



The EIA Did Not Report a “Bullish” Storage Update

As we noted in Wednesday’s webinar, we place a maximum of the minimum significance on the weekly EIA reports (gas and oil, especially oil).

Take today’s EIA update on underground gas storage, for example. The consensus forecast was calling for an injection in the middle 90s Bcf, with some guesses coming in the low triple digits. The EIA wound up reporting an 84 Bcf injection and predictably, the market’s kneejerk reaction was to spike higher. Fair enough but keep in mind that even though the cognoscenti guessed wrong, it does not mean that this update was bullish. An 84 Bcf injection for this part of the season is about as normal as it gets.

Despite the ho-hum EIA update, the NYMEX Henry Hub July market surged today. The contract bottomed last Friday at \$2.250 and then surged today through the five-day weighted pivot price (\$2.326) and the 20-day weighted pivot price (\$2.385). The contract peaked today within \$0.010 of our \$2.578 initial weekly resistance at \$2.568 (arrow 2) and settled at \$2.533 (arrow 3).

Our two favorite technical indicators, MACD and Parabolic SAR, flipped bullish this week. Therefore, **we will change our two-week old bearish bias to bullish.**

Looking ahead to next Thursday, June 22nd, based on today’s \$2.533 settlement, our four weekly upside targets are \$2.784, \$2.900, \$3.300, and \$4.640. Our support levels are \$2.305, \$2.212, \$1.944, and \$1.383. The monthly targets on the upside are \$2.869, \$3.091, \$3.907, and \$7.257. On the downside, we are looking at \$2.036, \$1.890, \$1.495, and \$0.805.



L48 storage... 84 Bcf is normal, it is not bullish!

Today the EIA reported the tenth injection of gas into L48 underground storage. A total of 84 Bcf was added. The typical injection for this update is 86 ±25 Bcf, so this report was normal. This season-to-date injection is up to an impressive 804 Bcf, 91 Bcf (13%) greater than a year ago and 90 Bcf (13%) above the base case in our seasonal time series analysis. As of last Friday, June 9th, storage rose to 2.634 Tcf. We are about 30% through the season and the market has already replaced 44% of last winter’s delivery.