



Hedge Funds Sold Massively... Redux

According to the latest Commitments of Traders report from the CFTC, as of Tuesday, October 29th, the number of shorts in the most liquid NYMEX Henry Hub gas futures market held by Other Reportables (e.g., proprietary trading desks, institutional investors etc.) fell over the previous four weeks from a three-month high of 151,043 contracts (10.2% of open interest) to a ten-month low of 92,679 contracts (5.5% of open interest, a year-to-date low). Over this time, December 2024 NYMEX gas fell from a three-month high close of \$3.369 per MMBtu to the lowest settle, \$2.663 per MMBtu, since the height of Covid hysteria in October 2020.

On the other hand, hedge funds sold massively into the rally and subsequent sell-off. As of October 8th, 61 hedge funds et al. were holding 200,555 shorts on the NYMEX, the equivalent of 3,288 contracts per trader, representing 13.5% of open interest, a four-month low. Since then, fund managers sold 120,399 contracts, the equivalent of 1,241 Bcf of gas which is more than the combined injection of the last 23 weeks of 1,213 Bcf. The funds' short position is now at a five-month high of 320,954 contracts and represents 19.2% of open interest.

Since the roll to the prompt month, December NYMEX natural gas peaked last week at \$2.830 (arrow 1), bottomed earlier this week at \$2.514 (arrow 2), and settled today at \$2.663 (arrow 3). The contract is in a bearish envelope ranging from the 60-day trend of \$2.879 and \$2.501.

Our preferred technical indicators—the Parabolic SAR, the MACD, and the Stochastic—are all bearish.

As far as the remainder of the month goes, our resistance limits for December gas are \$3.294, \$3.503, and \$4.251 with a doomsday limit of \$7.088. The support limits are \$2.482, \$2.334, and \$1.923 along with an end of our times limit of \$1.153.



L48 Storage: 4.0 Tcf is not out of the question.

As of last Friday, L48 underground storage of natural gas rose to 3.932 Tcf and as a result, gas is at 83.08% of working capacity, which is 336 basis points greater than a year ago and 351 points greater than the seasonal norm. Furthermore, storage is within 117 basis points of 4.0 Tcf and within 284 points of the all-time high of 4.047 Tcf. At the current pace, storage is projected to finish on the doorstep of 4.0 Tcf at between 3.970 Tcf and 3.990 Tcf. If Mother Nature cooperates, a run at 4.0 Tcf and the all-time high is within the realm of possibilities.