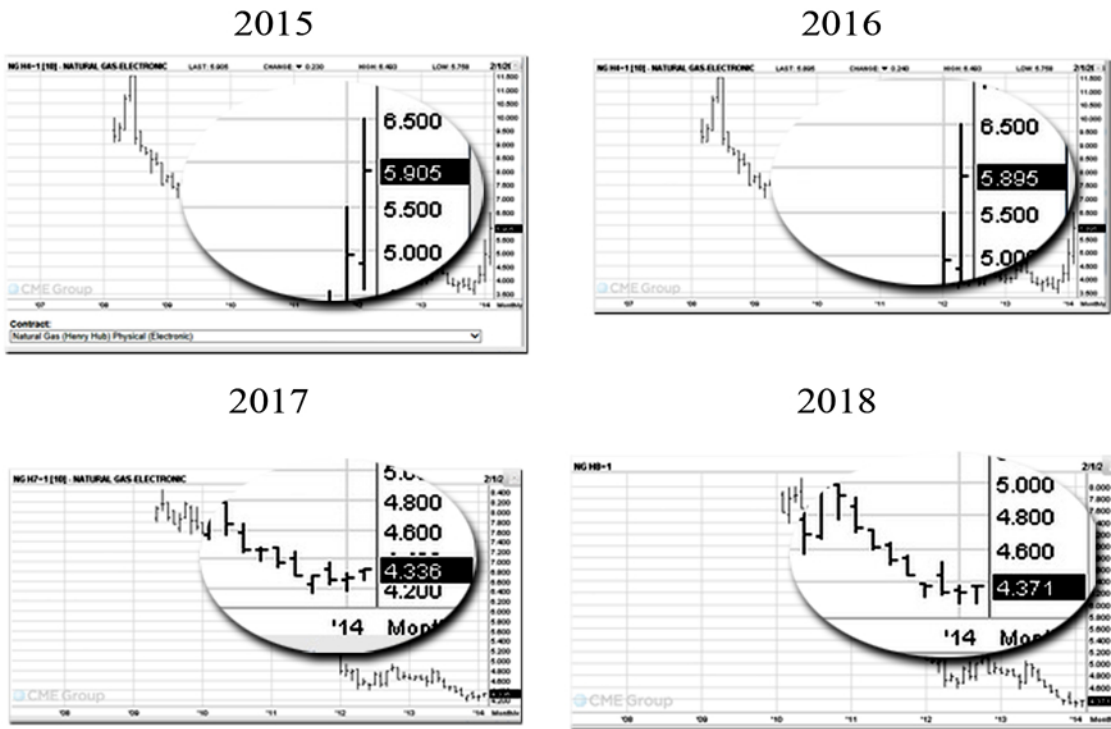
Exelon: 'Keep On Walkin,' Don't Look Back'

Feb. 25, 2014 5:06 AM ET | 7 comments | About: EXC

Disclosure: I am long EXC. (More...)

(below is excerpt from this article. For full article, click [here](#))

The recent spike in spot natural gas prices is not yet playing out in the futures market. Below is a chart of the futures contract price for one-, two-, three- and four-years out, March 2015 to March 2018. The graphs begin at the initiation of the contract on the CME on a monthly basis.



While the one- and two-year contracts are reacting positively to the current spot price spike, the other contracts are not, at least not yet. If the spot market stays strong into the summer months, the farther out futures should begin to move higher.

... However, as the market turns higher for natural gas and begins to be reflected in the futures market, the risk premium required by gas-fired merchant power producers will increase. This will lead the electric commodity market price higher.

Texzon Market Intelligence: As reported here, the recent spike in natural gas pricing is not YET playing out in the futures market, but that is not likely to last. As the natural gas market goes up, the electricity market soon follows. Thus, a window of opportunity exists to extend your electricity contract before the market moves higher.