How Low Can We Go?

Over the past five days, spot NYMEX gas for January 2024 delivery peaked at $2.844 per MMBtu (arrow 1), bottomed at a life-of-contract low of $2.489 per MMBtu (arrow 2), and settled today at $2.585 per MMBtu (arrow 3).

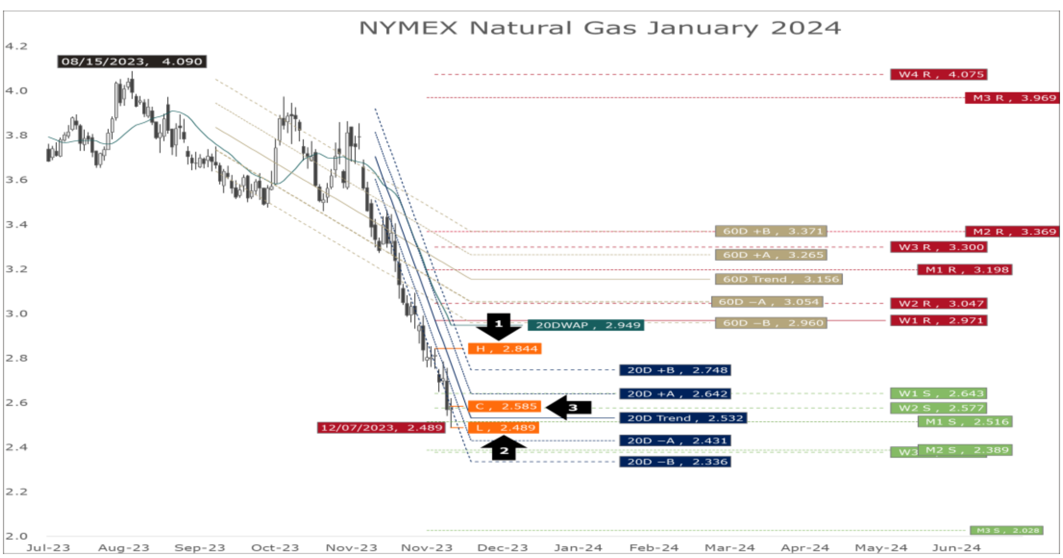
So, how low can we go? If Mother Nature again fails to deliver sustained winter weather this season, then Henry Hub gas futures can still head lower from here.

Based on the drift and volatility on the front-end of the Henry Hub term structure, and based on today's settles, there is a 33% probability (2:1 odds) that gas will finish the meteorological winter (February 29, 2024) below $2.260 per MMBtu and an 18% probability (9:2 odds) the contract will finish… gulp… below $2 per MMBtu.

It is safe to say that our favorite technical indicators—Parabolic SAR and MACD—are supremely bearish, as is the volume-weighted 20-day moving average. Thus, we will maintain our directional bias at bearish for a fourth straight week.

Looking ahead to next Thursday (December 14th), based on today's $2.585 per MMBtu settlement in the January market, our support targets for the week are $2.405, $2.331, $2.113, and $1.629. The weekly resistance levels are $2.778, $2.866, $3.163, and $4.103.

The trendline through next week in the 20-day bearish channel is $2.369 and the trendline in the 60-day bearish channel is $2.902. The 20-day volume-weighted average price as of today is $2.949.



L48 storage…now that's more like it!

One week after reporting a rare injection, the EIA came through in yesterday's report with a well above normal delivery. For the week ended December 1st, natural gas in L48 underground storage fell by 117 Bcf to 3.719 Tcf. The typical movement for this point in the season is a 64 ±17 Bcf delivery. The typical withdrawal for next week's update (for the week ended December 8th) is 87 ±24 Bcf.