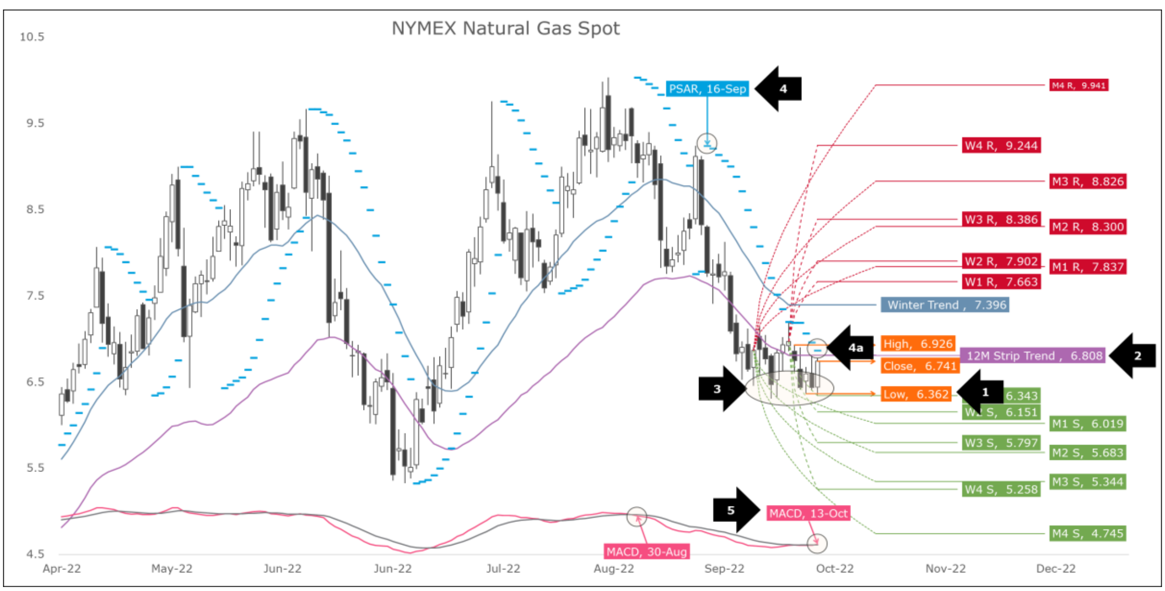
NYMEX In a Holding Pattern

Over the past couple of weeks, the NYMEX Henry Hub natural gas futures contract for spot delivery formed a bottom along our model's weekly and monthly (green) parabolas (arrow 3). Over the past five days, the market peaked $0.118 above the $6.808 weighted trend in the 12-month strip (arrow 2) at $6.926, bottomed 1.9 cents above our $6.343 initial weekly support (W1 S) at 6.362 (arrow 1), and finished $0.067 below the 12-month weighted trend at $6.741.

Our two favorite technical indicators fell out of sync. After maintaining a bearish bias since August 30th, the MACD (arrow 5) shifted bullish today. Our other favorite indicator, the parabolic SAR (arrow 4), has been bearish since the middle of last month, but notice that it appears on the verge of flipping to bullish (arrow 4a). Given that the parabolic SAR and the MACD are not in agreement, we will maintain a neutral bias for a second straight week.

Looking ahead to next Thursday, October 20th, per yesterday's $6.741 settlement, our model's four weekly support levels are $6.232, $6.075, $5.782, and $5.333. Our four weekly upside targets are $7.292, $7.480, $7.858, and $8.521. Our monthly targets are $6.019, $5.683, $5.344, and $4.745 for support and $7.837, $8.300, $8.826, and $9.941 for resistance.



L48 underground storage is booming.

This morning, the EIA reported another gargantuan injection of natural gas into L48 underground storage. As of October 7th, storage rose by 125 Bcf to 3.231 Tcf. Over the past four reports, 460 Bcf has been injected into storage. This figure is a massive 93 Bcf (25%) above the upper limit of the seasonally adjusted norm. Storage is on track to finish above the EIA's newly revised end-of-season forecast of 3.442 Tcf.