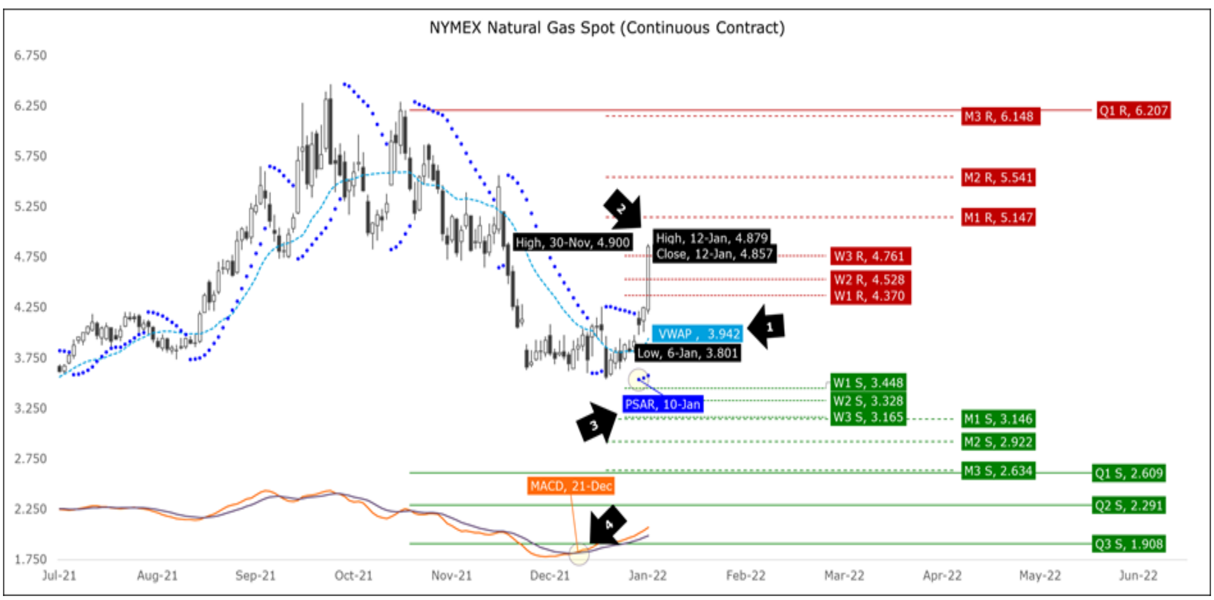
Easy Come, Easy Go

Earlier this week, the NYMEX Henry Hub natural gas spot futures market broke through the 20-day volume weighted average price (arrow 1) and then exploded higher yesterday. The contract surged 21.8% ($8,720 per contract) peak-to-trough as the polar vortex took hold over key gas furnace market areas in the Midwest and Northeast. The contract finished $0.608/MMBtu higher (!) at a season-to-date high of $4.857/MMBtu (arrow 2). Yesterday's rally (inclusive of contract rolls) was the 32nd largest (99.6th percentile) since the NYMEX started trading in 1990.

Our two favorite technical indicators are in agreement. The parabolic SAR flipped bullish at the start of this week (arrow 3), while the MACD has been bullish since December 21st (arrow 4).

In spite of a larger than expected delivery in today's weekly update from the EIA, the market gave back nearly all of yesterday's gains. The contract for February delivery peaked $0.035/MMBtu below Wednesday's $4.879/MMBtu high print, crashed to a $4.258/MMBtu low print, and settled $0.587/MMBtu lower at $4.270.

Looking ahead to next Wednesday, January 19th, per yesterday's $4.857/MMBtu settlement, our weekly resistance levels are $5.386 /MMBtu, $5.633/MMBtu, and $5.911/MMBtu. The weekly support targets are $4.188/MMBtu, $3.991/MMBtu, and $3.636/MMBtu. Our initial resistance and support targets for the month our $5.157/MMBtu and $3.146/MMBtu, respectively.



Winter has arrived and deliveries from storage are ramping up.

Today the EIA reported the eighth delivery of the winter, a larger than expected 179 Bcf of natural gas was delivered from L48 underground storage. For the week ended January 7th, storage dropped to 3.016 Tcf and the surplus to the seasonally adjusted trend fell by 74 basis points from a 47-week high to 8.4% (233 Bcf). The early consensus for next Thursday's update is another large delivery of around 210 Bcf.

