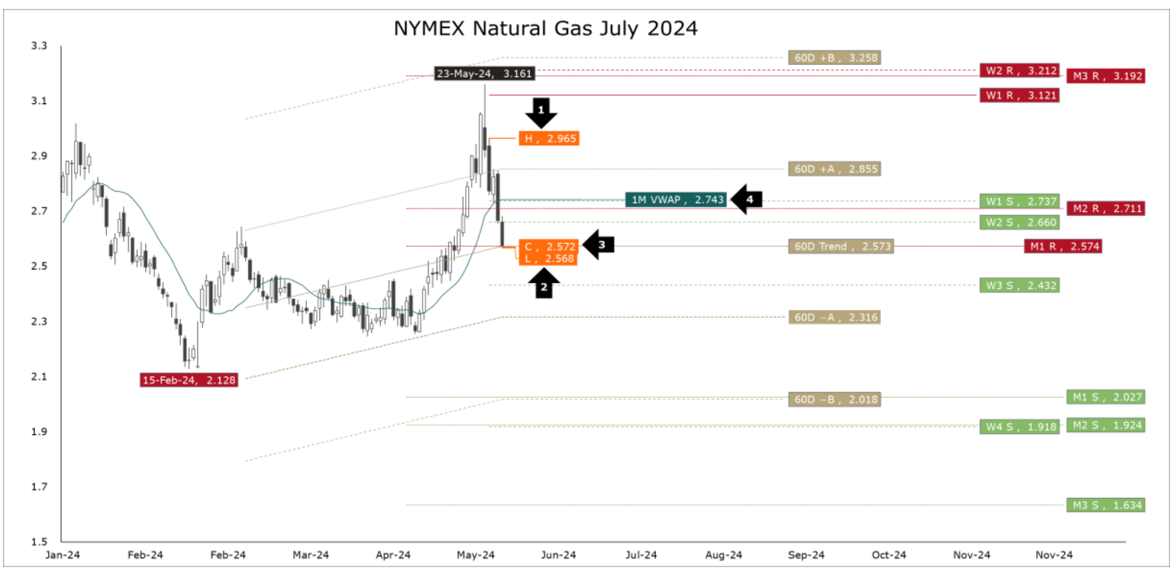
What Goes Up, Must Come Down

Following last week's pre-holiday/profit-taking selloff, bearish momentum in the NYMEX natural gas complex accelerated this week.

Last Friday, before traders left to honor and mourn the men and women who died serving this great nation of ours, NYMEX gas for July delivery peaked at $2.965 per MMBtu (arrow 1). At the start of this short week, the contract plunged through the 1-month volume-weighted average price at $2.743 (arrow 4). Today, the contract bottomed at $2.568 (arrow 3) and finished $0.002 below our $2.574 initial monthly resistance and $0.001 below the 60-day trend of $2.573 at $2.572 (arrow 3).

Our two favorite technical indicators—Parabolic SAR and MACD—switched to bullish. **Therefore, we will switch our three-week-old bullish bias to bearish**.

As far as the next five days go, based on today's $2.572 settlement in July gas, the support levels are $2.357, $2.269, $2.013, and $1.468. The resistance levels are $2.807, $2.916, $3.286, and $4.506. The final two monthly resistance targets are $3.192 and $4.913. The trend in the 60-day channel is $2.674 with upper limits of $2.972 and $3.407. The lower limits are $2.407 and $2.104.



L48 storage....The streak continues.

For the fifth straight week, the EIA reported a small addition to L48 underground storage. For the week ending May 24th, 84 Bcf of natural gas was injected. The report came in at the high end of the consensus forecast but was still shaded to the lower end of the 103 ± 26 Bcf seasonal norm. To date, 536 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 2.795 Tcf, exceeding last year's level by 349 Bcf and surpassing the midpoint in our model's time series study by 478 Bcf!