NYMEX Bulls Are No Longer in Control

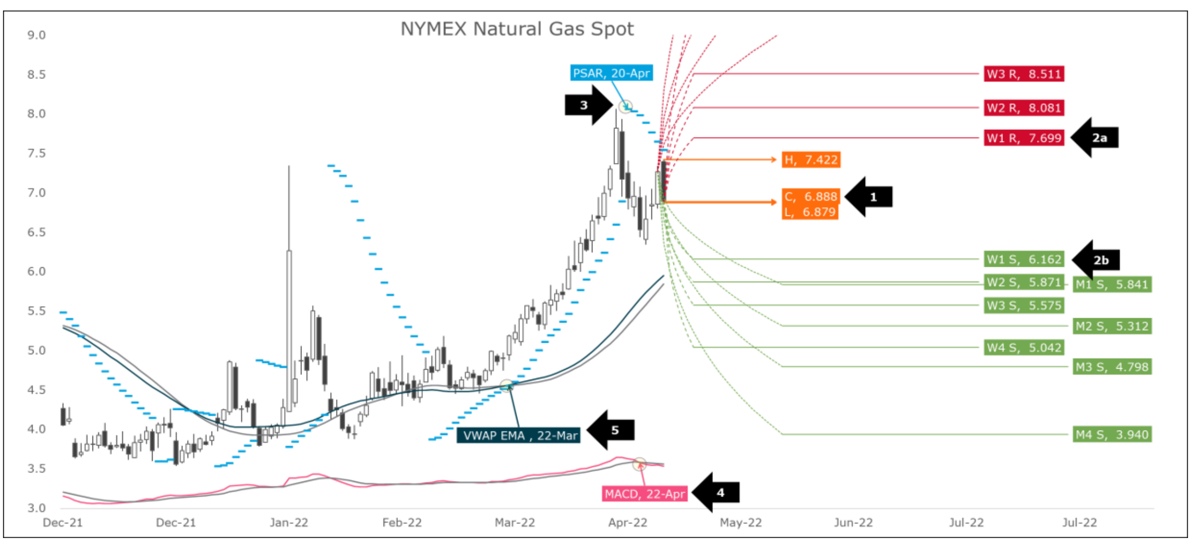
Last week, NYMEX natural gas futures for prompt delivery ended a historic bullish run. Over the course of 23 trading days—from March 16th to April 18th—the market settled higher in 3 out of 4 sessions, a winning streak tied for the third longest on record since the NYMEX started trading in 1990. The streak concluded by posting five consecutive 14-year highs and breached the $8/MMBtu threshold for the first time since 2008.

During the bull's streak, winners far outpaced losers with a maximum single-day return of $0.520/MMBtu compared to the maximum drawdown of $0.172/MMBtu, and an average positive return of $0.142/MMBtu, one of the largest profits since 1990 (99th percentile).

In the eight sessions since then, the market has closed higher four times and lower four times. The difference here is that losers are now far outpacing winners. The maximum single-day drawdown was $0.644/MMBtu compared to a $0.417/MMBtu return with an average negative return of $0.126/MMBtu, one of the largest losses since 1990 (97th percentile).

Our two favorite technical indicators have flipped bearish. The parabolic SAR turned negative on April 20th and the MACD turned bearish two days later (arrow 4).

Today the market closed near the lows at $6.888/MMBtu (arrow 1). The initial range for the next week, Friday, April 28th through Wednesday May 4th, is $7.699/MMBtu (arrow 2a) and $6.162/MMBtu (arrow 2b).



Storage gives bears some breathing room.

After a meager start to the start the season, the EIA has now reported back-to-back strong builds. As of April 22nd, a total of 40 Bcf of gas was injected into L48 underground storage. Over the last three weeks, a total of 108 Bcf has been injected which is 15% (14 Bcf) above the seasonally adjusted trend. The early consensus for next Thursday's report is a solid injection of ≈70 ±5 Bcf.

