



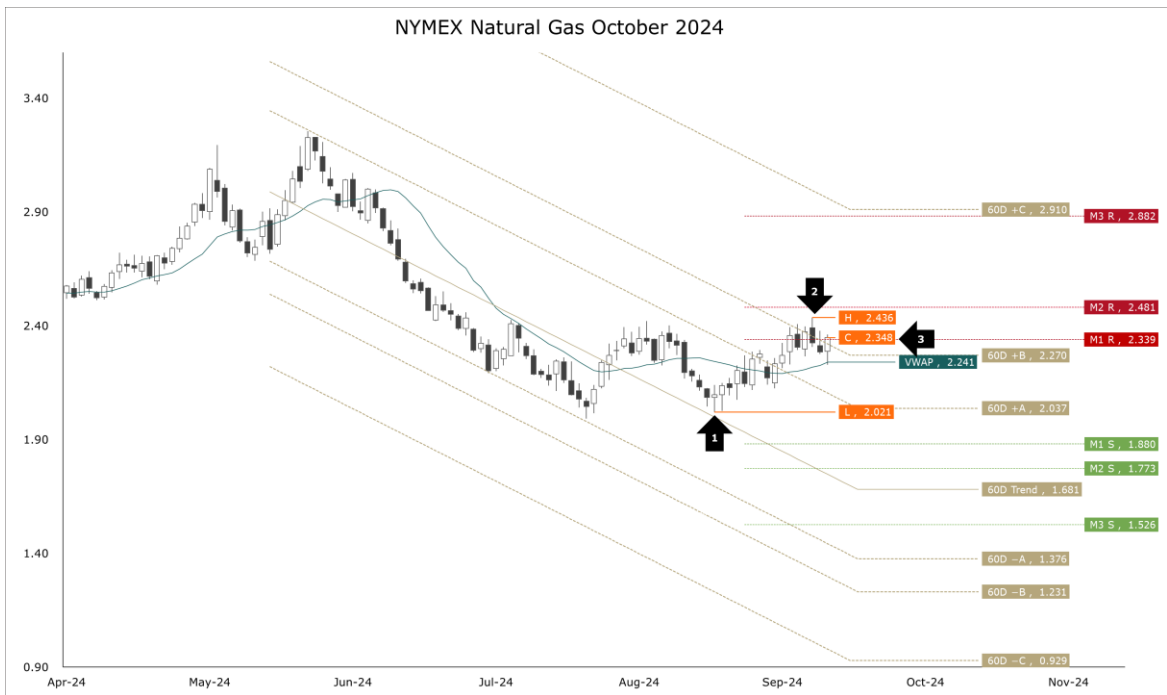
This Month Has Been Good for Gas Bulls

October NYMEX natural gas bottomed on August 28th at \$2.021 per MMBtu (arrow 1) and peaked earlier this week at \$2.436 per MMBtu (arrow 2). Today, the contract finished at \$2.348 per MMBtu (arrow 3), 9 ticks above our model's initial resistance for the month (\$2.339 per MMBtu).

Our preferred technical indicators are mixed, the Parabolic SAR is bearish, the MACD is bullish, and the Stochastic is Neutral. **Therefore, we will change our technical bias from bullish to neutral.**

As far as the remainder of the month 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 and the lower limits are \$1.376, \$1.231, and \$0.929.

Based on historical volatility, there is a 50/50 probability that the contract will expire next Friday in between \$2.436 per MMBtu and \$2.238 per MMBtu.



Meager injections notwithstanding, winter storage is in fine shape.

Today, the EIA produced another subpar addition of natural gas to L48 underground storage. Whereas the normal refill for the middle of September is 85 ± 23 Bcf, the EIA reported an injection of 58 Bcf for the week ending September 13th. This season's addition inched to 1.186 Tcf, significantly below the seasonal norm of 1.597 Tcf. Nevertheless, we are 24 weeks into a season that typically lasts 32 weeks, and even at this meager pace, inventories are still on track to head into winter with more than 3.900 Tcf in the ground.