



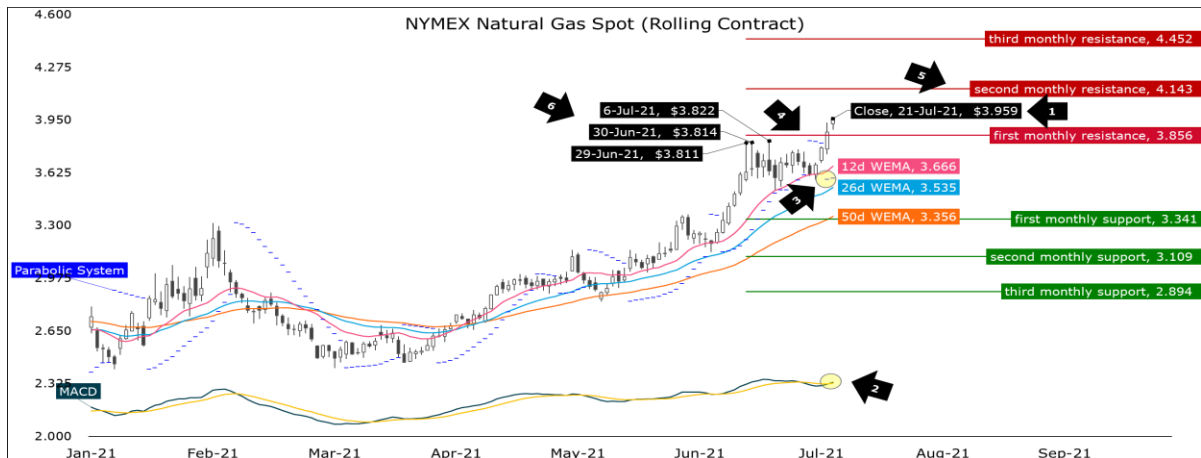
## NYMEX Gas Defies Gravity

Over the last week, the Henry Hub spot (continuous roll) futures market rallied off of support at the 12-day weighted exponential moving average (WEMA) and then rallied through the triple top from June 29<sup>th</sup> at \$3.811/MMBtu to July 06<sup>th</sup> at \$3.822/MMBtu (arrow 6). Follow-through momentum then pushed the market above our model's first (of three) resistance target of \$3.856/MMBtu (arrow 4) and onto a 6½-year high of \$3.959/MMBtu (arrow 1).

Our two favorite technical indicators have been choppy, a clear indication of rising volatility (i.e., uncertainty) in the market. Year-over-year volatility has declined, however, over the last month volatility has increased by 478 basis points to 58.64%. This is the equivalent of a daily price variance (risk) of \$0.144/MMBtu (19.70%).

The MACD whipsawed to bullish yesterday (arrow 2), while the Parabolic SAR flipped bearish on Tuesday (arrow 3). All exponential moving averages (WEMAs)— the 12-day, 30-day, and 50-day—are sloped to the upside (bullish).

Looking ahead through the final week of July, continued bullish momentum clears a path to the \$4 psychological line and our second (of three) resistance targets at \$4.143/MMBtu (arrow 5). On the downside, a failure to hold support at our first resistance of \$3.856/MMBtu sets the table for further weakness towards the bottom of the triple top at \$3.811/MMBtu.



## EIA reports a large injection for the middle of July.

Today, the EIA reported the seventeenth injection of the season into L48 natural gas underground storage. Stocks rose by a solid 49 Bcf to 2.678 Tcf for the week ended July 16<sup>th</sup>. The consensus ranged from a low of 43 Bcf on the Platts' and Bloomberg surveys, and a high of 45 Bcf on the Dow Jones Survey. Here at The Schork Group we were at 48 Bcf. The early consensus for next week's injection is calling for a large injection ranging from the low 40s Bcf to the low 60s Bcf.