HENRY HUB NG FUTURES

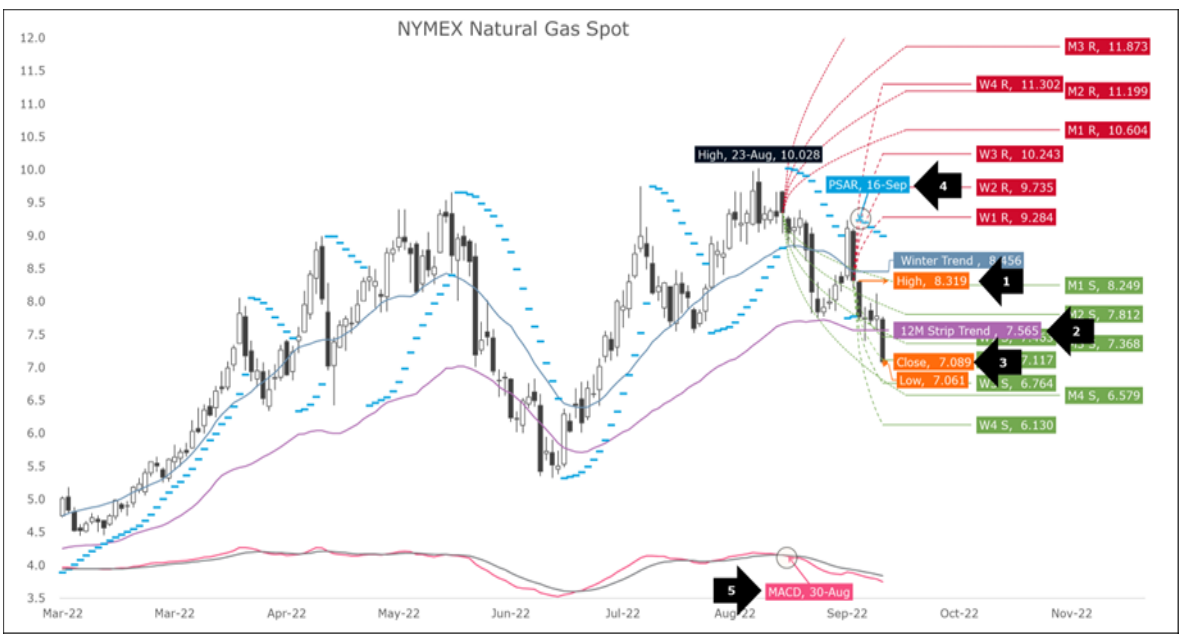
THE SCHORK GROUP, INC.

The Floor Fell Out from Underneath the Hooves of Natty Bulls

At the end of last week, the spot NYMEX Henry Hub natural gas futures contract peaked well below the \$8.456 trend in the winter strip and just above our \$8.249 initial support for the month (M1 S) at \$8.319 (arrow 1). From there, the market tanked. Today, the contract crashed through the \$7.565 trend in the 12-month strip (arrow 2), bottomed at \$7.06, and settled 2.8 cents below our \$7.117 second support for the week (W2 S) at \$7.089 (arrow 3).

Our two favorite technical indicators are back in sync. The MACD (arrow 5) has been bearish since the end of last month, while the parabolic SAR (arrow 4) flipped back to bearish last Friday. Therefore, we will switch our bias from neutral to bearish.

Looking ahead to next Thursday, September 28th, per yesterday's \$7.089 settlement, our model's four weekly support levels (which are only good through next Wednesday's, September 28th expiration in the October contract) are \$6.136, \$5.854, \$5.346, and \$4.607. Our four weekly upside targets are \$8.191, \$8.584, \$9.400, and \$10.909. Our monthly targets (which again, are only good through next Wednesday) 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 are unchanged.

This morning, the EIA reported a massive injection of 103 Bcf of natural gas into L48 underground storage. This is the large injection to date. As of September 16th, inventories rose to 2.874 Tcf. Better still, the shortfall to the seasonally adjusted time series narrowed to an 8-month low of 190 Bcf (-6.2%). Cooling demand in major market areas in the Central U.S. picked up. The typical injection for next week's report is 76 ±22 Bcf. Given the weather outlooks, this report will come in above 76 Bcf. We are holding the probability of hitting the EIA's end-of-season target of 3.402 Tcf to 33% (odds 2:1).