NYMEX Nat Gas is at a Turning Point

A few weeks back we discussed the formation of an inverse head-and-shoulders pattern (as described in Investopedia) in the NYMEX Henry Hub futures market. These technical patterns are used to predict reversals in bear markets. Head-and-shoulder patterns are not some *flaky* technical tool as The Federal Bank of New York declared in an analysis of the indicator's predictive power.

In the first week of February, the NYMEX gas market spiked through the pattern's *neckline* — which occurred on heavy volume (first black arrow). This move signaled a bullish breakout.

Over the following three weeks the contract for April 2021 delivery spiked, peaking last week at a **five-year high** of $3.060/MMBtu (second black arrow). Keep in mind that the contract troughed at a **life-of-contract low** of $2.308/MMBtu at the end of 2020 (December 28th). This amounts to a two-month gain of 32.6% … $7,520 per contract!

Since last week's peak, the market has been tanking and is now in a bearish corrective phase of the price cycle.

Bears now have another key technical indicator in their crosshairs, the Fibonacci 50-62% retracement range, from $2.777/MMBtu to $2.650/MMBtu (third black arrow).

Contact us for information on how to apply technical analysis to your hedging strategies

The art of technical analysis.

Market prices are a function of psychological attitudes toward changing fundamental events be they economic, weather and natural disasters, and/or political and speculative forces. According to **Martin J. Pring**, the art of technical analysis "…is to identify trend changes at an early state and to maintain an investment, trading and/or hedging posture until the weight of the evidence indicates that the trend has reversed."