

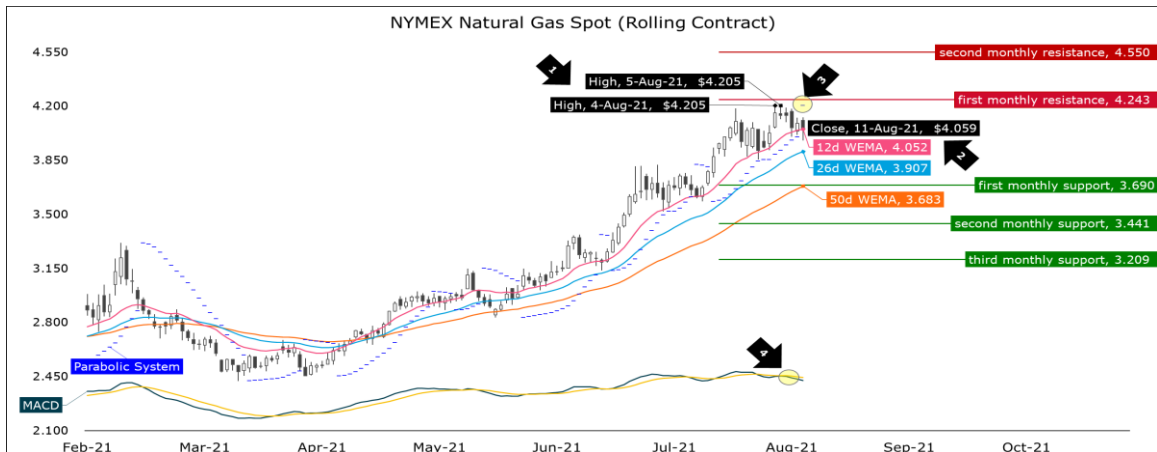


NYMEX Gas Finally Cools Off

Over the last week, the Henry Hub spot (continuous roll) futures market on the NYMEX double-topped at \$4.205/MMBtu (arrow 1). Momentum stalled 3.9 cents shy of our model's initial resistance target for the month. As of Wednesday, of this week, the market broke below the 12-day weighted exponential moving average (WEMA) and settled at \$4.059/MMBtu (arrow 2).

Our two favorite technical indicators are bearish. The Parabolic SAR (arrow 3) flipped bearish earlier this week and the MACD (arrow 4) has been bearish since the end of July. However, the market's trend is still positive, i.e., all exponential moving averages—the 12-day, 30-day, and 50-day—are sloped to the upside (bullish).

Looking ahead through the end of August, renewed bullish momentum clears a path to our initial resistance target at \$4.243/MMBtu. Our second and third resistance points are \$4.550/MMBtu and \$4.879/MMBtu, respectively. On the other hand, a retest of the 12-day WEMA around \$4.052/MMBtu sets the table for a test of the 26-day WEMA around \$3.907/MMBtu. The initial level of support is \$3.690/MMBtu and the 50-day WEMA is ≈\$3.683/MMBtu. Our second and third monthly support levels are \$3.441/MMBtu and \$3.209/MMBtu, respectively.



The market is running out of summer.

Today, the EIA reported the twentieth injection of the season into L48 natural gas underground storage. Stocks rose by a normal 49 Bcf to 2.776 Tcf for the week ended August 6th. This season's refill is up to 1.026 Tcf, 128 Bcf (-11%) below the five-year mean. We are now three-fifths of the way through the season. As of last week's injection, the market has replaced only 46% of last winter's 2.208 Tcf delivery. Time is running out... we calculate a 50% probability of ending refills at/above 3.632 Tcf. Therefore, the best-case scenario is the market enters winter with *only* a 326 Bcf (-8.3%) deficit to last winter's starting balance of 3.958 Tcf.