



The Dam Burst This Week

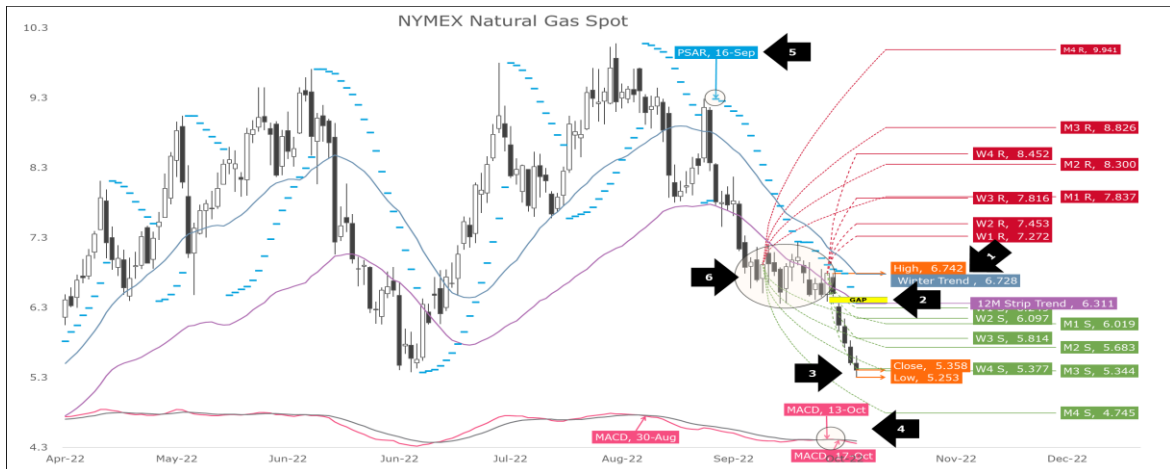
At the end of last week, the NYMEX Henry Hub natural gas futures contract for spot delivery peaked \$0.014 above the \$6.728 weighted trend in the winter 2022-23 strip at \$6.742 (arrow 1). At the start of this week, the floor fell out from underneath the market. Last Friday, the market bottomed at \$6.409. On the following Monday, the market opened at \$6.263 and peaked at \$6.314.

This gap (between Friday's low of \$6.409 and Monday's high of \$6.314) created a significant problem for gas bulls (arrow 2). Everyone buying the market over the previous three weeks (arrow 6) opened this week at a loss.

With bulls trapped above the gap, a wave of selling came in to force the bulls out of their position (sell their length), thus accelerating the market's plunge over the past four days. By time the dust settled today, the market bottomed at the lowest low and the lowest close since the end of last winter, \$5.253 and \$5.358, respectively (arrow 3).

Our two favorite technical indicators are back in sync. The parabolic SAR has been bearish since September 16th (arrow 5). After turning bearish on August 30th, the MACD flipped bullish last Thursday. However, after Monday's gap, this indicator whipsawed to bearish (arrow 4). Given that the parabolic SAR and the MACD agree, we will switch our two-week-old neutral bias to bearish.

Looking ahead to next Thursday, October 27th, per yesterday's \$5.358 settlement, our model's four weekly support levels are \$4.962, \$4.840, \$4.612, and \$4.261. Our four weekly upside targets are \$5.786, \$5.932, \$6.225, and \$6.738. 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 at a record pace.

This morning, the EIA reported fifth straight triple-digit injection (111 Bcf). This is first time we have ever seen five consecutive >100 Bcf injections this late in the season. As of October 14th, storage rose to 3.342 Tcf. Over the past five reports, 571 Bcf has been injected into storage. This figure is a massive 121 Bcf (27%) above the upper limit of the seasonally adjusted norm. Storage is on track to finish above the EIA's end-of-season forecast of 3.442 Tcf.