



July Limp Off the Board

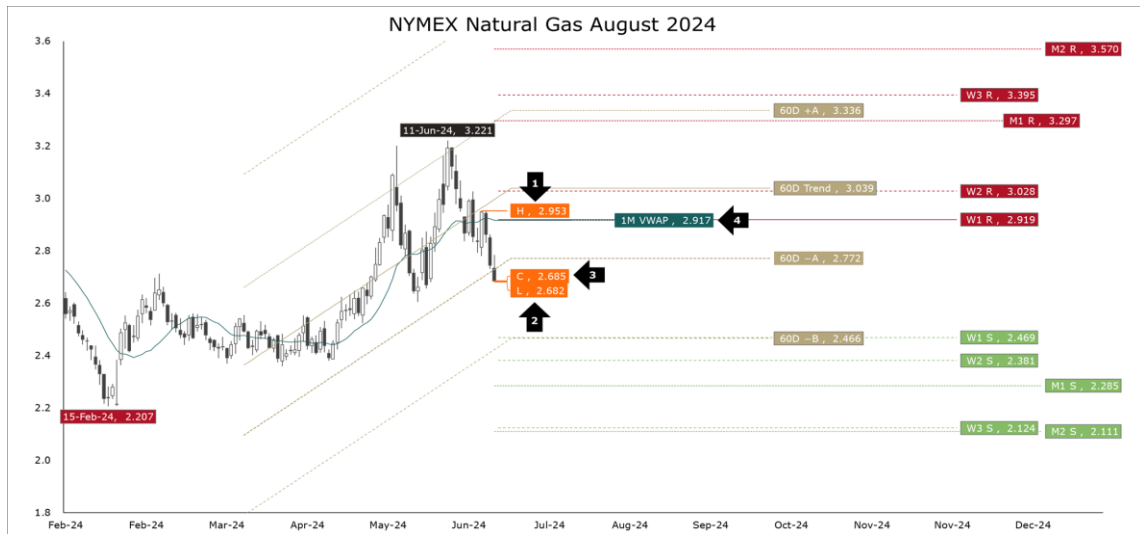
Last Thursday, the NYMEX natural gas futures contract for July delivery settled at \$2.848 per MMBtu. With an eye on yesterday's expiration, we noted in last week's report that approximately 68% of the potential price returns generated in a Monte Carlo simulation fell between \$2.651 and \$3.001, with a mean of roughly \$2.820. Yesterday, the contract settled below this range at \$2.628, a disappointing settlement for a contract that peaked a few weeks ago at a six-month high of \$3.160!

Over the past five days, the spot NYMEX gas contract for August delivery peaked at the start of this week at \$2.953 per MMBtu (arrow 1) but then crashed on the following day through the one-month volume-weighted moving average (VWAP) at \$2.971 (arrow 4). Yesterday, the market bottomed at \$2.682 (arrow 2) and settled at 2.685 (arrow 3).

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

As far as the next four days go (the market is closed next Thursday to celebrate our victory over the madness of King George III), based on today's \$2.685 settlement in August gas, the support levels are \$2.469, \$2.381, \$2.124, and \$1.570. The resistance levels are \$2.919, \$3.028, \$3.395, and \$4.593. The first two monthly support/resistance targets are \$2.285 and \$3.297. The trend in the 60-day channel is \$3.029 with upper limits of \$3.336 and \$3.768. The lower limits are \$2.772 and \$2.466.

Finally, options traders are currently pricing in an 18% probability (odds 9:2) that the market for August delivery will expire next month above \$3.000, along with a 40% probability (odds 3:2) that we will see a close below \$2.500.



EIA reports modest natural gas injection.

Today, the EIA reported a small addition of natural gas into L48 underground storage. For the week of June 21st, inventories rose by 52 Bcf to 3.097 Tcf. This season's addition is up to 838 Bcf, a meager amount given the seasonal norm is 953 Bcf, while last year's injection was 975 Bcf by this point. However, it is all relative. After all, 53% of last winter's delivery has been replenished and we still have about four months left in the season.