



Bulls Solidify Their Position

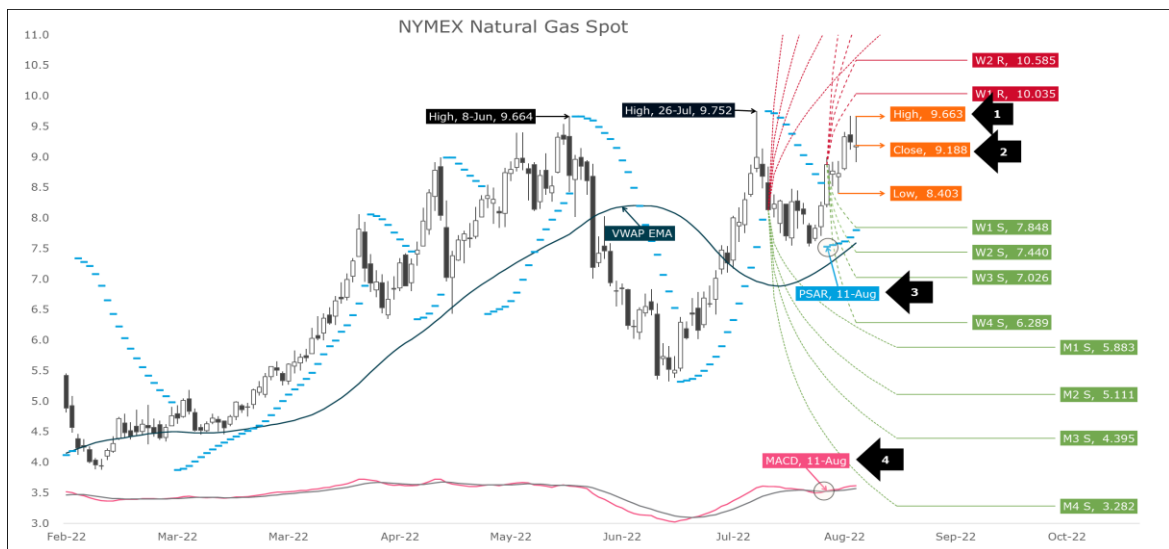
NYMEX Henry Hub natural gas futures reacted peculiarly to this morning's storage update from the EIA. As noted below, the EIA reported a much lower than expected injection of natural gas into L48 underground storage for the week ended August 12th.

In the ten minutes following the report's release, spot futures surged from \$9.428/MMBtu to \$9.663/MMBtu (arrow 1). However, an hour later the market was plumbing intraday lows of \$8.913/MMBtu. Spot gas spent the remainder of the session scratching its way back to a \$9.188/MMBtu settlement (arrow 2).

Our two favorite technical indicators, the parabolic SAR (arrow 3) and the MACD (arrow 4) each turned bullish late last week.

Looking ahead to next Thursday, August 25th, per yesterday's \$9.188 settlement, our model's four weekly support levels are \$8.189, \$7.790, \$7.783, and \$6.655. Our four weekly upside targets are \$10.309, \$10.838, \$11.434, and \$12.685.

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.



The EIA is overly optimistic!

This morning, the EIA reported a much lower than expected injection of natural gas into L48 underground storage of 18 Bcf. The typical injection for this report is 38 ±11 Bcf and the mean forecast from the cognoscenti (Reuters and The Desk) was in the mid-30s. The "whisper number" just prior to the report's release on Bloomberg was 28 Bcf and ICE futures were trading at 27 Bcf. After today, we lowered the probability of hitting the EIA's end-of-season target of 3.433 Tcf from 15% to 8%.