The Bulls Refuse to Go Out Quietly

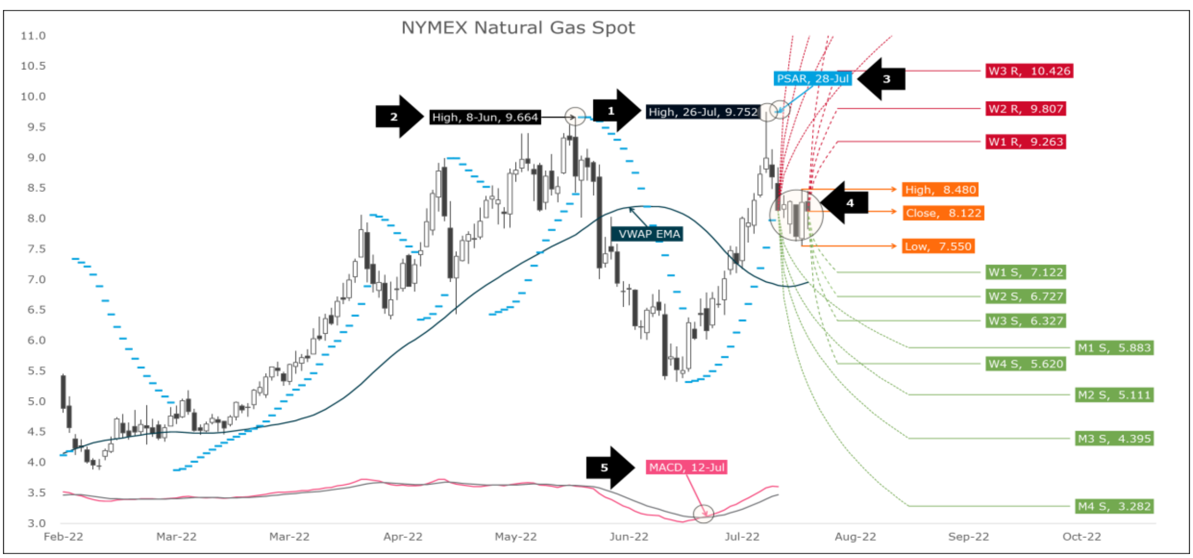
Just when it looked like gas bulls were down and out, they put up a solid defense over the past five days.

Early last week, spot NYMEX Henry Hub natural gas futures spiked to a 14-year high of $9.752/MMBtu (arrow 1) and took out the previous 14-year high of $9.664/MMBtu from June (arrow 2). The market then pulled back from there. In return, one of our favorite technical indicators, the parabolic SAR (PSAR), flipped bearish (arrow 3). As noted last week, this event was a clear signal that the bull's run had stalled.

However, a funny thing happened on the way to the bear market. Over the past five days, bears could not gain any traction. Yesterday, the market put in both its high and low for the week, $8.480 for the former and $7.550 for the latter. The market finished today at $8.122, $0.012 below the prior week's settlement.

Looking ahead to next Thursday, August 11th, per yesterday's $8.122 settlement, our model's four weekly support levels are $7.122, $6.727, $6.327, and $5.620. Our four weekly upside targets are $9.263, $9.807, $10.426, and $11.737.

Our monthly targets are $5.883, $5.111, $4.395, and $3.282 for support and $11.246, $12.945, $15.054, and $20.159 for resistance.



Storage refills zig while everyone expects them to zag.

Yesterday the EIA reported a strong 41 Bcf injection of natural gas into L48 underground storage for the week ended July 29th. This report came in well above market expectations of 29 Bcf, a miss of 12 Bcf. Over the prior two reports, the market consensus called for a combined injection of 76 Bcf, whereas the EIA reported 105 Bcf. Therefore, the combined miss in the consensus over the past three weeks is a large 29 Bcf. **The market's inability to gauge the pace of refills is helping to fuel volatility in the NYMEX futures.**