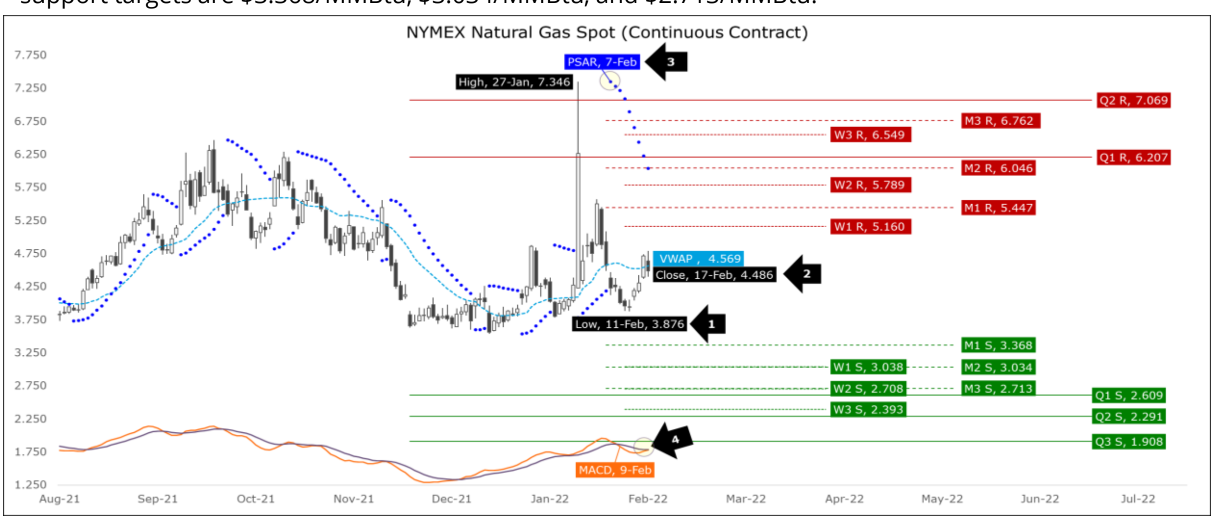
Show's Over, Folks

Per last Friday's update from the CFTC, bearish hedge funds have left the building. Last November, the number of short contacts per trader hit a record 10,507 (select NYMEX and ICE futures, options, and swaps)! As such, for every contract the bullish manager was long, the bearish manager was short a record 2.64 contracts. Last week's update showed that bearish fund managers have slashed their position by 58% to 4,429 contracts, and the ratio of shorts-to-longs moved down to a **ten-month low** of 1.01.

After spiking to $7.346/MMBtu in the wake of a massive expiration short squeeze at the end of last month, NYMEX Henry Hub natural gas futures (spot) went into a freefall over the following two weeks. The contract bottomed last Friday at $3.876/MMBtu (arrow 1) but has since moved higher and settled yesterday within $0.083/MMBtu of the 20-day volume weighted average price (VWAP) at $4.486/MMBtu (arrow 2).

Our two favorite technical indicators each turned bearish last week. The parabolic SAR flipped on February 7th (arrow 3) and the MACD turned bearish on February 9th (arrow 4).

Looking ahead to next Thursday, February 24th, (the expiry of March 2022 contract) per yesterday's $4.486/MMBtu settlement, our weekly resistance levels are $5.682/MMBtu, $6.296 /MMBtu, and $7.029/MMBtu. The weekly support targets are $3.542/MMBtu, $3.196 /MMBtu, and $2.863/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 breaks the 2.0 Tcf barrier.

Today the EIA reported the sixth straight triple-digit delivery of the winter, a substantial 190 Bcf of natural gas was delivered from L48 underground storage. For the week ended February 4th, storage dropped to 1.911 Tcf. This is the earliest storage has dipped below 2.0 Tcf in three winters. The early consensus for next Thursday's update is another triple-digit delivery of around 140 Bcf.