If You Are Short, Go With God

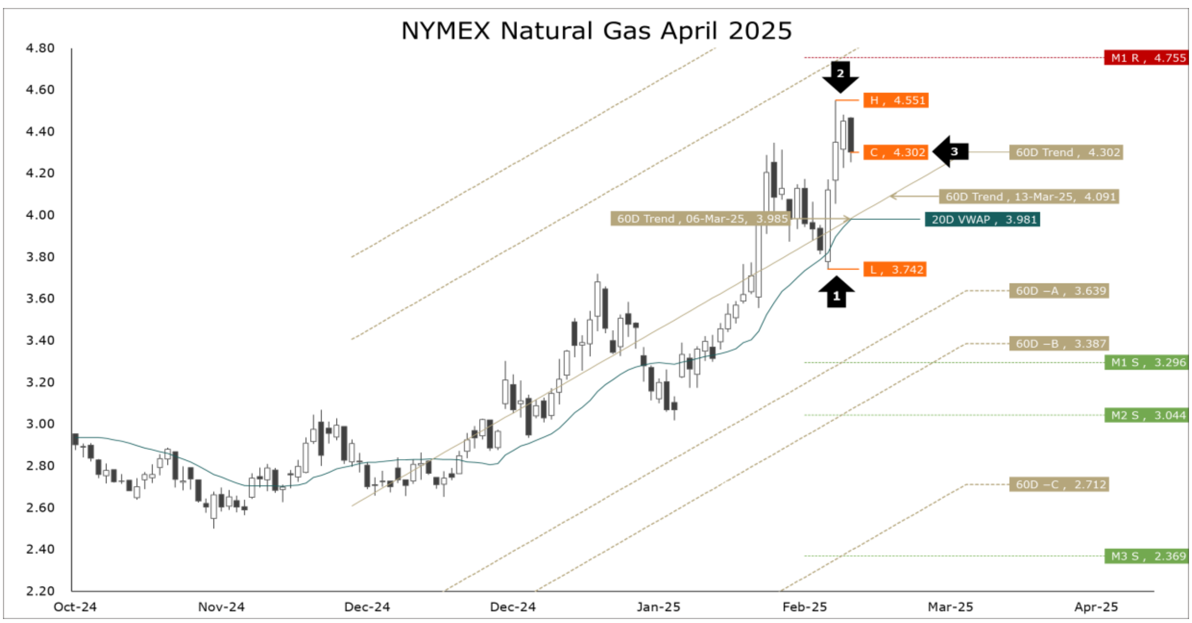
Last week, we noted that the market appeared "weak," citing a persistent downtrend in April gas. The prior week the market peaked at $4.347/MMBtu and finished at $3.934/MMBtu. Among our preferred technical indicators, only the MACD remained bullish, though its signal was fading. Meanwhile, the Parabolic SAR and Stochastic were both bearish.

This past Monday, spot gas bottomed at $3.742/MMBtu (arrow 1) before rocketing through the 20-Day Volume Weighted Average Price (VWAP) and the 60-Day Trend. The following day, the contract hit a new season-to-date high of $4.551/MMBtu (arrow 2) before settling today at $4.302 (arrow 3).

As noted in today's **Market View**, the catalyst for this week's spike was twofold—a short squeeze prompted by a fundamental headline.

Currently, our preferred technicals—Parabolic SAR, MACD, and Stochastic—are all bullish, though momentum in the latter two is starting to fade.

For the week ahead, if you are long, the next upside target is our initial monthly resistance (M1, R) at $4.755 and then the $5 threshold. Hold unless support at the 60-Day trend ($4.091 as of next Thursday) fails. Do not risk length on a break below the 20-Day VWAP ($3.981 as of today's close).



EIA inventories are falling at the second largest pace on record.

Today, the EIA reported the sixteenth delivery of the season. As of Friday, February 28th, L48 natural gas storage declined by a typical 80 Bcf to 1.760 Tcf—the normal delivery for the end of February is 97 ± 49 Bcf. The season-to-date delivery is 2.212 Tcf, the second largest on record, trailing only the 2014 record of 2.638 Tcf. Storage is now 499 Bcf below last year's ending balance of 2.259 Tcf, with approximately four more draws remaining. At the current pace, storage is on track to finish this winter at a four-year low of 1.559 Tcf, placing it in the 40th percentile since 2011—an impressive shift considering last winter finished at an all-time high of 2.259 Tcf.

