

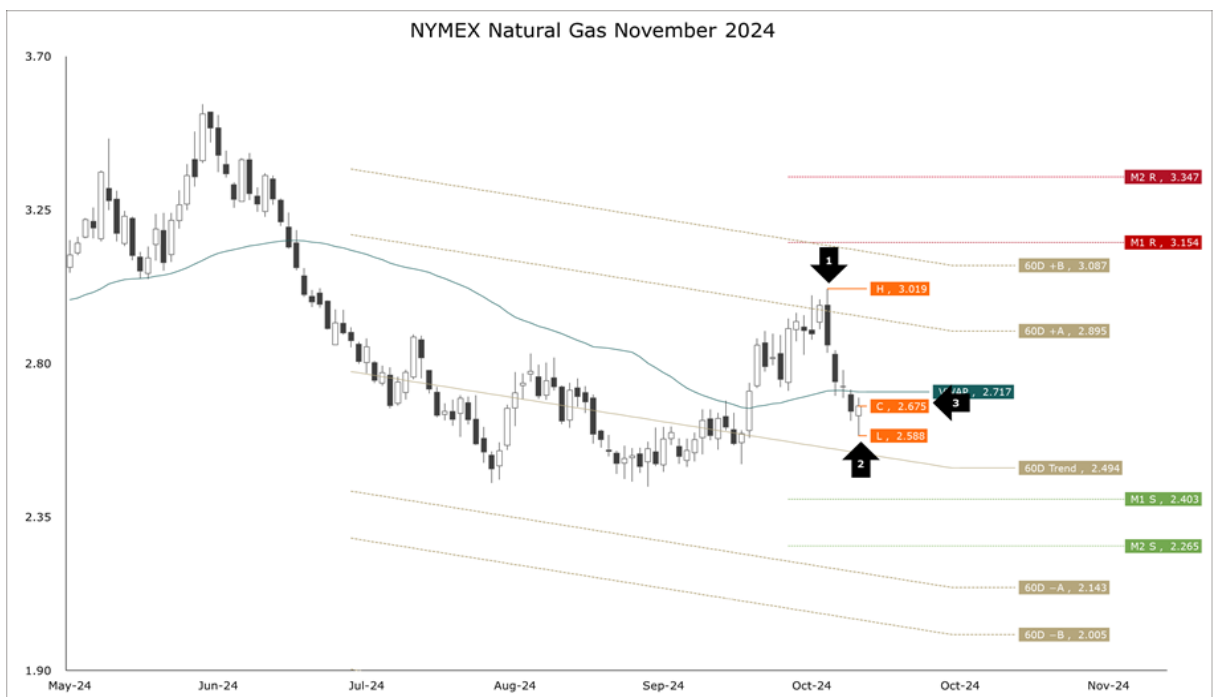


Gas Bulls Out of Gas

Gas bulls had a nice run in September, but all things must pass. At the end of last week, October 4th, the November NYMEX natural gas contract peaked at \$3.019 per MMBtu (arrow 1). The contract is now trading below the volume-weighted average price (VWAP) of \$2.717. Yesterday, November gas bottomed at \$2.588 per MMBtu (arrow 2) and settled at \$2.675 per MMBtu (arrow 3).

Our preferred technical indicators—the Parabolic SAR, the MACD, and the Stochastic—are bearish, therefore we will change our bias to bearish.

As far as the month goes, our resistance limits for November gas are \$3.154, \$3.347, and \$4.031 with a doomsday limit of \$6.590. The support limits are \$2.403, \$2.265, and \$1.880 along with an end of our times limit of \$1.150. The 60-day trend through the end of the month extends lower to \$2.494 per MMBtu. The upper limits of the trend are \$2.895 and \$3.087. The lower limits are \$2.143, and \$2.005.



L48 storage: Even with weak demand, injections are low.

As of last Friday, L48 storage rose to 3.629 Tcf. Gas demand for electric generation is averaging 4½% lower this week, falling by 1,313 GWhs, the equivalent of ≈7.9 Bcf of gas. Demand is weakest in the Mid-Atlantic (-6.7 Bcf), Florida for the obvious reason (-4.0 Bcf) and New York (-1.5 Bcf). Demand is strongest in California (+2.8 Bcf). The typical addition to storage in next Thursday's update is 88 ± 24 Bcf. However, even with the weaker demand, the early whisper number is in the middle 60s Bcf.