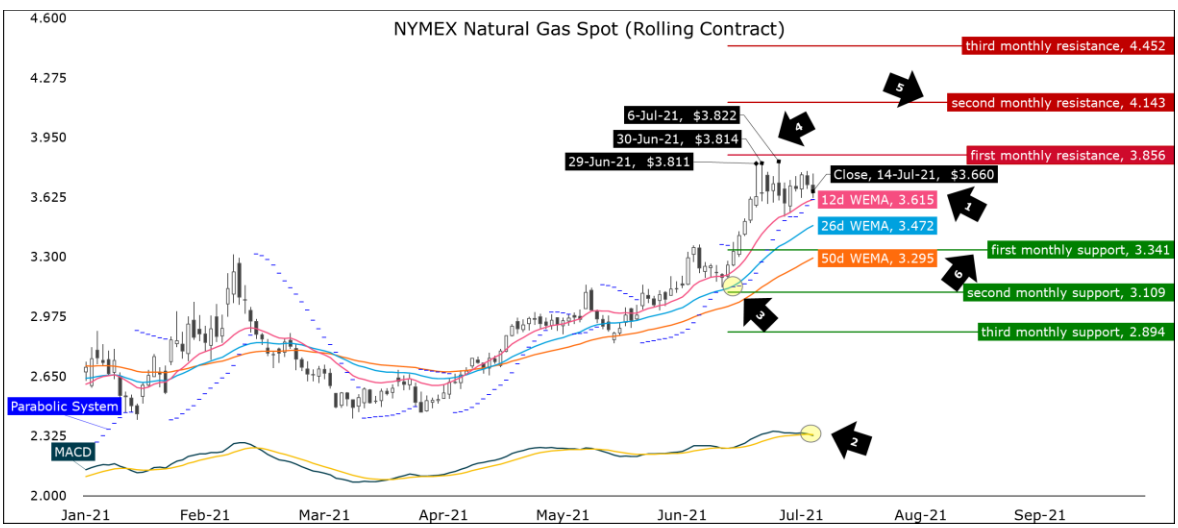
NYMEX Gas Stalls This Week

Over the last week, the Henry Hub spot (continuous roll) futures market traded in a narrow range. Yesterday the market ran into support at the 12-day weighted exponential moving average (WEMA) and settled at \$3.660/MMBtu (arrow 1). All WEMAs— the 12-day, 30-day, and 50-day—are sloped to the upside.

Our two favorite technical indicators are sending mixed signals. From June 2nd through this past Tuesday, the MACD was bullish in 27 out of 29 sessions but then yesterday turned bearish (arrow 2). In this time the market rallied from a low of \$3.010/MMBtu on June 4th to a two-and-a-half year high of \$3.822/MMBtu on July 6th. The Parabolic SAR has been bullish since June 23rd (arrow 3).

Looking ahead through the end of July, a break below the 12-day WEMA of ≈\$3.615/MMBtu clears a path to the 26-Day WEMA ≈\$3.472/MMBtu and our initial support for the month at \$3.341/MMBtu (arrow 6) and the 50-day WEMA ≈\$3.295/MMBtu. On the upside, bulls can shoot for the triple-top and a retest of our initial resistance for the month at \$3.856/MMBtu (arrow 4). Our second resistance target for this month is \$4.143/MMBtu (arrow 5).



EIA reports a normal injection for early July.

Today, the EIA reported the sixteenth injection of the season into L48 natural gas underground storage. Stocks rose by a normal 55 Bcf to 2.629 Tcf for the week ended July 9th. The typical injection for this report is 53 Bcf ±16 Bcf. The consensus ranged from a low of 46 Bcf on the Platts survey to a high of 49 Bcf on the Dow Jones survey. Nearly half of the season is now in the books. As of last week's injection, the market has replaced 40% of last winter's 2.208 Tcf delivery. We calculate the probability of coming in at/above the EIA's revised end-of-season forecast of 3.603 Tcf is 58%%.