



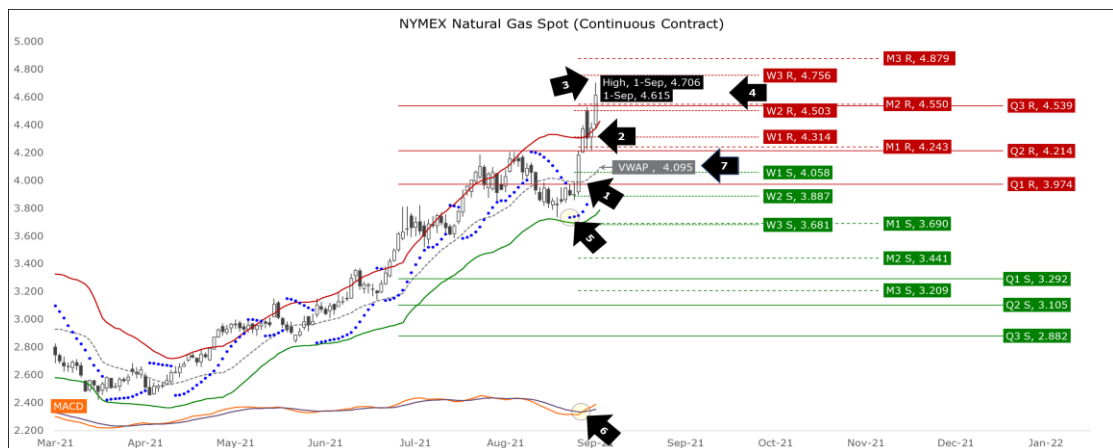
NYMEX Gas Hits Warp Speed

Last Thursday, NYMEX Henry Hub spot (continuous roll) futures turned parabolic on a confluence of events—options' expiry, bullish storage report from the EIA, and a short squeeze on hedge funds—as the market spiked through the 20-day volume weighted average price (VWAP) (arrow 1).

At the end of last week, the market broke above our model's volatility-adjusted channel (arrow 2). At the start of this week, the bulls went into overdrive and bid the contract to a seven-year high of \$4.706/MMBtu, within hailing distance of our model's third (and final) resistance target for the week of \$4.756/MMBtu (arrow 3). Yesterday, the market closed at \$4.615/MMBtu, settling above several of model's resistance levels... second weekly (\$4.503/MMBtu), third (and final) for the quarter (\$4.539/MMBtu), and our second monthly (\$4.550/MMBtu).

Our two favorite technical indicators are bullish. The Parabolic SAR (arrow 5) flipped positive on August 24th and the MACD (arrow 6), turned bullish on August 27th. Additionally, the slope of the VWAP (arrow 7) is bullish. **Bottom line, the market is in a strong technical rally.**

Looking ahead through next Thursday, per yesterday's \$4.615/MMBtu settle, our weekly resistance levels are \$4.887/MMBtu, \$5.010/MMBtu, and \$5.146/MMBtu. The monthly targets, based on the August 27th settlement of \$4.370/MMBtu are \$4.922/MMBtu, \$5.183/MMBtu, and \$5.478/MMBtu. The weekly support targets are now \$4.358/MMBtu, \$4.251/MMBtu, and \$4.139/MMBtu. The new monthly support levels are \$3.880/MMBtu, \$3.686/MMBtu, and \$3.486/MMBtu.



The EIA delivers another stinker.

Yesterday, the EIA reported a paltry 20 Bcf injection of gas into L48 underground storage. Inventories rose to 2.871 Tcf for the week ended August 27th. We are more than two-thirds of the way through the season and the market has replaced only 51% of last winter's 2.208 Tcf delivery. The probability of ending this season above the EIA's forecast of 3.564 Tcf is 50%.