

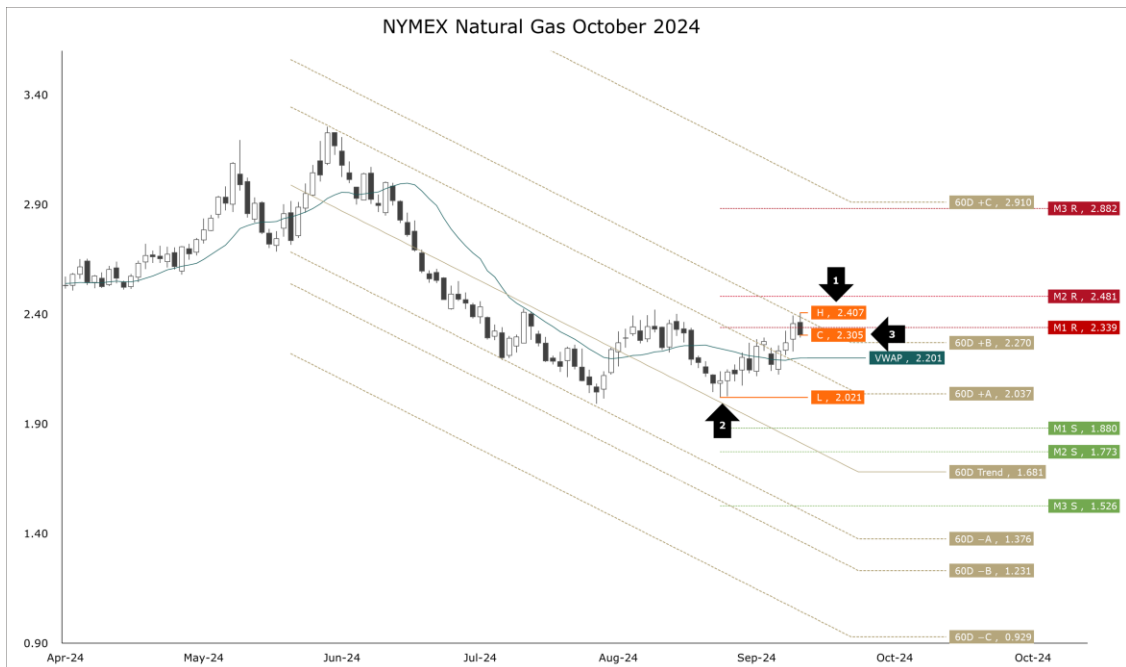


So Far, Gas Bulls Have Enjoyed A Good Run!

Gas bulls have had a nice run through the first half of this month. Since turning prompt, the NYMEX October futures contract has finished higher in seven out of 11 days, rising on average by 0.9% each session for a net gain as of last Friday of 9.9%.

The contract posted a hitherto month-to-date low of \$2.021 per MMBtu on August 28th (arrow 1). At the end of last week, the market peaked at \$2.407 per MMBtu (arrow 2) settled at \$2.305 per MMBtu (arrow 3). As illustrated, the contract is testing our initial resistance for the month (M1 R) of \$2.339 and our uppermost limit in the bearish 60-day trend (60-D +B) of \$2.270. Our preferred technical indicators are mixed, the MACD and the Parabolic SAR are bullish but the Stochastic is neutral. **Therefore, we will change our technical bias from bullish to neutral.**

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. Traders are pricing in a 50/50 chance the market will expire at the end of this month between \$2.145 and \$2.455.



Storage refill... another week, another meager addition.

The EIA produced another subpar injection (addition) of natural gas to L48 underground natural gas storage. Whereas the normal refill for early September is $\approx 78 \pm 22$ Bcf, the EIA reported an injection of 40 Bcf for the week ending September 06th. Inventories now stand at 3.387 Tcf. This season's addition inched to 1.128 Tcf, significantly below the seasonal norm of 1.578 Tcf for a 450 Bcf deficit. Nevertheless, inventories will be in ample supply ahead of winter.