It's Beginning to Look a Little Bit Like Winter is Over

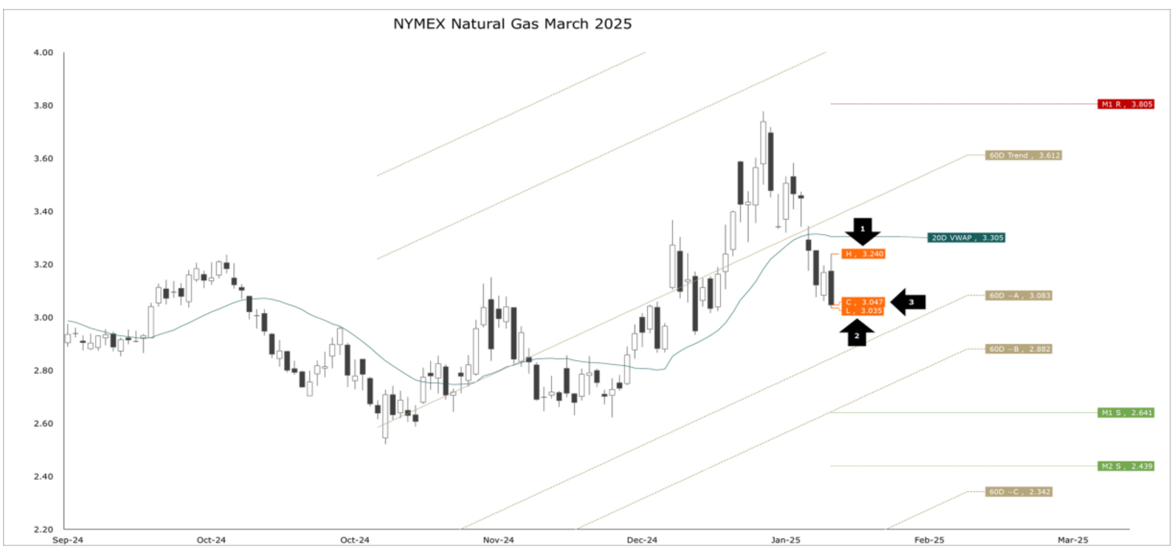
As noted in today's [Market View](), despite strong implied gas furnace demand, bullish momentum on the NYMEX Henry Hub curve is fading fast with the contango on the end-of-winter March 2025/April 2025 spread averaging a season-to-date high this week. In other words, traders are betting that the end of winter is nigh.

Today was the first session that March 2025 futures traded as the prompt month. The contract peaked at $3.240 (arrow 1), bottomed at $3.035 (arrow 2) and closed at $3.047 (arrow 3). Note earlier this week the market smashed through the 20-day volume weighed moving average or VWAP ($3.305 as of today's settle).

On the technical side, the Parabolic SAR and the MACD flipped bearish earlier this week and the Slow Stochastic turned bearish last week.

Last week we noted that the "…nearest level of support is the Fibonacci 50%/62% retracement… 'The Box' as our old friend Dennis Gartman would call it… between $3.262 and $3.140. As we have noted for the past two weeks: *if you are long, hold unless the higher of the 20-day EMA or 20-day VWAP is violated, otherwise sit tight*. As of today, the 20-day VWAP is $3.292, and the 20-day EMA is $3.195. If you choose to remain long below here (we do not think that is a good idea), then support must hold at the Fibonacci 62% retracement of $3.140."

The floor has fallen out from underneath the market. At this point, there is no technical reason for being long. With yesterday's $3.047 settlement, gas is already below our inner support of the 60-day envelope (60D -A, $3.083). Our next level of support inside the envelope (60D -B) is $2.882, followed by our first monthly support target (M1 S) of $2.641.



EIA reports near-record storage withdrawal; inventories are now weak.

Yesterday, the EIA reported the eleventh delivery of the season. As of Friday, January 24th, storage fell by a massive 321 Bcf (the fourth largest delivery ever recorded) to 2.571 Tcf. The season-to-date delivery is 1.401Tcf which is 341 Bcf greater than a year ago, 283 Bcf greater than the five-year mean, and 110 above the seasonal time series study. As a percentage of working capacity, inventories have fallen by 29.50 percentage points (2,950 basis points or bps) since the start of the season, dropping to 54.32%. On this basis, current inventories are 186 bps lower than a year ago when stocks were at 56.18% of capacity, 142 bps below the five-year mean of 55.75%, and 295 bps lower than the seasonal norm of 57.27%. Relative to these benchmarks, current inventories have shifted from stable to weak.