



Gas Bears Are Letting it Rip!

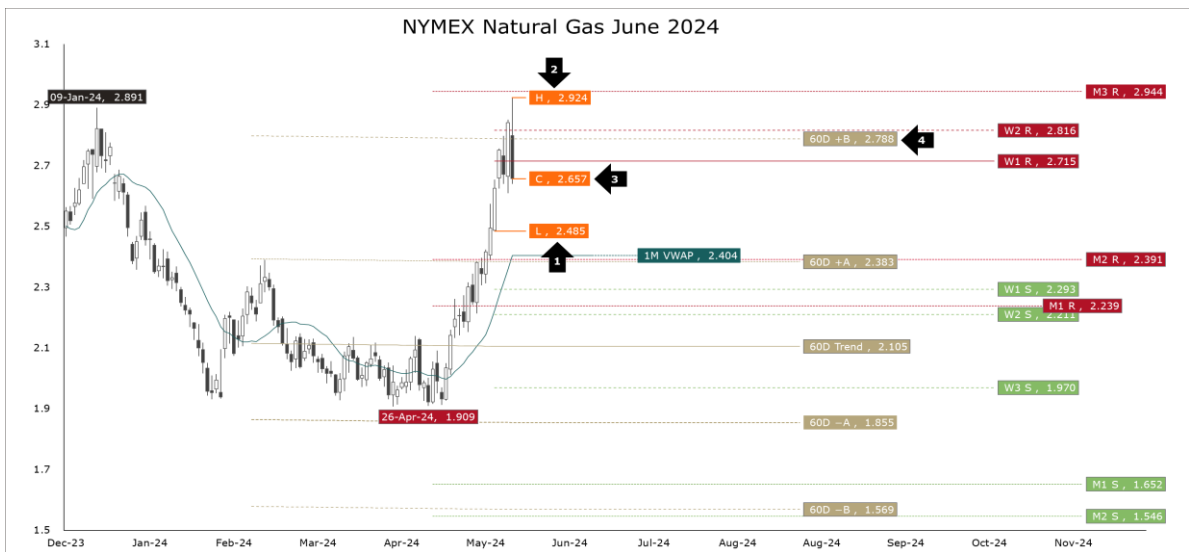
As noted in today's [Market View](#), gas bulls are in the middle of a terrific run, thanks in part to bearish hedge fund managers.

Before today's corrective selloff, spot gas on the NYMEX surged through the first three weeks of this month. On May 1st, the spot contract settled at \$1.932 per MMBtu. As such, options traders gave a probability of 0.012% (odds 8,000 : 1) that the market would rally to \$3 per MMBtu by the May 29th expiry. Yesterday, the market was pricing a 23.9% probability (odds 19:6) that we will see \$3 by next Wednesday.

At the end of last week, NYMEX natural gas futures for spot delivery (June 2024) bottomed at \$2.485 per MMBtu (arrow 1). Today, the contract peaked within \$0.020 of our \$2.944 third weekly resistance level at \$2.924 (arrow 2) and settled at \$2.657 (arrow 3).

Our two favorite technical indicators—Parabolic SAR and MACD—are both bullish. Therefore, we will hold our bullish bias for a third week.

We have rolled our outlook to the contract for July delivery. As far as the next five days go, based on today's \$2.923 settlement, the support levels are \$2.737, \$2.660, \$2.432, and \$1.918. The resistance levels are \$3.121, \$3.212, \$3.513, and \$4.454. The final two monthly resistance targets are \$3.192 and \$4.913. The trend in the 60-day channel is \$2.573 with upper limits of \$2.855 and \$3.258. The lower limits are \$2.316 and \$2.018 limit of \$2.788.



Another smaller-than-normal gas storage addition.

For a fourth straight week, the EIA reported a smaller-than-normal addition to L48 underground storage. For the week ending May 17th, 78 Bcf of natural gas was injected. The report came in on the low end of the consensus forecast which was in the middle 80s Bcf, and on the low end of the seasonal norm of 98 ± 20 Bcf. To date, 452 Bcf has been added, which despite the four smaller-than-normal injections, is a solid number. The normal addition for this point in the season is 462 Bcf. As of last Friday, storage stood at a comfortable 2.711 Tcf, exceeding last year's level by 375 Bcf and surpassing the midpoint in our model's time series study by 478 Bcf!