Feel like you missed the rally? Not to worry

The broader markets have rallied an approximate 25-30% since we bottomed in March. This is one of the most explosive rallies we have ever witnessed. Financial stocks are charging ahead, commercial REITs, technology companies, gold producing companies, energy companies – in fact, almost everything.

Now, this of course follows a record breaking decline of approximately 50-60% in 2008, so most investors are likely still down from last year, depending on where you had most of your financial wealth allocated. Therefore, it seems many investors are still sitting on the sidelines. Even some of the large hedge funds and money managers are waiting on the sidelines.

The big question investors are contemplating is: "Where do we go from here?" Is the market going to continue to rally or will it pull back? We have spoken with and read about so many investors and money mangers that are waiting for a pull back so they can enter the market and start buying. This tells us that there has been a major shift in investor sentiment. It's gone from "get me out" to "get me into something".

All this cash on the sidelines and the shift in sentiment signals that we likely won't see a substantial pull back any time soon. Any sign of weakness in the market will trigger a new wave of buying and likely send the market to new highs. So if you feel like you missed the rally, don't worry. The opportunity to make money this year is still here in a big way. Talk to your broker and start to identify opportunities if you have not done so already.

If you get caught with a deer in the headlights attitude you need to give your antlers a shake and start to pay attention to what we think is the best buying opportunity we will likely see in our generation.

One of the many opportunities that we identified and still looks very attractive is the natural gas sector. When natural gas prices went below US $4 per Mcf there was a great deal of production that went offline as it could not be produced economically anymore. This has happened to other commodities over the years including commodities such as uranium and oil. When producers are forced to cut back production due to low commodity prices, supply is reduced which, as you might expect, causes the commodity to rise in price again.

During the first few weeks of this rally, natural gas prices continued to decline and went as low as US $3.25 per Mcf. Inventory levels continued to set new highs almost each week. Every time the price declined, it also brought a further decline in natural gas rigs in operation.

The key catalysts we are paying attention to for a rebound in natural gas are: new supplies are shrinking (rigs are getting shut down), and the disconnect between the energy value of gas relative to oil in dollar terms.

Since it bottomed we have seen the price rally to US $4.07 per Mcf as we write this. That's about a 25% increase. So now the same big question returns: "Was that the bottom?"

As we mentioned earlier, one of the most important factors is rig counts. The number of rigs exploring for new reserves and expanding old reserves is closely related to how quickly supplies will be able to be replenished if demand resurges. Today, the decline in operational rigs is starting to slow. The leveling off of the number of rigs in operation is an important part of the bottoming process. There are, however, still hurdles to overcome.

Current inventories are sitting at near record levels and it will take a major rebound in demand to get the natural gas stockpiles back down to normal. The U.S. Department of Energy recently said industrial consumption of natural gas will decline 8% this year.

The real variable here is actually the weather. Remember, natural gas-fired generators are very expensive to operate and make up most of the marginal electricity generation capacity. Demand from those generators is tied closely to marginal electricity demand which, in the summer months, is tied closely to air conditioner usage. As a result, a mild summer on the west and east coasts (where air conditioning usage has the greatest impact) could go a long way to keeping demand down.

With some unpredictable variables still at play here, it's too early to tell if natural gas prices have really hit bottom. You can still make money, though, in the short term if you do not want to wait for a clear breakout. Analysts say there is good support in the low US $3s and that the key resistance level would be around US $5 per Mcf. A good way to trade the natural gas market is with the ETFs (Exchange Traded Funds). Take a look at the Horizon's **Betapro Natural Gas Bull Fund** [HNU-TSX] or its bear equivalent, **NYMEX Nat Gas Bear ETF** [HND-TSX].

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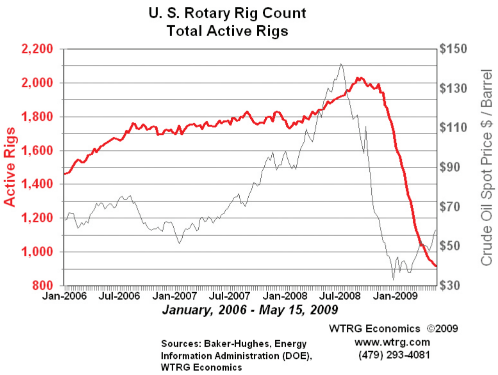

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