



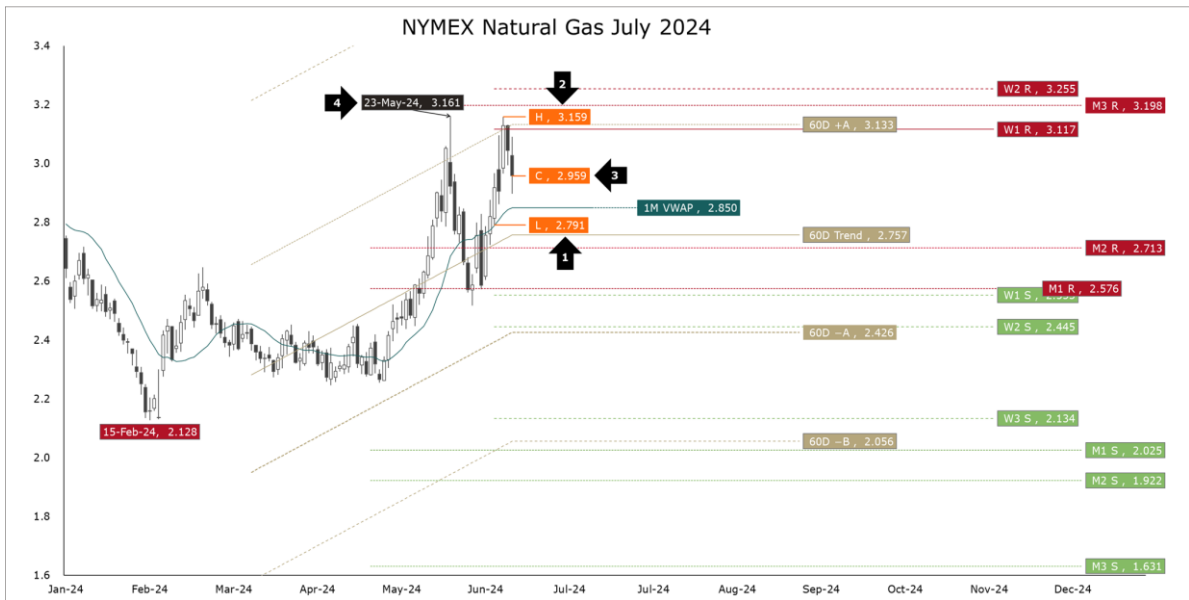
Can the Bulls Keep It Going?

Last Friday, spot NYMEX gas for July delivery bottomed on the one-month volume-weighted moving average (VWAP) at \$2.791 per MMBtu. The contract peaked earlier this week within 2 ticks of the \$3.161 high from May 23rd at \$3.161 (arrow 4). Note that bullish momentum stalled around our \$3.117 initial resistance target this week and our \$3.133 upper-inner limit in the 60-day trend. Today, the contract finished at \$2.959, its first sub-\$3 close in three sessions.

Our two favorite technical indicators—Parabolic SAR and MACD—turned bullish. **Therefore, we will switch our technical bias to bullish.**

As far as the next five days go, based on today's \$2.959 settlement in July gas, the support levels are \$2.652 \$2.529, \$2.178, and \$1.467. The resistance levels are \$3.301, \$3.462, \$4.021, and \$5.969. The next two monthly resistance targets are \$3.387 and \$4.256. The trend in the 60-day channel is \$2.983 with upper limits of \$3.354 and \$4.010. The lower limits are \$2.540 and \$2.122.

Finally, options traders have priced in a 53% probability (odds 6:7) that the market for July delivery expires above \$3.000, along with a 22% probability (odds 7:2) that we will see a retracement below \$2.750.



EIA reports modest injection and storage revision.

Today, the EIA reported a small addition, along with a revision to L48 underground storage. Storage as of last week's report bumped up from 2.893 Tcf to 2.900 Tcf. Today's report showed an injection of 74 Bcf which was the consensus mean. As of June 7th, inventories stood at a comfortable 2.974 Tcf, exceeding last year's level by 340 Bcf and surpassing the midpoint in our model's time series study by 420 Bcf! For next week's report, we typically see an injection of 92 ± 24 Bcf.