



## Henry Hub Stuck in the Doldrums

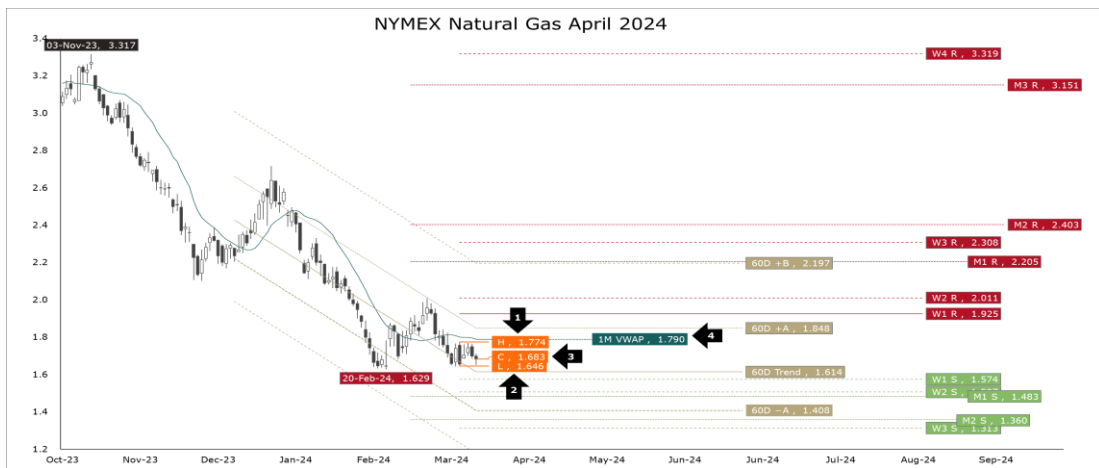
NYMEX natural gas futures are not rising, but at least they have stopped plunging...for now.

Over the past week, the spot contract for April 2024 delivery peaked and bottomed last Friday at \$1.774 per MMBtu (arrow 1) and \$1.646 per MMBtu (arrow 2), respectively. This week, the contract traded below the 1-Month Volume Weighted Average Price (VWAP) of \$1.790 (arrow 4) into today's \$1.683 settled (arrow 3).

Since Chesapeake's announcement on February 20<sup>th</sup> that it was slashing output, which was then followed by EQT's similar decision, the market has traded in a *sideways consolidation phase*. A drop in intraday trading volatility is often corollary of sideways price movement as traders assess changing fundamentals, in this case, the transition from winter to summer supply and demand dynamics. Since the start of this month, volatility has plunged by around 25 percentage points, resulting in an approximate one standard deviation change in daily prices falling from \$0.145 per MMBtu to \$0.100 per MMBtu. This sets the table for a decisive price move in the near future. **Be prepared, if you have not taken action to cover upside exposure, you should think about it now.**

Our two favorite technical indicators—Parabolic SAR and MACD—are mixed, which is another sign of consolidation. As indicated last week, we did not expect our bearish bias to hold, and we are now moving our bias to neutral.

We have switched our focus to the May 2024 contract. As far as the next five days go, based on today's \$1.831 settlement, the support levels are \$1.694, \$1.638, \$1.472, and \$1.112. The resistance levels are \$1.979, \$2.047, \$2.277, and \$3.016. The trend in the bearish 60-day channel is \$1.680, with lower limits of \$1.510, and \$1.314, along with upper limits of \$1.868 and \$2.138.



### Rare March injection: NG storage surges amid unprecedented supply.

Today, the EIA reported an addition into L48 underground storage. For the week ending March 15<sup>th</sup>, 7 Bcf of natural gas was injected. We typically see a  $72 \pm 15$  Bcf delivery through the middle of March. This was only the second time that the EIA reported an addition to storage on or before the 15<sup>th</sup> of March and it is only the 13<sup>th</sup> time (since 2010) an injection was recorded in the month of March. Storage now stands at a mammoth 2.332 Tcf, exceeding last year's level by 432 Bcf and surpassing the mean in our model's time series study by a staggering 597 Bcf! The early consensus for next Thursday's report is a normal delivery of around 32 Bcf.