

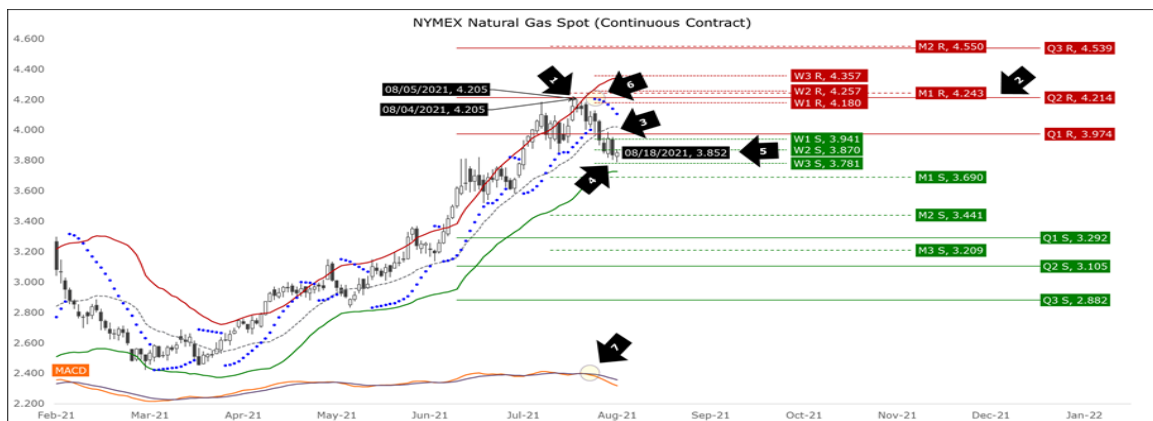


NYMEX Gas Cools Further

Two weeks ago, the Henry Hub spot (continuous roll) futures market on the NYMEX double-topped at \$4.205/MMBtu (arrow 1). Momentum stalled around our model's resistance targets for the month and the quarter of \$4.243/MMBtu and \$4.214/MMBtu, respectively (arrow 2). Over the last week, the market plunged through the volume weighted average price (VWAP) around \$3.987/MMBtu and regressed below our initial resistance for the quarter of \$3.974/MMBtu (arrow 3). Bearish momentum finally took a breather within 8 ticks of our third (and final) support target for the week of \$3.781/MMBtu (arrow 4). The market closed on Wednesday of this week at \$3.852/MMBtu (arrow 5).

Our two favorite technical indicators are bearish. The Parabolic SAR (arrow 6) flipped bearish last week and the MACD (arrow 7) has been bearish since the end of July. Moreover, the VWAP (arrow 3) has plateaued over the last several sessions. This is bearish.

Looking ahead through next Thursday, per yesterday's \$3.852/MMBtu settle, our model's first two support levels for the week are \$3.740/MMBtu and \$3.671/MMBtu, inclusive of our initial support level for the month of \$3.690/MMBtu. Our third (and final) support target for the week is \$3.586/MMBtu. On the upside, our first two resistance levels for the week are \$3.968/MMBtu and \$4.042/MMBtu, inclusive of our initial resistance level for the quarter of \$3.974/MMBtu and the VWAP ≈\$4.022/MMBtu.



The EIA delivers a stunner.

This morning the EIA reported a 46 Bcf injection into L48 natural gas underground storage. Stocks rose to 2.822 Tcf for the week ended August 13th. The report included a reclassification from base gas to working gas of 4 Bcf in the South Central Nonsalt region. As such, last week's implied flow was a normal 42 Bcf. The addition came in well above market expectations which ranged from 28 Bcf on the Dow Jones survey to 35 Bcf on the Platts survey. As of last week's injection, the market has replaced only 49% of last winter's 2.208 Tcf delivery. Our 50/50 line for the end-of-season balance is ≈3.64 Tcf, 8% below last winter's starting balance.