



## NYMEX Gas Bulls Are Playing with Fire

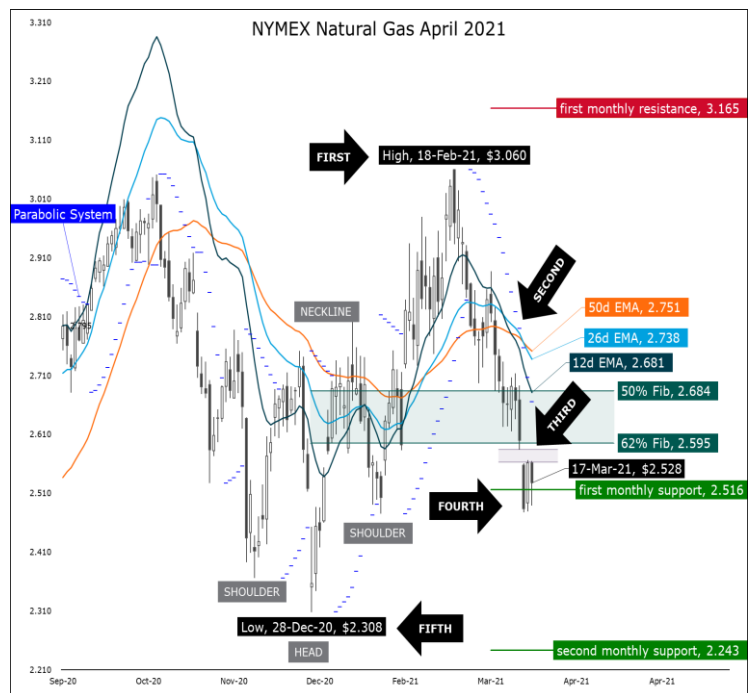
Back on February 18<sup>th</sup>, the NYMEX Henry Hub natural gas futures contract for April 2021 delivery peaked at a **five-year high** of \$3.060/MMBtu (first black arrow). Since then, the market has collapsed. The 12-day weighted exponential moving average (EMA) crossed below the 26-day EMA on March 8<sup>th</sup> and crossed below the 50-day EMA on March 9<sup>th</sup>. Furthermore, the 26-day EMA crossed below the 50-day EMA on March 15<sup>th</sup> (second black arrow).

Last week we observed that natural gas bulls were on life support... clinging to support at a key technical area, the Fibonacci 50-62% retracement range from \$2.684/MMBtu to \$2.595/MMBtu. We went on to say that a failure to hold this support band set the table for a flush to our model's initial level of support at \$2.516/MMBtu.

Supporting our recent emphasis on the importance of looking at the technicals, last week the market violated the \$2.595/MMBtu Fibonacci 62% retracement at the end of last week.

At the beginning of this week April gas gapped below last Friday's \$2.584/MMBtu low print (third black arrow) and sold \$0.038 cents below our model's initial support target of \$2.516/MMBtu (fourth black arrow).

As we look forward, gas bulls are vulnerable, trapped below the aforementioned gap. A failure to regain the upper hand over the next week increases the chance of a flush towards the contract's life-of-contract low print of \$2.308/MMBtu (fifth black arrow).



### Bulls are running out of winter.

As of March 12<sup>th</sup>, L48 underground storage of natural gas stands at 1.782 Tcf. Last month's polar vortex through the Mid-Continent prompted the EIA to drastically lower its end-of-season forecast by 10.1% to 1.570 Tcf. However, the last two reported deliveries for the weeks ended March 5<sup>th</sup> and 12<sup>th</sup> have come in well below normal. With only a handful of deliveries remaining in the season, the chance of ending winter above the EIA's forecast rose to 78% (odds of 2-to-7). Our 50/50 end-of-season line is currently 1.664 Tcf.