Slow and Steady Wins the Race

Two Friday's ago, the update from the CFTC showed bullish hedge funds lowering their length by 0.4% to 4,366 contracts per trader, while bearish managers upped their shorts by 31% to a two-month high of 5,803 contracts per trader. As such, bearish fund managers are short 1.33 contracts for every contract the bullish manager is long. Two weeks ago, this ratio of shorts-to-longs hit a ten-month low of 1.01.

Following last month's expiry squeeze to $7.346/MMBtu, two Fridays ago spot natural gas futures on the NYMEX corrected lower to $3.876/MMBtu (arrow 1) and have been slowly plodding higher, expiring yesterday at $4.568. Today's news out of Ukraine notwithstanding, the NYMEX had a muted response, whereas gas in Europe (Dutch TTF) futures jumped by nearly 50% to the equivalent of $245/b crude oil.

The response in European prices was to be expected given the Continent's reliance on Russian supplies (which transits Ukraine) and will give another boost to demand for U.S. LNG, a fact that will underpin Henry Hub prices.

After shifting to bearish two weeks ago, our two favorite technical indicators decoupled this week. The parabolic SAR has been bearish since February 7th (arrow 3) while the MACD flipped bullish last Friday, February 18th (arrow 4).

Looking ahead to next Thursday, March 3rd, per yesterday's $4.641/MMBtu settlement, our weekly resistance levels are $6.070/MMBtu, $6.820 /MMBtu, and $7.728/MMBtu. The weekly support targets are $3.545492/MMBtu, $3.158 /MMBtu, and $2.787/MMBtu. Our new monthly resistance targets are $8.252/MMBtu, $10.596/MMBtu, and $13.854/MMBtu. The support targets are $2.610/MMBtu, $2.033/MMBtu /MMBtu, and $1.555/MMBtu.