



The Bulls are Running Out of Steam

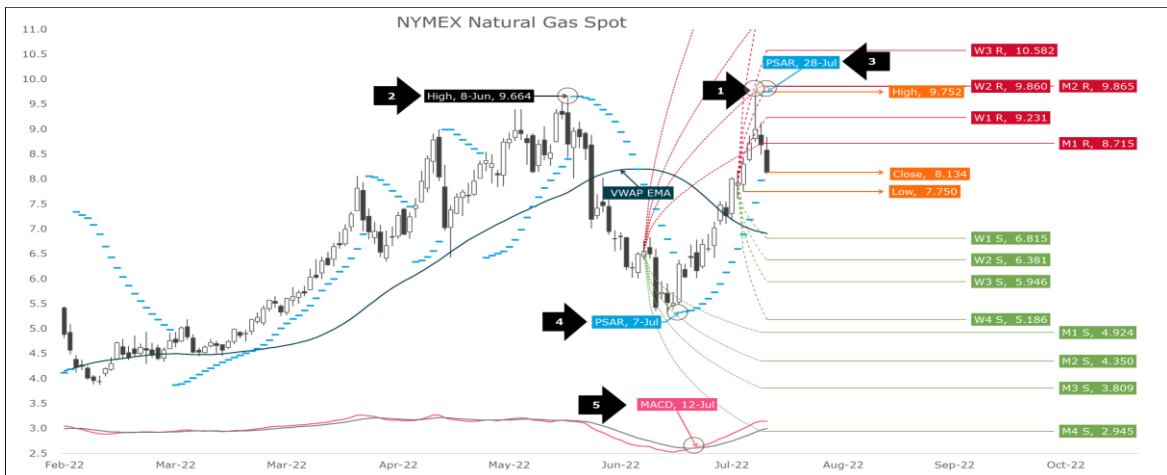
Earlier this week, spot NYMEX Henry Hub natural gas futures spiked to a 14-year high of \$9.752/MMBtu (arrow 1) and took out the previous 14-year high of \$9.664/MMBtu from last month (arrow 2). Since then, the market has been soft.

Today, one of our favorite technical indicators, the parabolic SAR (PSAR), flipped bearish (arrow 3). **This is a clear signal that the bulls' run has stalled.**

Why is the PSAR one our favorites? Because it passes the eyeball test. As illustrated, the PSAR turned bullish on July 7th (arrow 4). For the 14 days that the indicator was bullish, NYMEX Henry Hub futures for September 2022 delivery closed higher eight times and lower six times for a win percentage of 57%. However, this is the least of what the PSAR accomplished.

Of the eight higher closes, the daily return averaged \$0.444/MMBtu (+6.4%) while on the six lower closes the average loss was \$0.210/MMBtu (-3.0%). A long position entered on July 7th (when the PSAR turned bullish) at \$6.262/MMBtu and exited this afternoon at today's settlement of \$8.134/MMBtu yielded a profit of \$1.872/MMBtu (+29.9%), with a maximum profit on July 26th of \$3.157 (+50.4%) and a maximum loss on July 12th of \$0.367/MMBtu (-5.9%)!

Looking ahead to next Thursday, August 4th, per yesterday's \$8.134 settlement, our model's four weekly support levels are \$6.970, \$6.518, \$6.065, and \$5.277. Our four weekly upside targets are \$9.493, \$10.151, \$10.908, and \$12.538.



Storage refills are lagging.

This morning the EIA reported a 15 Bcf injection of natural gas into L48 underground storage for the week ended July 22nd. This report covers what is typically the hottest portion of the season (the fourth week following the solstice) and usually yields the smallest injection of the summer. The seasonally adjusted norm is 26 ±8 Bcf. **This was a bullish weekly update.**