Can Bulls Keep Momentum on Their Side?

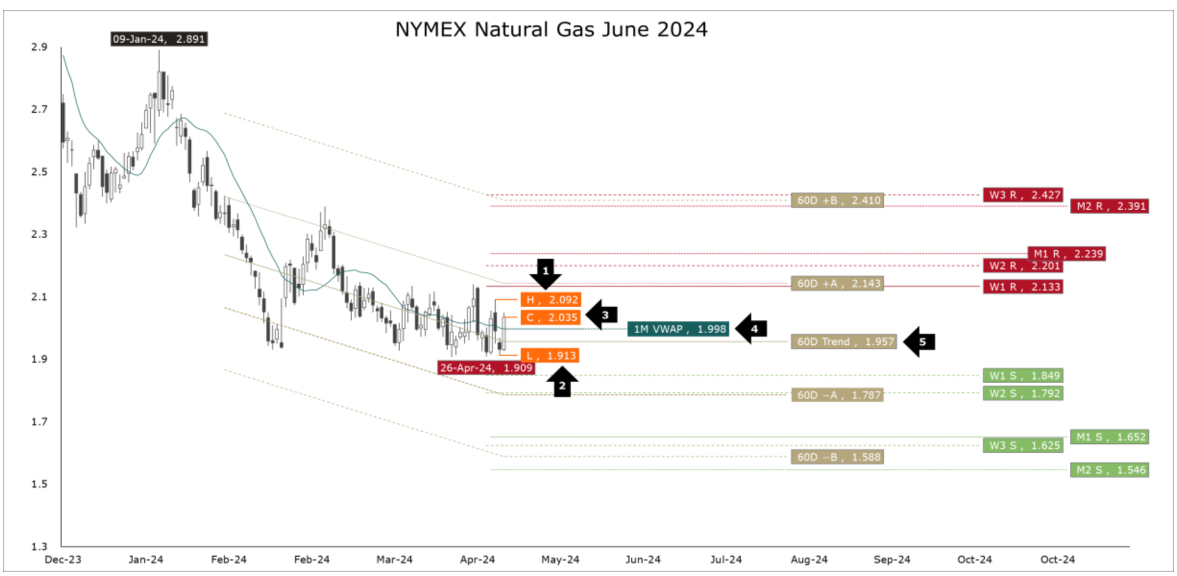
Last week NYMEX natural gas futures for spot delivery (May 2024) bottomed at a life-of-contract low of $1.583 per MMBtu and expired at $1.614. As such, spot gas went off the board closer to the all-time low of $1.323 from January 1995 than to $2.000!

However, the May contract expired at a massive $0.309 discount (contango) to the June 2024 contract which settled at $1.923. As we noted in our last report, with this week's roll into the June contract, this was the bulls best chance this year to launch a rally above the $2 psychological line. For all intents and purposes, it is now or never for the bulls.

Over the past five days, the spot market did indeed trade above the $2 barrier, peaking at a $2.092 high (arrow 1) but then cratered the following day to a $1.913 low (arrow 2). Today, the market rallied through the 60-day trend of $1.957 (arrow 5) and the 1-month volume-weighted average price of $1.998 (arrow 4) to finish at $2.035 (arrow 3).

Our two favorite technical indicators—Parabolic SAR and MACD—are mixed, the former is bearish while the latter is oscillating between bearish and bullish. With both signals out of alignment, we will hold a neutral bias for a fourth straight week.

As far as the next five days go, based on today's $2.035 settlement in June gas, the support levels are $1.871, $1.803, $1.607, and $1.186. The resistance levels are $, $2.214, $2.296, $2.577, and $3.392. The new initial monthly support and resistance targets are $1.652 and $2.239. The trend in the bearish 60-day channel is $1.964, with lower limits of $1.760, and $1.528, along with upper limits of $2.191 and $2.520.



Natural gas storage…. The season is off to a strong start!

Yesterday, the EIA reported a smaller-than-normal addition to L48 underground storage. For the week ending April 26th, 59 Bcf of natural gas was injected. The report came in right around the mean consensus forecast. To date, 225 Bcf has been injected this season which is a strong start. Based on our time series study, the normal trend at this early juncture is 190 Bcf. As of last Friday, storage stood at a comfortable 2.484 Tcf, exceeding last year's level by 421 Bcf and surpassing the mean in our model's time series study by a staggering 583 Bcf!

