



Nothing Says Winter Like... Sub-\$2 Gas?

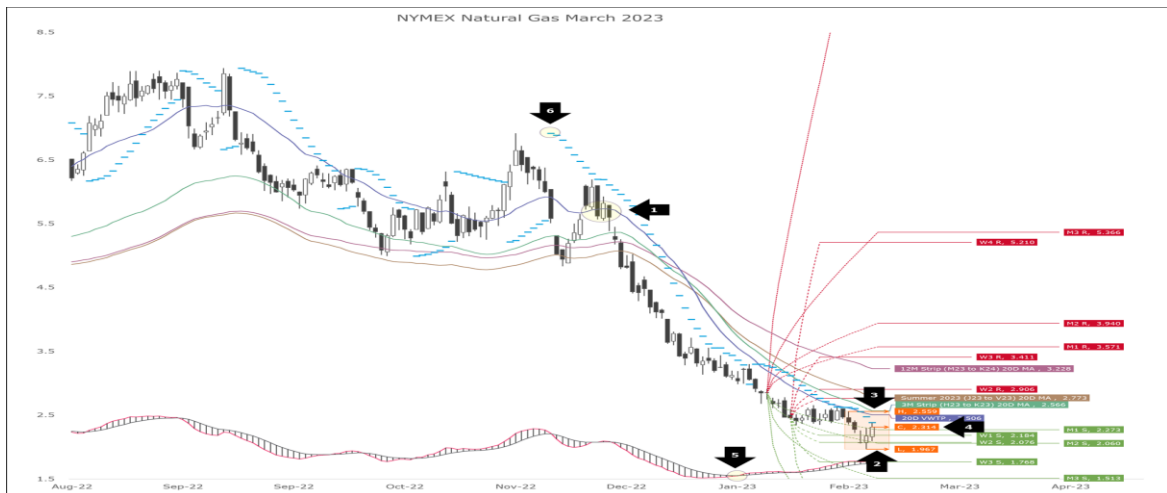
NYMEX natural gas futures for March 2023 delivery have been in a freefall ever since the contract crossed below the 20-Day volume-weighted average this past December (arrow 1).

After peaking at \$6.070/MMBtu On December 13th, the contract fell on average by 2.3% per session and closed this past Tuesday at a life-of-contract low of \$2.073/MMBtu. The contract has now set a life-of-contract low in seven of the first 16 sessions of February!

This weakness was capped on Wednesday with the contract breaking below the \$2 psychological barrier with a \$1.967/MMBtu low print (arrow 2). This was the first time since the height of Covid-mitigation protocols in 2020 that spot gas traded below \$2/MMBtu.

However, even though the market troughed below \$2, it bounced back to finish the day higher at \$2.174/MMBtu, i.e., \$0.101 higher than the previous session's \$2.073/MMBtu life-of-contract low. The market rallied further on Thursday to a \$2.314 close (arrow 4).

The parabolic SAR technical indicator (one of our favorites) has essentially been bearish since early December (arrow 6). However, our other favorite indicator, the MACD (arrow 5), flipped bullish a few weeks ago. **Given that these two metrics are not in sync, we will hold our bias at neutral for a fifth straight week.**



L48 Storage... Another meager withdrawal.

Today the EIA reported a minor 71 Bcf delivery of natural gas from L48 underground storage. The typical withdrawal for this report is 149 ±47 Bcf. As of last Friday, February 17th, storage inched lower to 2.195 Tcf. Next Thursday's EIA update (for the week ended today) will also be weak. The market will finish winter well above last year's ending balance of 1.382 Tcf. We are now calculating a 17% probability of finishing this season above the EIA's 1.783 Tcf forecast.