The Floor Falls Out from Underneath the NYMEX

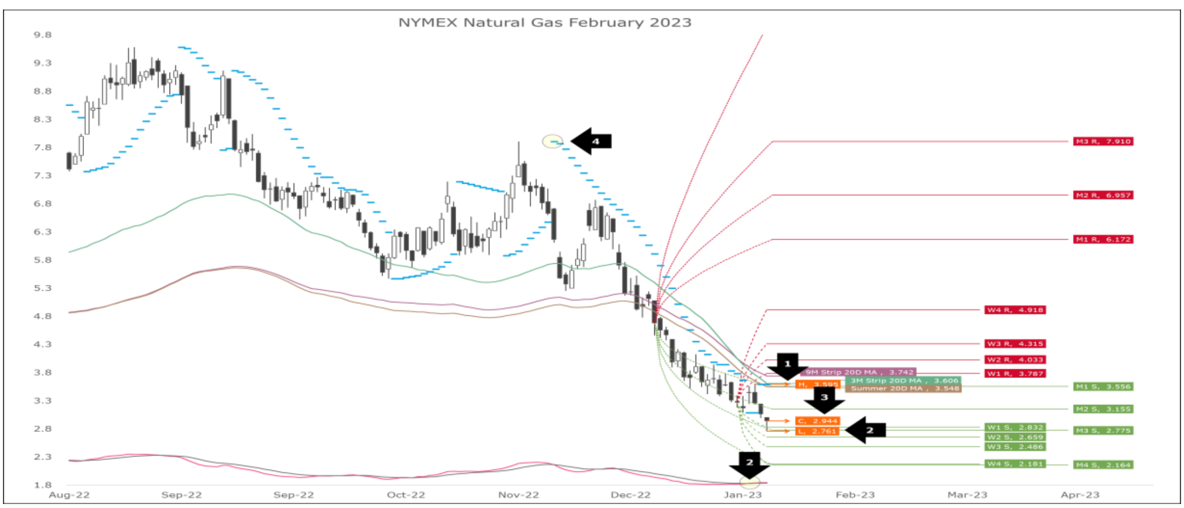
Spot NYMEX gas futures broke the $3 barrier today. This is quite the accomplishment for a market that was trading above $10 this past August.

Over the past five days, the contract for February 2023 delivery peaked just below the $3.606 trend in the 3-month volume-weighted strip and $0.039 above our model's (M1 S) $3.556 initial support target for the month at $3.595 (arrow 1). Today the contact plunged to $0.014 below our (M3 S) $2.775 third support target for this month at $2.761 (arrow 2) and settled at $2.944 (arrow 3).

Bear in mind that the options on the February futures expired today and the futures themselves expire tomorrow. Accordingly, volatility has been especially violent this week. After tomorrow's expiration, the March 2023 market (the final winter contract) trades spot.

Outside of a brief two-day whipsaw earlier this week, the parabolic SAR technical indicator (one of our favorites) has been bearish since early December. However, our other favorite indicator, the MACD, flipped bullish at the start of this week. Given that these two metrics are no longer in sync, we will switch our six-week-old bearish bias to neutral.

Looking ahead to next Thursday, February 2nd, per yesterday's $2.848 settlement in the March 2023 market, our model's four weekly support levels are $2.538, $2.414, $2.288, and $2.063. Our weekly upside targets are $3.196, $3.359, $3.544, and $3.932.



L48 Storage… Too Little, Too Late?

Today the EIA reported a stronger than expected delivery of natural gas from L48 underground storage. Coming into the report, the mean consensus on the major surveys (Reuters, Bloomberg, Platts, etc.) was in the low 80s Bcf. The EIA wound up reporting a 91 Bcf withdrawal for the week ended January 20th. Today's report tends to yield the largest delivery of the season, ≈172 ±49 Bcf. Therefore, even though the 91 Bcf delivery was stronger than the consensus, the number was still very low.