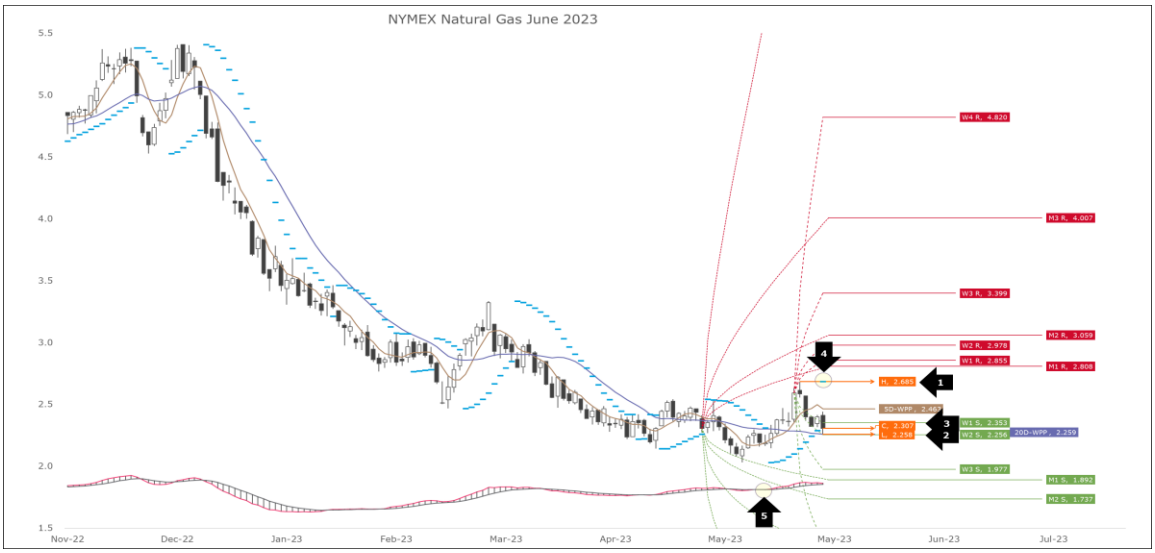
Gas Bears Play Whack-a-Mole with Gas Bulls

Every time gas bulls stick their head out of the ground, bears are there to whack them back down. After rallying at the end of last week to a two-month high of $2.685 (arrow 1), NYMEX Henry Hub futures for June delivery tanked today to 1 tick below the 20-day weighted pivot price ($2.259) and to within 2 ticks of our $2.256 second weekly support target with a low print of $2.258 (arrow 2). The contract finished today's session at $2.307.

This May marks the ninth consecutive month—*after last August's extreme heat dissipated*—of nonexistent weather demand for Btus. So, the bulls' inability to establish any sort of traction is understandable.

On the technical front, one of our favorite indicators (parabolic SAR) turned back to bearish (arrow 4) while our other favorite indicator (MACD) has been bullish for the past three weeks (arrow 5). **Given that these two metrics are back out of sync, we will switch our bullish bias to neutral.**

Looking ahead to next Thursday, June 1st, we will shift our focus to the July contract. Our four weekly upside targets are $2.705, $2.810, $3.171, and $4.361. Our support levels are $2.267, $2.182, $1.934, and $1.406. The monthly targets on the upside are $2.958, $3.186, $4.021, and $7.438. On the downside, we are looking at $2.104, $1.954, $1.548, and $0.837.



L48 storage: Injections remain stout!

Today the EIA reported the seventh injection of gas into L48 underground storage. A net of 96 Bcf was added. This is a solid injection. The typical injection for this update is 91 ±26 Bcf. This season's hitherto injection is 506 Bcf which is 69 Bcf (16%) greater than a year ago for the same timeframe, 42 Bcf (9%) above the five-year mean (interpolated), and 59 Bcf (13%) above the base case in our seasonal time series analysis. As of last Friday, May 19th, storage rose to 2.336 Tcf. We are around 22% of the way through the season and the market has already replaced 28% of last winter's delivery.