



How Low Can Gas Go?

September NYMEX natural gas futures kicked off the new month where the August contract left off... and where the July contract left off before that... in the doghouse. Earlier this week, September natty peaked at \$2.149 per MMBtu (arrow 1) and bottomed today at \$1.965 per MMBtu (arrow 2) and settled at \$1.968 per MMBtu (arrow 3).

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

As far as the month ahead goes, based on today's \$1.965 settlement in September gas, the support levels are \$1.736, \$1.620, \$1.303, and \$0.733. The resistance levels are \$2.388, \$2.559, \$3.182, and \$5.658.

The trend in the 60-day channel is \$1.958, with an upper bound of \$2.161 and \$2.453. The lower bounds are \$1.773 and \$1.559.

Finally, given observed volatility, there is a 57% probability (odds 3:4) that the market will finish summer below \$2.000 and a 1.4% probability (odds 70:1) that the market will break the all-time low from January 1995 of \$1.323.



EIA reports paltry natural gas injection.

Today, the EIA reported a well below-normal addition of natural gas into L48 underground storage. For the week of July 26th, inventories rose by 18 Bcf to 3.249 Tcf. We typically see an injection of 40 ± 10 Bcf for this report. This season's addition inched up to 990 Bcf, a meager amount given the seasonal norm is 1.171 Tcf, while last year's injection was 1.214 Tcf. We are 17 weeks into a refill season which typically lasts 32 weeks. As of today's report, the market has replenished 63% of last winter's delivery.