The EIA Returns the Bulls Favor

The bear market that began three weeks ago in the wake of the Freeport LNG disruption ran into a brick wall today.

Recall that last week the bear market took a new leg lower after the EIA reported a much larger than expected 82 Bcf injection of natural gas into L48 underground storage. From Wednesday to Thursday last week (June 29th and 30th) the spot NYMEX Henry Hub futures contract crashed from a high of $6.833 to a low of $5.357 for a peak-to-trough loss of $14,760 (21.6%) per contract.

Fast forward to today and the EIA returned the favor to the bulls.

This morning the EIA reported a much lower than expected 60 Bcf injection of gas into storage. A 60 Bcf injection for this point in the summer is strong based on seasonally adjusted norms. However, based on surveys from Platts, Reuters, Bloomberg, and Dow Jones, the market was expecting an injection of about 75 Bcf, 20% more than what the EIA wound up reporting.

The NYMEX traded in accordance with the consensus miss. Over the course of the past week, the spot contract rallied from a $5.325 low print (arrow 1) to today's $6.381 high print for a trough-to-peak rally of $10,560 (19.8%) per contract! Today the contract settled 7.7 cents above our initial resistance for this week (W1 R) of $6.220 (arrow 2) at $6.297 for a week-over-week gain of 16.1%.

In light of today's boomerang, one of our favorite technical indicators, the parabolic SAR, flipped bullish (arrow 3). Our other favorite indicators, the MACD, has been bearish since June 8th (arrow 4).

Look ahead to next Thursday, July 14th, per Wednesday's $6.297 settlement, our model's four weekly support levels are $5.344, $4.976, $4.610, and $3.976. Our four weekly upside targets are $7.420, $7.968, $8.601, and $9.973.

Our monthly targets are $4.924, $4.350, $3.809, and $2.945 for support and $8.715, $9.865, $11.268, and $14.5754 for resistance.