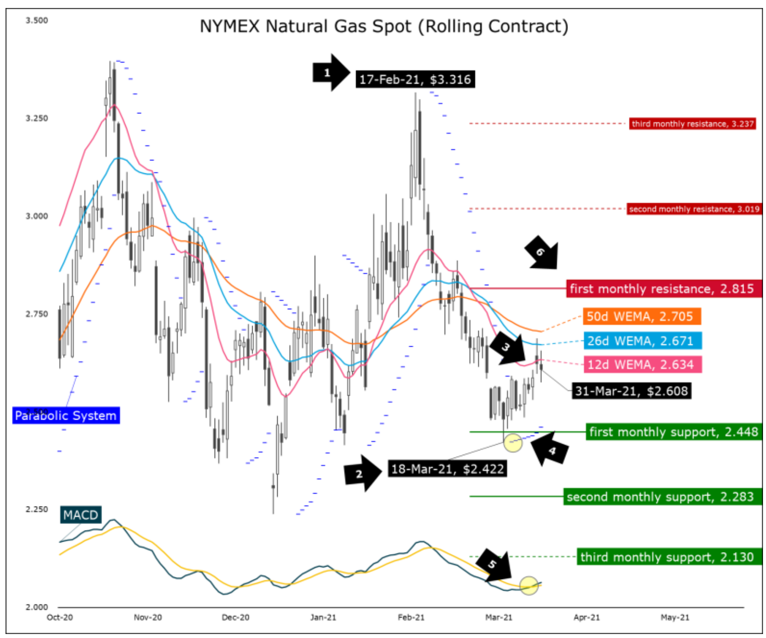
Technicals Turn in Favor of Gas Bulls

After peaking back in February at a four-month high of $3.316/MMBtu (arrow 1) the spot Henry Hub futures contract on the NYMEX went into a freefall over the following four weeks, troughing in the middle of last month $0.026/MMBtu below our model's first monthly support target, $2.448/MMBtu (arrow 2).

The market has rallied for the last couple of weeks, having tested overhead resistance over the last couple of days at the 12-day weighted exponential moving average (12D WEMA) and the 26D WEMA (arrow 3). Further, our favorite technical indicator, the Parabolic SAR, flipped bullish on March 22nd (arrow 4) and our second favorite technical, the MACD, turned bullish on March 29th (arrow 5).

The slope in the 12D WEMA has turned positive, thus, short-term momentum is bullish. The 26D and 50D WEMAs remain negatively skewed, but the slopes appear to be plateauing. As we look ahead, the three WEMAs present the next hurdle for gas bulls. Strength through these levels clear a path to our model's first monthly resistance of $2.815/MMBtu (arrow 6).



As always, we invite you to contact us with questions specific to your hedging strategies

This is how bear markets trade.

In February, the October 2021 Henry Hub futures contract (the final contract of the 2021 refill season) traded at a -$0.046/MMBtu discount (contango) to the November 2021 contract (the first contract of the 2021-22 winter). This contango was a seven-month low. However, at the end of March, the contango settled at a four-month high of -$0.075/MMBtu. This is a clear telltale of the market's lack of concern regarding supply scarcity.