

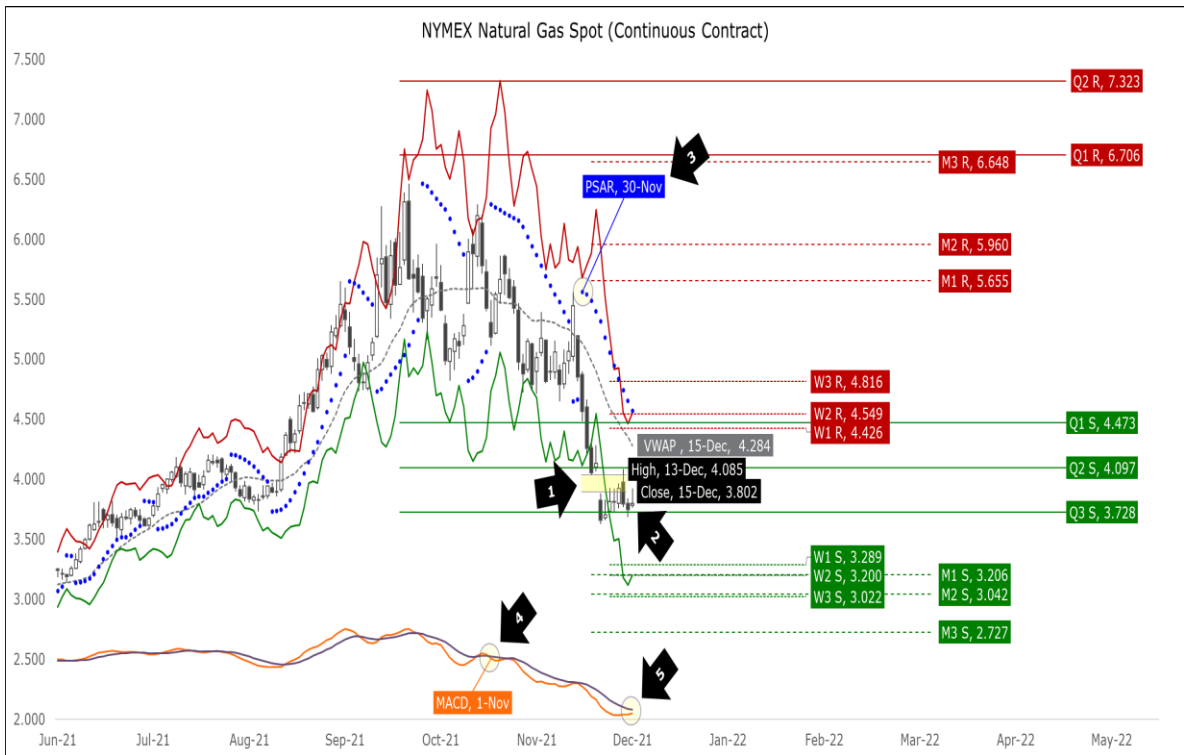


## Natty is in a Holding Pattern

After gapping lower at the start of last week (arrow 1), NYMEX Henry Hub natural gas hovered around our model's third (and final) support target for the third quarter of \$3.728/MMBtu (arrow 2). As we wrote at the time, "[I]f bulls are going to finally put up a defense, then the time is now!"

At the start of this week, the market rallied to a \$4.085/MMBtu high print and closed the prior week's gap. In spite of this initial strength, the market pulled back to settle yesterday at \$3.802/MMBtu. As such, the market continues to linger just above our final support for this quarter of \$3.728/MMBtu. In other words, the market is in a holding pattern.

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. Bear in mind, the MACD appears to be reversing (arrow 5).



## Deliveries from storage maintain a normal pace.

Today the EIA reported the fourth delivery of the winter, a smallish 88 Bcf of natural gas was pulled from L48 underground storage. For the week ended December 10<sup>th</sup>, storage fell to 3.417 Tcf and the surplus to the seasonally adjusted trend rose by 95 basis points from 2.60% to 3.55% (117 Bcf). Through the first four reports of the season, a total of 227 Bcf has been delivered.