



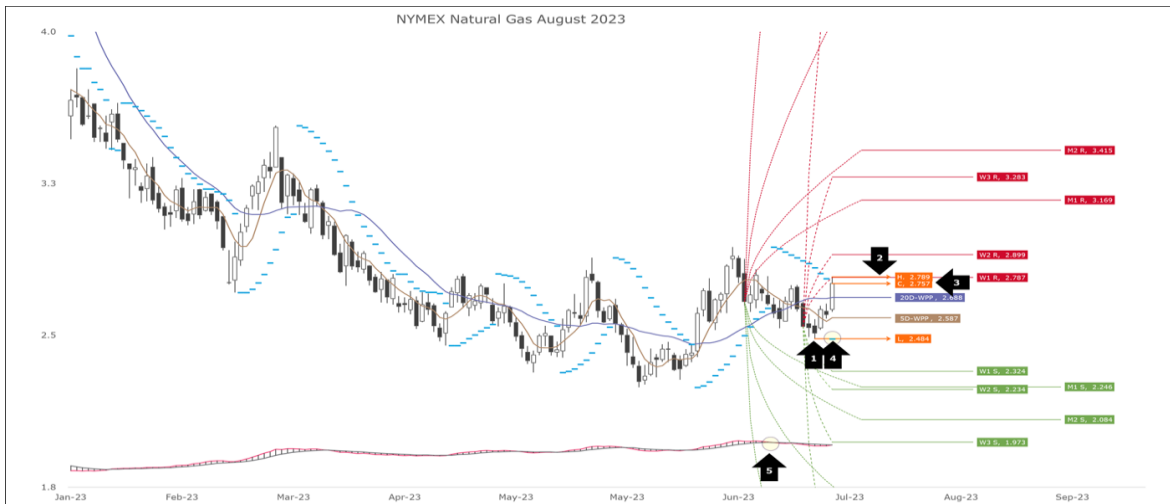
Overreaction!

NYMEX gas spiked today in response to a normal update on L48 underground natural gas storage from the EIA. The typical injection for this report is 49 ± 14 Bcf. However, coming into the report, the market's consensus was all over the place with a range from the middle 50s Bcf down to the upper 30s Bcf.

Given that the actual report—a 41 Bcf injection—came in on the lower end of the market's guess, NYMEX gas spiked. We are of the opinion that this pop was a complete overreaction to a report that fell inside of the seasonal parameter.

The contract for August delivery bottomed last Friday at \$2.484 (arrow 1), surged today to 2 ticks above our initial weekly resistance target (\$2.787) at \$2.789 (arrow 2) and finished today at \$2.757 (arrow 3). Our two favorite technical indicators decoupled today. The Parabolic SAR flipped bullish (arrow 4), while the MACD remains bearish (arrow 5). Given that these two are out of sync, we will switch our two-week hold bearish bias to neutral.

Looking ahead to next Thursday's (July 27th) expiry in the August futures, based on today's \$2.757 close, our four weekly upside targets are \$2.538, \$2.448, \$2.186, and \$1.621. Our support levels are \$2.995, \$3.105, \$3.477, and \$4.688. The monthly targets are \$3.169, \$3.415, \$4.321, and \$8.045. On the downside, we are looking at \$2.246, \$2.084, \$1.647, and \$0.885.



L48 Storage... last week's injection was normal.

Today the EIA reported the 15th addition of gas into L48 underground storage. A total of 41 Bcf was added. The typical injection for this update is 49 ± 14 Bcf. The season-to-date injection is up to a substantial 1.141 Tcf, 122 Bcf (12%) greater than a year ago and 95 Bcf (9%) above the base case in our seasonal time series study. As of last Friday, July 14th, storage rose to 2.971 Tcf. We are halfway through the season and the market has replaced 5/8ths of last winter's delivery.