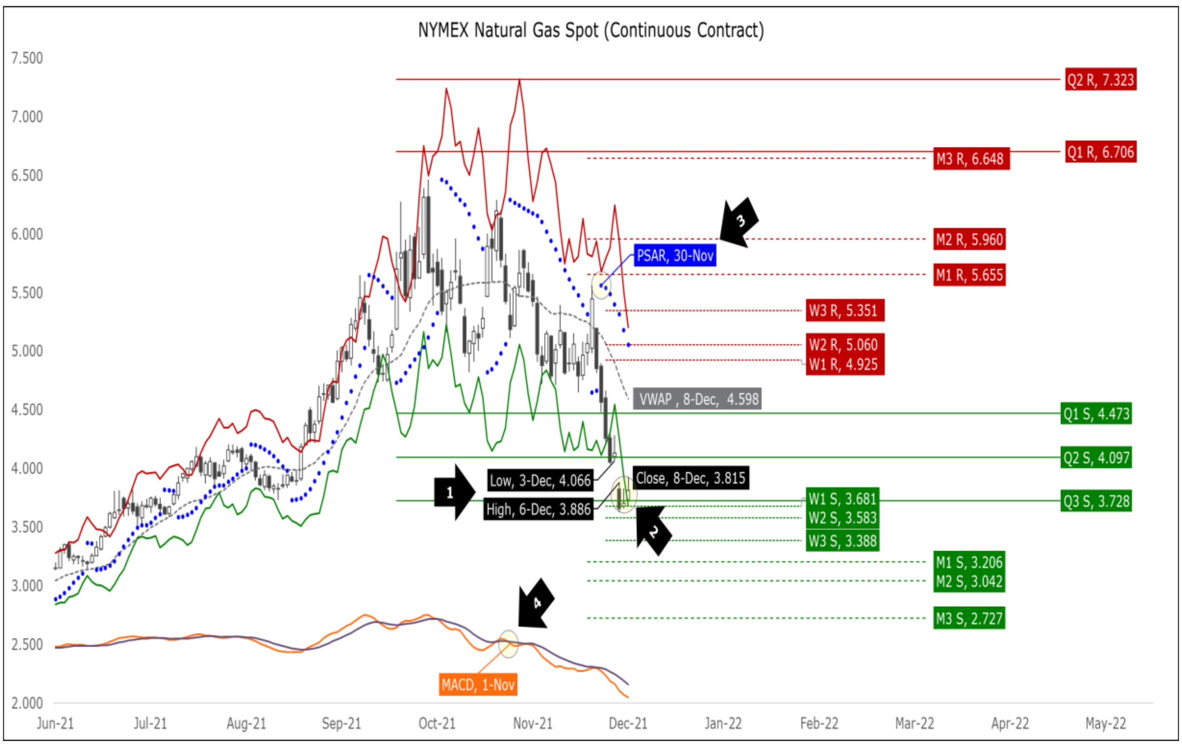
Bulls Fall into the Trap

At the start of this week, NYMEX Henry Hub natural gas gapped $0.180/MMBtu (4.4%) below the previous session's $4.066/MMBtu low print (arrow 1), trapping everyone who went into last weekend long spot gas. Through the first three sessions of this week, the market hovered around our model's initial support for the week of $3.681/MMBtu and our third (and final) support target for the fourth quarter of $3.728/MMBtu (arrow 2). **If the bulls are going to finally put up a defense, the time is now!**

Our two favorite technical indicators are bearish. The parabolic SAR flipped bearish at the end of last month (arrow 3) and the MACD (arrow 4) has been bearish since the start of last month.

Looking ahead to next Wednesday, December 15th, per the December 8th close of $3.815/MMBtu, our weekly resistance levels are $4.426/MMBtu, $4.549/MMBtu, and $4.816/MMBtu. The weekly support targets are $3.289/MMBtu, $3.200/MMBtu, and $3.022/MMBtu. Our monthly support targets are $3.206/MMBtu, $3.042/MMBtu, and $2.727/MMBtu.



Despite lackluster weather, deliveries from storage have been strong.

Today the EIA reported a second straight weekly delivery of 59 Bcf of natural gas from L48 underground storage. For the week ended December 3rd, storage fell to 3.505 Tcf and the surplus to the seasonally adjusted trend rose by 33 basis points from 2.27% to 2.60% (89 Bcf). Through the first three reports of the season, a total of 139 Bcf has been delivered, which is a strong start to the season.