



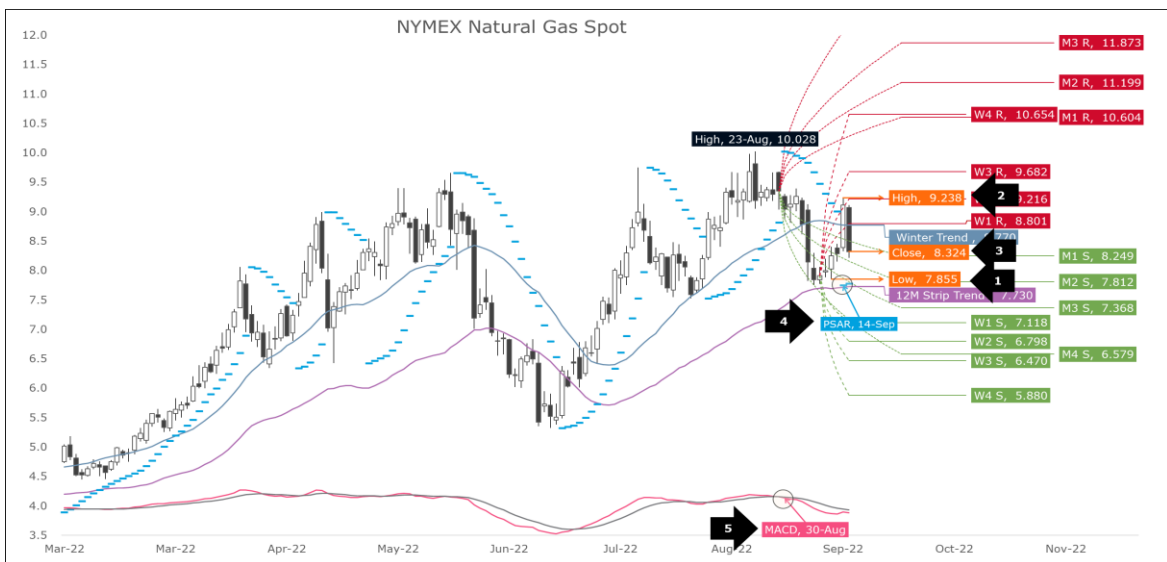
The Railroads Giveth and the Railroads Taketh Away

At the start of this week, the spot NYMEX Henry Hub natural gas futures contract bottomed within 4.3 cents of our \$7.812 second monthly support target (M2 S) and 12.5 cents above the 12-month trend of \$7.730 at \$7.855 (arrow 1). Yesterday, the market surged to 2.2 cents above our \$9.216 third weekly resistance (W3 R) at \$9.238 (arrow 2) as panic set in that a looming railroad strike would halt coal shipments, thereby igniting a spike in demand for natural gas.

Today, crisis was averted as the railroads and the unions reached a tentative agreement. As such, spot gas came tumbling down and finished 7.5 cents above our \$8.249 initial support target for the month (M1 S) at \$8.324 (arrow 3).

Our two favorite technical indicators fell out of sync. The MACD (arrow 5) has been bearish since the end of last month, while the parabolic SAR (arrow 4) flipped bullish yesterday. Therefore, we will switch our two-weeks' long bearish bias to neutral.

Looking ahead to next Thursday, September 22nd, per yesterday's \$8.324 settlement, our model's four weekly support levels are \$7.463, \$7.117, \$6.764, and \$6.130. Our four weekly upside targets are \$9.284, \$9.735, \$10.243, and \$11.302. 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.



Odds on the EIA's end-of-season forecast improve.

This morning, the EIA reported a solid injection of 77 Bcf of natural gas into L48 underground storage. As of September 9th, inventories rose to 2.771 Tcf but the shortfall to the seasonally adjusted time series was effectively unchanged at 232 Bcf (8%). Cooling demand in major market areas in the Central U.S. eased greatly this week. The early forecast for next Thursday's report is coming in at a monster injection, somewhere in the 90s, perhaps even triple digits Bcf. In this light, we upped the probability of hitting the EIA's end-of-season target of 3.402 Tcf to 33% (odds 2:1).