



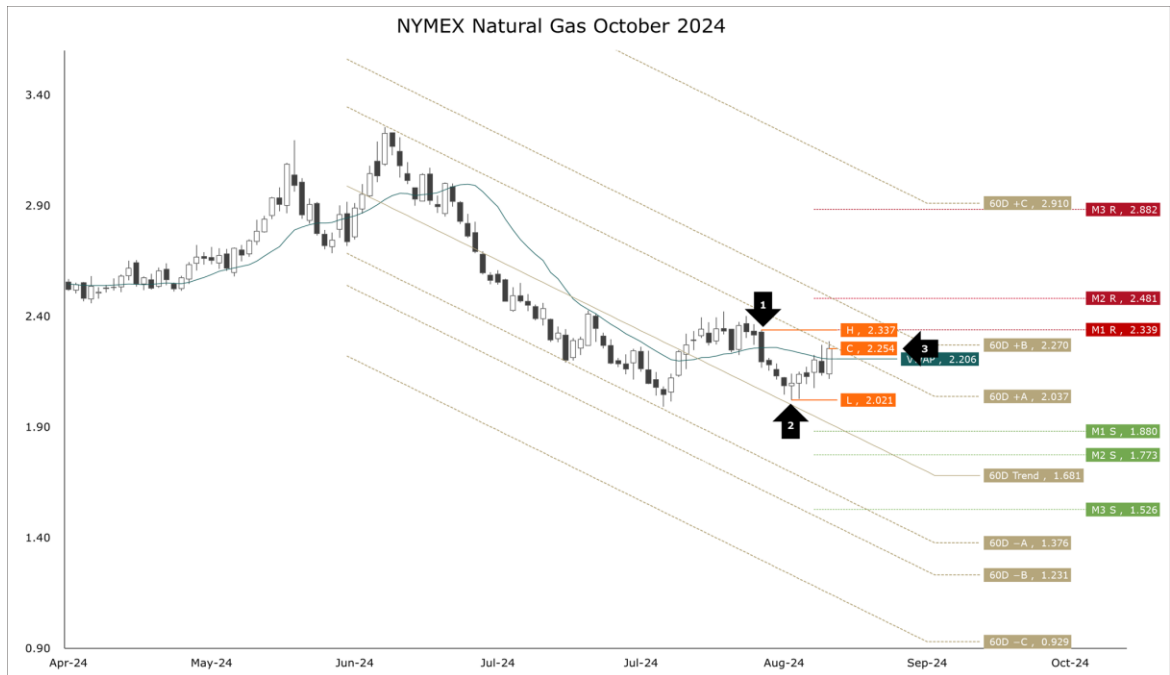
## Can Bulls Make a Run in The Final Month of Summer?

October NYMEX natural gas kicked the spot month in a V-Shape form. The contract peaked on Aug 22<sup>nd</sup> at \$2.337 MMBtu (arrow 1), bottomed on August 28<sup>th</sup> at \$2.021 (arrow 2), and finished yesterday within a whisker of our initial resistance line in the 60-day channel at \$2.254 (arrow 3).

Our preferred technical indicators are bullish, with the MACD, the Parabolic SAR and the Stochastic all pointing higher. **Therefore, we will 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.

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



## Storage refill lags by 603 Bcf on an apples-to-apples comparison.

Today, the EIA produced another subpar addition of natural gas to L48 underground natural gas storage. Whereas the normal refill for late August is  $60 \pm 17$  Bcf, the EIA reported an injection of 13 Bcf for the week ending August 30<sup>th</sup>. This season's addition inched to 1.088 Tcf, significantly below the seasonal norm of 1.456 Tcf, for a 368 Bcf deficit. Moreover, considering that the seasonally adjusted starting balance was much lower—1.772 Tcf compared to 2.259 Tcf—this year's refill is 603 Bcf lower on an apples-to-apples comparison.