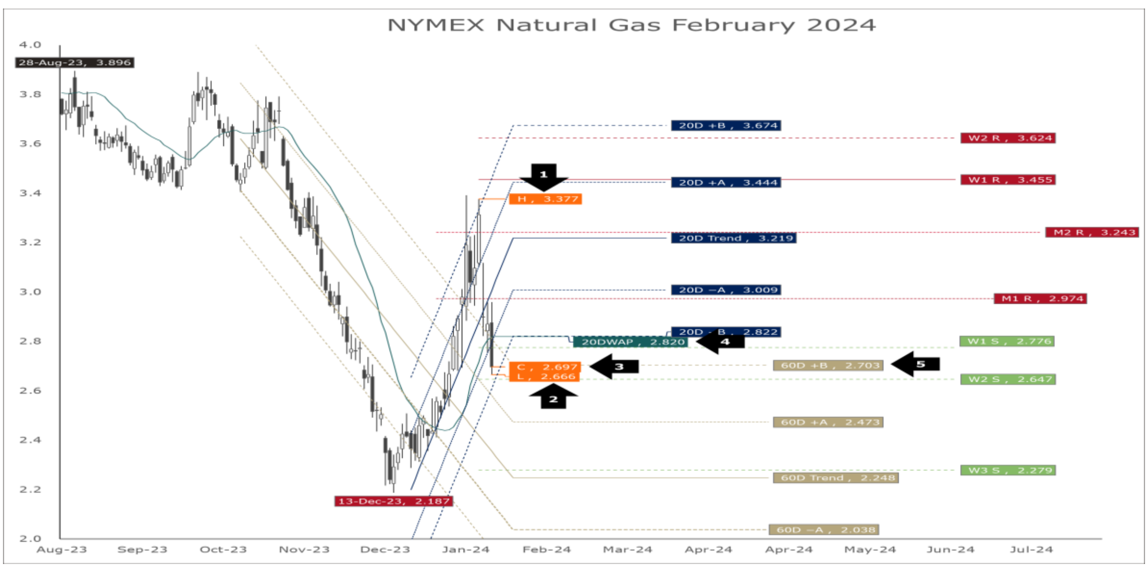
One Polar Vortex is Not Enough

Last Friday, before the long holiday weekend, February natural gas spiked to $3.377 per MMBtu (arrow 1) as a severe polar vortex was bearing down on the Central and Eastern U.S. This week, the market corrected. As we laid the groundwork for in last week's Market View, the current Artic weather will transition through the latter half of this month to above normal temps for the entire Lower 48.

Today the market cratered to a $2.666 low (arrow 2) and finished $0.006 below our $2.703 upper limit in the 60-day bearish channel (arrow 5) at $2.697 (arrow 3). In the process, the market crashed through the 20-day volume-weighted average price (arrow 4).

Suffice it to say, after this week's correction we will switch our bullish bias to neutral. On the technical front, our favorite indicators—*Parabolic SAR and MACD*—are mixed. The former flipped to bearish at the end of last week, while the latter remains bullish.

Looking ahead to next Thursday (January 25th), based on today's $2.697 per MMBtu settlement in the February market, our support targets for the week are $2.346, $2.208 $1.825, and $1.103. The weekly resistance levels are $3.101, $3.294, $3.986, and $6.596. Our upper inner and outer limits in the 60-day bearish channel are $2.866 and $2.666, respectively.



L48 storage… Another normal delivery.

For a second straight week, the EIA reported a normal withdrawal of natural gas from storage. For the week ended January 12th, L48 underground storage dropped by 154 Bcf to 3.182 Tcf. The delivery came in below the mean consensus (≈165 Bcf) of the major surveys. All eyes are now on next Thursday's update. Given this week's polar vortex, some early estimates are calling for a massive withdrawal of more than 300 Bcf. The typical withdrawal from this report is 197 ±46 Bcf.