



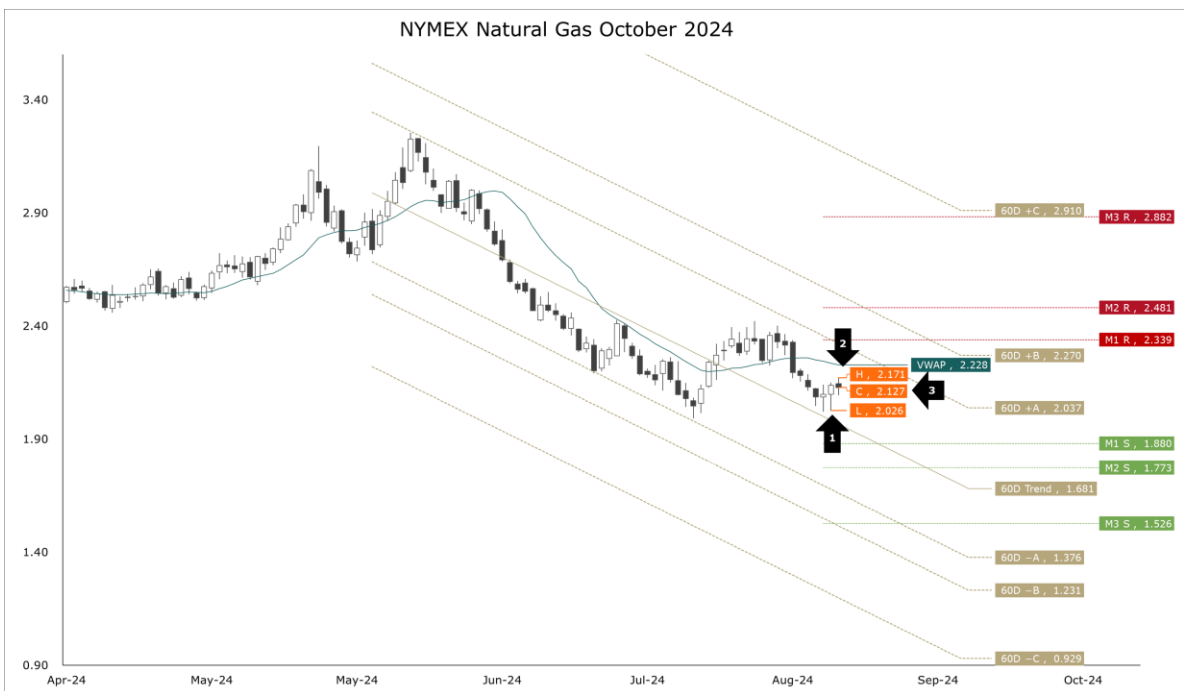
Can Bulls Make a Run in The Final Month of Summer?

October NYMEX natural gas kicked the spot month off in stable fashion. Through the first two days of the month, the contract bottomed at \$2.026 per MMBtu (arrow 1), peaked at \$2.171 per MMBtu (arrow 2), and settled last Friday at \$2.127 (arrow 3).

Our preferred technical indicators are mixed, the Stochastic is bullish, the MACD is neutral, and the Parabolic SAR is bearish. However, momentum in the latter two metrics appear to be tacking bullish. **Therefore, we will take a risk and change our technical bias from bearish to bullish.**

As far as the remainder of the month ahead goes, our support levels for October gas are \$1.880, \$1.773, and 1.526. The resistance levels are \$2.339, \$2.481, and \$2.882. Furthermore, the 60-day trend is \$1.681 by the end of this month. Based on historical volatility, our upper limits in the trendline are \$2.037, \$2.270, and \$2.910. the lower limits are \$1.376, \$1.231, and \$0.929.

Furthermore, based on implied volatility, traders are pricing a 33% probability (odds 2:1), the October contract will expire either above \$2.230 or below \$1.930.



EIA reports a second straight low injection of 35 Bcf.

Last Thursday, the EIA produced another subpar injection (addition) of natural gas to L48 underground natural gas storage. Whereas the normal refill for middle to late August is 49 ± 13 Bcf, the EIA reported an injection of 35 Bcf for the week ending August 23rd. This season's addition inched to 1.075 Tcf, significantly below the seasonal norm of 1.399 Tcf. At this time last year, the injection was 1.285 Tcf, 210 Bcf higher. However, considering that last year's starting balance was much lower—1.830 Tcf compared to 2.259 Tcf—last year's injection is 414 Bcf greater on a proportional scale.