

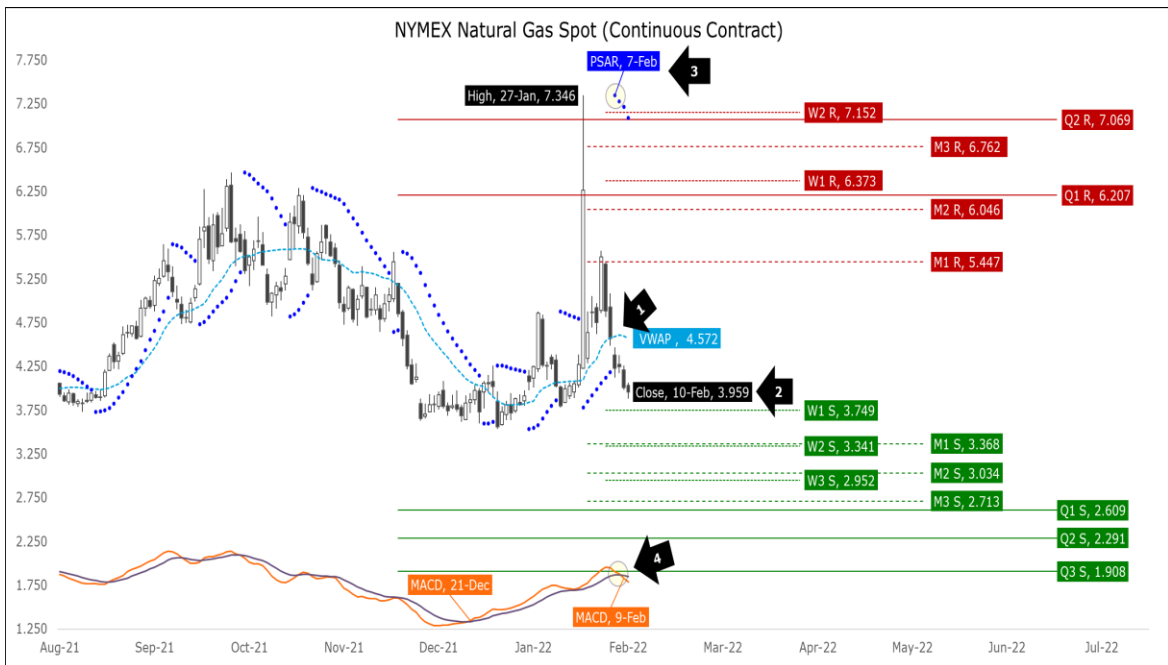


Natty Turns Bearish

After spiking at the end of last month, spot NYMEX Henry Hub natural gas futures have been in a virtual freefall. As illustrated, on January 27th the market peaked at \$7.346/MMBtu on the expiry of the February futures. Today, the March contract bottomed at \$3.882/MMBtu for a peak-to-trough loss of 47.2%, \$34,640 per contract!

At the start of the start of the week, the market opened below the 20-day volume weighted average price (VWAP) of \$4.572/MMBtu (arrow 1) and settled yesterday at \$3.959/MMBtu (arrow 2). Our two favorite technical indicators each tuned bearish this week. The parabolic SAR flipped on Monday (arrow 3) and the MACD, which had been bullish since December 21st, turned bearish yesterday (arrow 4).

Looking ahead to next Thursday, February 17th, per yesterday's \$3.959/MMBtu settlement in the contract for March delivery, our weekly resistance levels are \$5.160/MMBtu, \$5.789/MMBtu, and \$6.549/MMBtu. The weekly support targets are \$3.038/MMBtu, \$2.708/MMBtu, and \$2.393/MMBtu. Our monthly resistance targets are \$5.447, \$6.046/MMBtu, and \$6.762/MMBtu. The support targets are \$3.368/MMBtu, \$3.034/MMBtu, and \$2.713/MMBtu.



L48 underground storage is falling at a precipitous pace.

Today the EIA reported the eleventh delivery of the winter, a substantial 222 Bcf of natural gas was delivered from L48 underground storage. For the week ended February 4th, storage dropped to 2.101 Tcf. **The early consensus for next Thursday's update is an unprecedented fifth straight >199 Bcf withdrawal.**