



## The Bulls' Luck Ran Out This Week

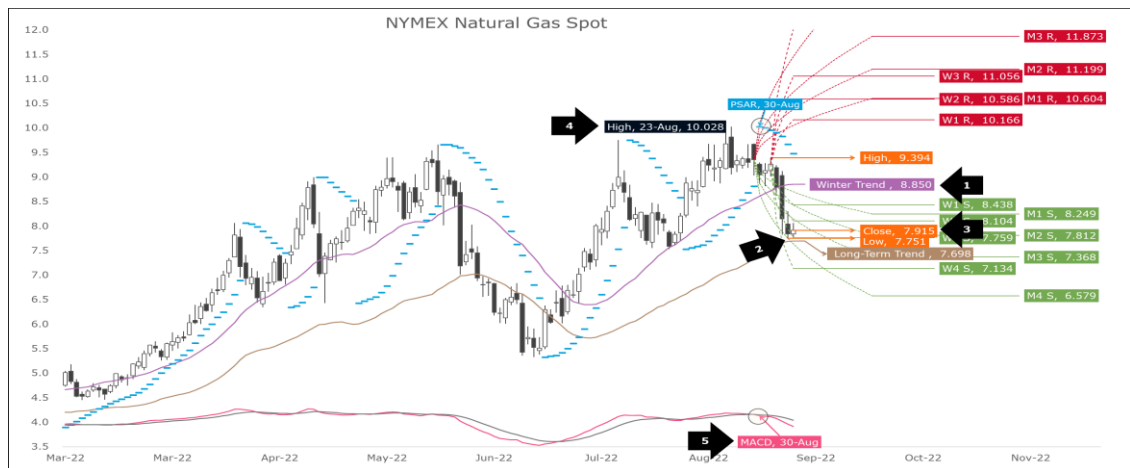
Three Tuesdays ago (August 23<sup>rd</sup>), the spot NYMEX Henry Hub natural gas futures contract surged above the \$10/MMBtu threshold (arrow 4) for the first time since the summer of 2008. However, on that very same day, the bottom fell out from underneath the market after news broke that a partial restart of Freeport LNG was pushed back a month to the middle of November.

Since then, the bulls have been scrambling to no avail. Yesterday, the spot market cratered to \$7.751 for a total plunge of \$27,770 per contract, one of the largest selloffs (inclusive of rolls) since the NYMEX introduced the Henry Hub contract in 1990, i.e., more than 8,000 trading days ago!

Earlier this week, the market broke the \$8.850 trend in the winter strip (arrow 1), dropped to 8 ticks below our \$7.759 third weekly support level, and to within range of the market's long-term trend of \$7.698 (arrow 2). The market finished today in between our \$7.812 second monthly support and our second weekly support of \$8.104 at \$7.915 (arrow 3).

**Our two favorite technical indicators, the parabolic SAR (arrow 3) and the MACD (arrow 4) are each bearish. Therefore, we will maintain a bearish bias for a second straight week.**

Looking ahead to next Thursday, September 15<sup>th</sup>, per yesterday's \$7.915 settlement, our model's four weekly support levels are \$7.118, \$6.798, \$6.470, and \$5.880. Our four weekly upside targets are \$8.801, \$9.216, \$9.682, and \$10.654. Our 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.



## As Yogi would say... it's getting late early out there.

This morning, the EIA reported a good (but not good enough) injection of 54 Bcf of natural gas into L48 underground storage. As of September 2<sup>nd</sup>, inventories rose to 2.694 Tcf with a shortfall to the seasonally adjusted time series of 234 Bcf (8%). We can reasonably expect about eight more weeks of injections before heating demand kicks in. With time running out, we calculate the probability of hitting the EIA's newly revised end-of-season target of 3.402 Tcf at 23% (odds 10:3).