



## NYMEX Gas Bulls Are on Life Support

In early February, the NYMEX Henry Hub natural gas futures contract for April 2021 delivery rallied through the neckline of an inverse head-and-shoulders pattern—a key technical indicator—at around \$2.716/MMBtu (first black arrow). The contract rallied from there, peaking on February 18<sup>th</sup> at a five-year high of \$3.060/MMBtu (second black arrow).

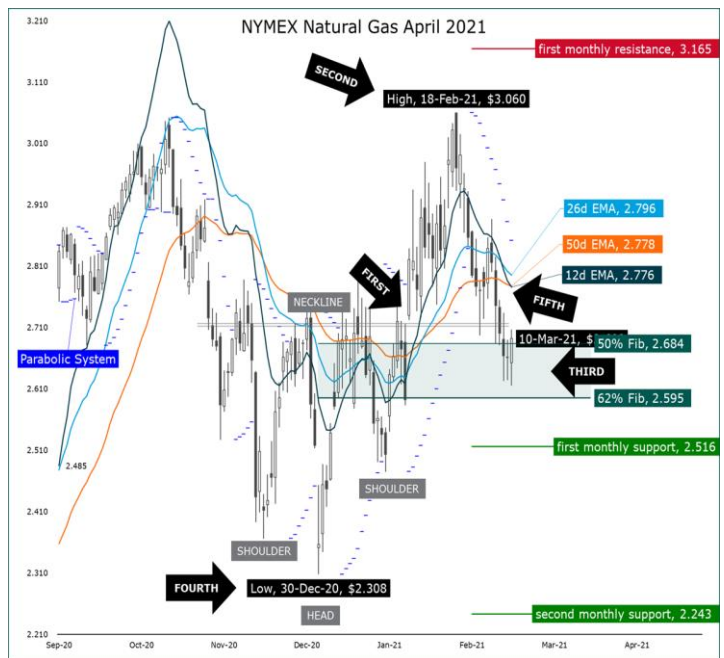
Ever since, the contract has corrected lower.

Last week we observed that gas bulls had to defend the Fibonacci 50-62% retracement range (another key technical indicator) in the April 2021 market from \$2.684/MMBtu to \$2.595/MMBtu (third black arrow). We went on to write that a “...failure to defend this area clears a path to our model’s first area of support in the April market at \$2.516/MMBtu. A break below this band risks a flush towards the contract’s life-of-contract low print of \$2.308/MMBtu (fourth black arrow).”

At the start of this week the contract traded down into the Fibonacci 50-62% retracement range. Just as importantly, the market crossed below the 12-, 26-, and 50-Day Exponential Moving Averages (EMA). As illustrated, all three averages are sloped bearish (fifth black arrow).

**As we look ahead, the bulls are clinging to the Fibonacci 50-62% retracement range.**

We repeat ... A failure to hold this support band sets the table for a flush to our model’s initial level of support at \$2.516/MMBtu. A break below this band risks a flush towards the contract’s life-of-contract low print of \$2.308/MMBtu.



### What a difference a polar vortex makes!

As of March 05<sup>th</sup>, L48 underground storage of natural gas stands at 1.793 Tcf. Last month’s polar vortex through the Mid-Continent prompted the EIA to drastically lower its end-of-season forecast. Per the latest update, the EIA revised the forecast by 177 Bcf (10.1%) and expects storage to finish winter at 1.570 Tcf. After yesterday’s report, we calculate a 64% probability (odds of 5-to-9) of ending winter at/above this forecast. Our 50/50 end-of-season line is currently 1.633 Tcf.