Bulls are Hanging on by a Thread

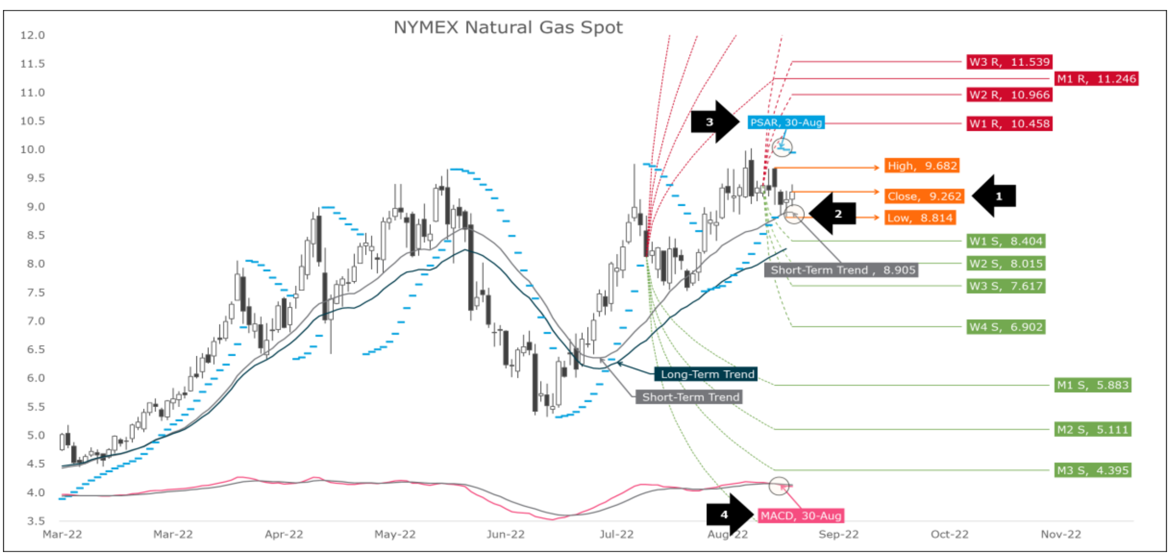
Two weeks ago, the spot NYMEX Henry Hub natural gas futures contract surged above the $10/MMBtu threshold for the first time since the summer of 2008. However, on that very same day, the bottom fell out from underneath the market after news broke that a partial restart of Freeport LNG was pushed back a month to the middle of November.

Since then, the bulls have been scrambling to stem the bleeding. Over the past week the spot market peaked at $9.682/MMBtu, bottomed below the short-term trendline of $8.905/MMBtu (arrow 2) and finished today at $9.262/MMBtu (arrow 1).

Our two favorite technical indicators, the parabolic SAR (arrow 3) and the MACD (arrow 4) each turned bearish this week. Based on this development, we have switched our bias to bearish.

Looking ahead to next Thursday, September 8th, per today's $9.262 settlement, our model's four weekly support levels are $8.438, $8.104, $7.759, and $7.134. Our four weekly upside targets are $10.166, $10.586, $11.056, and $12.024.

Our updated monthly targets are $8.249, $7.812, $7.368, and $6.579 for support and $10.604, $11.199, $11.873, and $13.296 for resistance.



The EIA surprises to the upside, again!

This morning, the EIA reported another large injection of natural gas into L48 underground storage. One week after reporting an impressive 60 Bcf addition, the EIA followed up with an equally impressive 61 Bcf injection for last week. As of August 26th, storage sits at 2.640 Tcf with a 231 Bcf (8%) year-over-year shortfall. On a seasonally adjusted basis, storage is 178 Bcf (6%) below trend. With time running out, we lowered the probability of hitting the EIA's end-of-season target of 3.433 Tcf from 6% to 5% (odds 19:1).