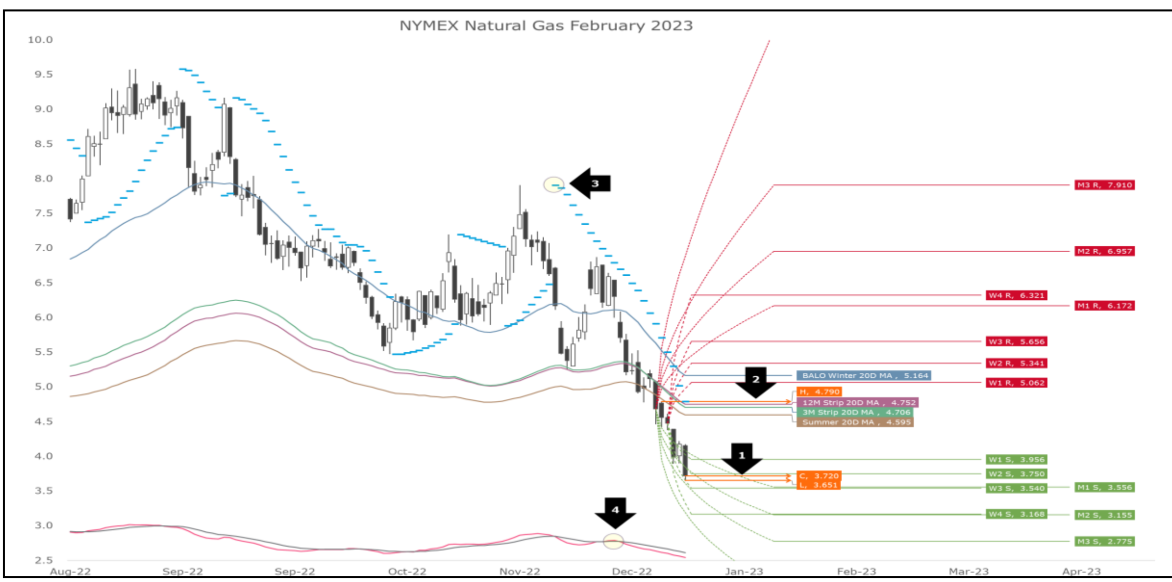
The Floor Fell Out from Underneath the Market

The spot NYMEX Henry Hub natural gas futures contract for February 2023 delivery went into a freefall over the past two weeks after a massive polar vortex over the Xmas weekend was followed by a significant warming trend. For instance, on December 23rd temperatures in Chicago peaked at -1°F but by December 29th, temperatures approached 60°F!

Over the past five days, the NYMEX contract topped (on December 29th) above the $4.752, 20-day moving average in the volume-weighed 12-month strip at $4.790 (arrow 2). Today the market crashed into the bottom arcs of our model's weekly and monthly support levels with a low print of $3.651 and a close of $3.720 (arrow 1).

Our two favorite technical indicators, the parabolic SAR (arrow 3) and the MACD (arrow 4) have been bearish since before Xmas. As such, we will hold our bearish bias for a fourth straight week.

Looking ahead to next Thursday, January 5th, per yesterday's $3.720 settlement, our model's four weekly support levels are $3.215, $3.018, $2.820, and $2.472. Our weekly upside targets are $4.304, $4.585, $4.908, and $5.597.



L48 deliveries… the last two weeks have been a doozy!

Today, the EIA reported the seventh drawdown of the season from L48 natural gas underground storage. One week after reporting a massive 213 Bcf withdrawal (the 38th largest since 1994, another 221 Bcf (33rd largest ever) was delivered for the week ended December 30th. This season's hitherto delivery is up to a massive 753 Bcf, which is 130 Bcf (20.9%) above the seasonally adjusted range, and… gulp… 348 Bcf (116.4%) above last year's pace. Of course, these comparisons will narrow over the next two weeks thanks to the dearth of heating demand.