

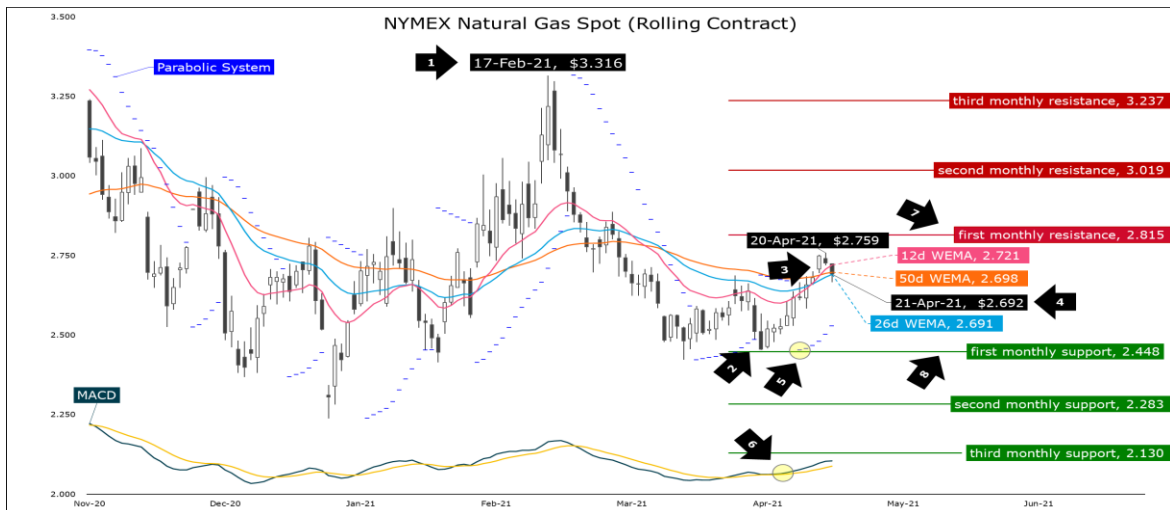


It's Now or Never for Gas Bulls

After bottoming a few weeks ago around our model's first monthly support target of \$2.448 (arrow 2), the spot Henry Hub futures contract on the NYMEX is on a nice bullish run. Earlier this week the market rallied through the 12-Day, 26-Day, and 50-Day exponential moving averages (WEMA) and peaked on Tuesday at \$2.759 (arrow 3). Furthermore, the 12-Day WEMA crossed above the 26-Day and 50-Day WEMAs. As illustrated, the market stalled on Wednesday (April 21st) and regressed to the 26-Day and 50-Day WEMAs (arrow 4).

The market is still technically bullish. Our favorite indicator, the Parabolic SAR, flipped bullish on April 14th (arrow 5) and our second favorite technical, the MACD, has been bullish since March 29th (arrow 6). The slopes on all three WEMAs (12-day, 26-day, and 50-day) have turned positive, i.e., bullish.

As we look ahead to the new week, renewed bullish momentum above the 12-Day WEMA around \$2.721 clears a path to our model's first monthly resistance of \$2.815/MMBtu (arrow 7). It is now or never for the bulls; should they fail to regain the upper hand, there's a risk of a correction towards our first monthly support of \$2.448 (arrow 8).



Natty bulls in the spot market have the wind at their back.

The Henry Hub futures contract for May 2021 delivery recently settled at an 8.4 cent discount to the June 2021 contract. This is the biggest discount of the past two weeks and the second largest discount in the last 52 weeks. **In a fundamentally driven bull market, spot gas would trade at a premium to deferred gas. At present, this is not the case.**