Resilient

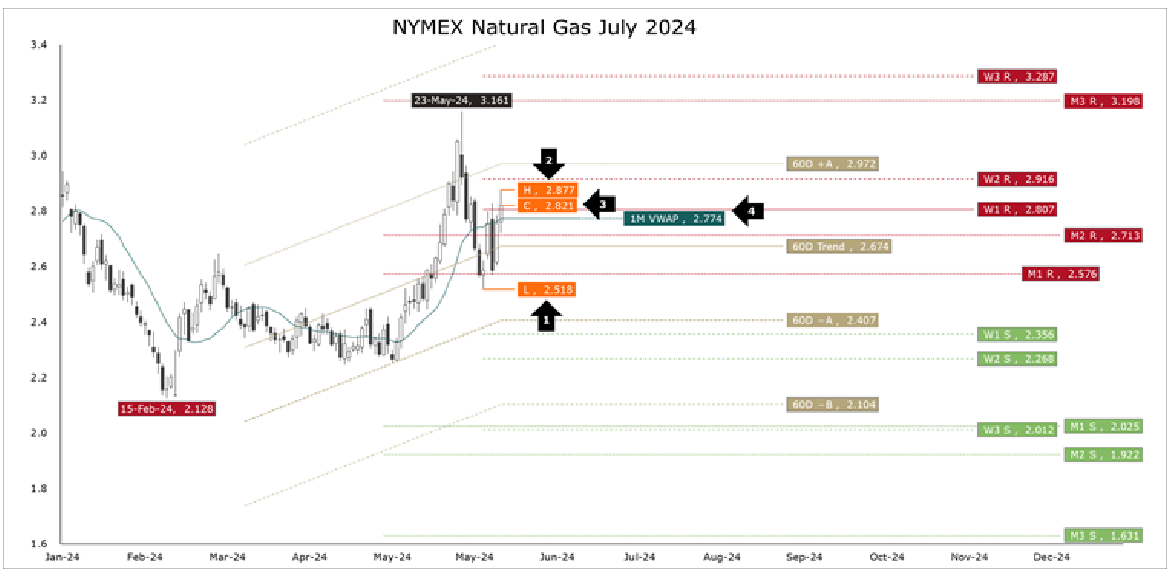
This is the best way to describe natural gas bulls, resilient.

Last Friday, amid a correction from the pre-Memorial Day rally, NYMEX gas for July delivery bottomed at $2.518 per MMBtu (arrow 1). After some wild swings through the first three days of this week, today the contract rallied through the 1-month volume-weighted average price and our $2.807 second weekly resistance (arrow 4) to peak at $2.877 (arrow 2). The contract finished today's session at $2.821 (arrow 3).

Our two favorite technical indicators—Parabolic SAR and MACD—are still bearish. **Therefore, we will maintain a bearish technical bias for a second week.**

As far as the next five days go, based on today's $2.821 settlement in July gas, the support levels are $2.553 $2.445, $2.134, and $1.489. The resistance levels are $3.117, $3.255, $3.730, and $5.346. The final two monthly resistance targets are $3.198 and $4.934. The trend in the 60-day channel is $2.757 with upper limits of $3.133 and $3.691. The lower limits are $2.426 and $2.056.

Finally, options traders have priced in a 40% probability (odds 3:2) that the market will top this week's $2.877 high, along with a 12% probability (odds 7:1) that we will take out this week's $2.518 low.



EIA reports first normal injection in six weeks.

For the first time in six weeks, the EIA reported a normal addition to L48 underground storage. For the week ending May 31st, 98 Bcf of natural gas was injected. The report came in at the high end of the consensus forecast and was well within the seasonal range of 103 ± 26 Bcf. To date, 634 Bcf has been added, which is a strong figure given the high level of storage at the end of last winter. As of last Friday, storage stood at a comfortable 2.893 Tcf, exceeding last year's level by 343 Bcf and surpassing the midpoint in our model's time series study by 440 Bcf!