



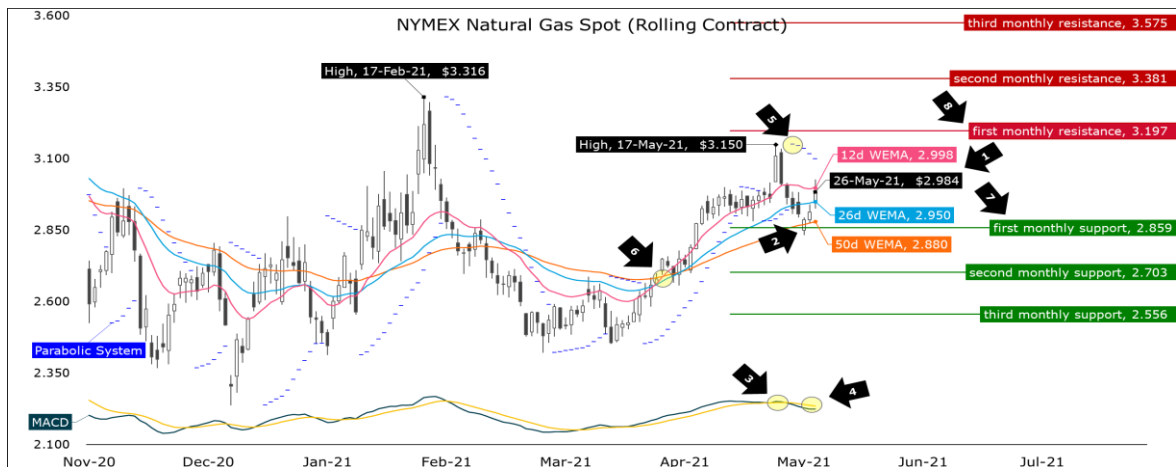
Natty is at a Crossroads

On Monday, NYMEX Henry Hub spot natural gas futures (continuous roll) fell through the 50-day weighted exponential moving average (WEMA) and slightly below our model's first support point for the month at \$2.859 (arrow 2). The market bounced back on Tuesday and Wednesday, but momentum stalled above the 12-day WEMA (arrow 1).

Technical momentum indicators remain mixed. The MACD established a bullish trend at the end of March (arrow 3) but turned bearish early last week (arrow 4). The Parabolic SAR whipsawed to bullish two weeks ago, only to flip bearish at the end of last week (arrow 5).

The 12-day weighted exponential moving averages (WEMA) crossed above the 26-day and 50-day on April 19th (arrow 6). The slope of 12-day and 26-day are waffling, while the 50-day is still positive (bullish).

As far as the new week is concerned (note we updated our monthly support/resistance points due to this week's roll from June to July), the market is at a crossroads. Renewed strength through the 12-day WEMA sets the table for a run at the May 17th high print of \$3.150 and then onto our first resistance target for the month at \$3.197 (arrow 8). On the downside, we will look for support to hold around the 50-day WEMA and our first support target of the month at \$2.859 (arrow 7).



Underground storage was stout last week.

Earlier today, the EIA reported the ninth injection of the season into L48 natural gas underground storage. Stocks rose by a large 115 Bcf to 2.215 Tcf for the week ended May 21st. The typical injection for this report is 92 ±26 Bcf and the five-year mean (interpolated) is 91 Bcf. We are now one-fourth of the way through the season. At this juncture, we calculate the probability of coming in at/above the EIA's end-of-season forecast of 3.607 Tcf is 68% (odds of 4-9).