HENRY HUB NG FUTURES

THE SCHORK GROUP, INC.

Do-or-Die for NYMEX Gas Bulls

In early February, the Henry Hub natural gas futures contract on the NYMEX for April 2021 delivery broke above 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 18th at a five-year high of $3.060/MMBtu (second black arrow).

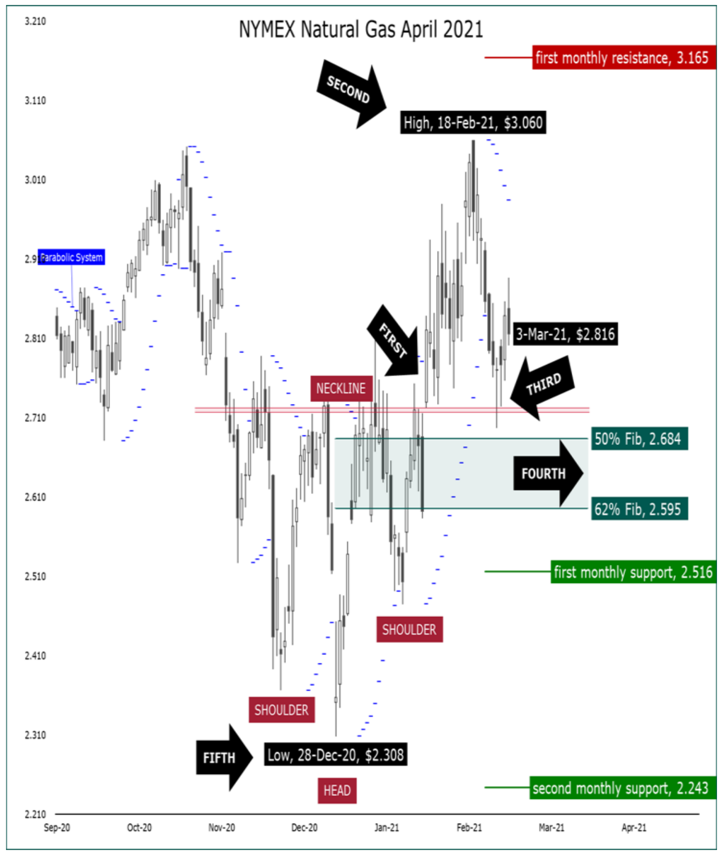
Over the last three weeks the contract corrected lower and tested the $2.716/MMBtu neckline at the end of last week (third black arrow).

Gas bulls had a terrific run in February as a polar vortex slammed the Mid-Continent. However, all good things come to an end. The market bounced higher at the beginning of this week but, bulls are by no means out of the woods. The market is in a bearish corrective phase of the price cycle.

Bulls must defend the Fibonacci 50-62% retracement range (another key technical indicator) in the April 2021 market from $2.684/MMBtu to $2.595/MMBtu (fourth black arrow).

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 (fifth black arrow).

Contact us for more detail on how to apply technical analysis to your hedging strategies.



Is the party over?

Back on December 03rd, the discount (contango) on the Summer 2021 strip to the Winter 2021-22 strip troughed at -$0.291/MMBtu. By February 17th, the discount narrowed to a 52-week low of -$0.152/MMBtu. Contangoes will narrow as concerns of product scarcity in the market arise. The tightening we saw this season in the Summer 2021/Winter 2021-22 spread was a bullish indicator. However, over the last three weeks, the contango has started moving back out. This is a clear bearish sign that the market's concern regarding scarcity is easing.