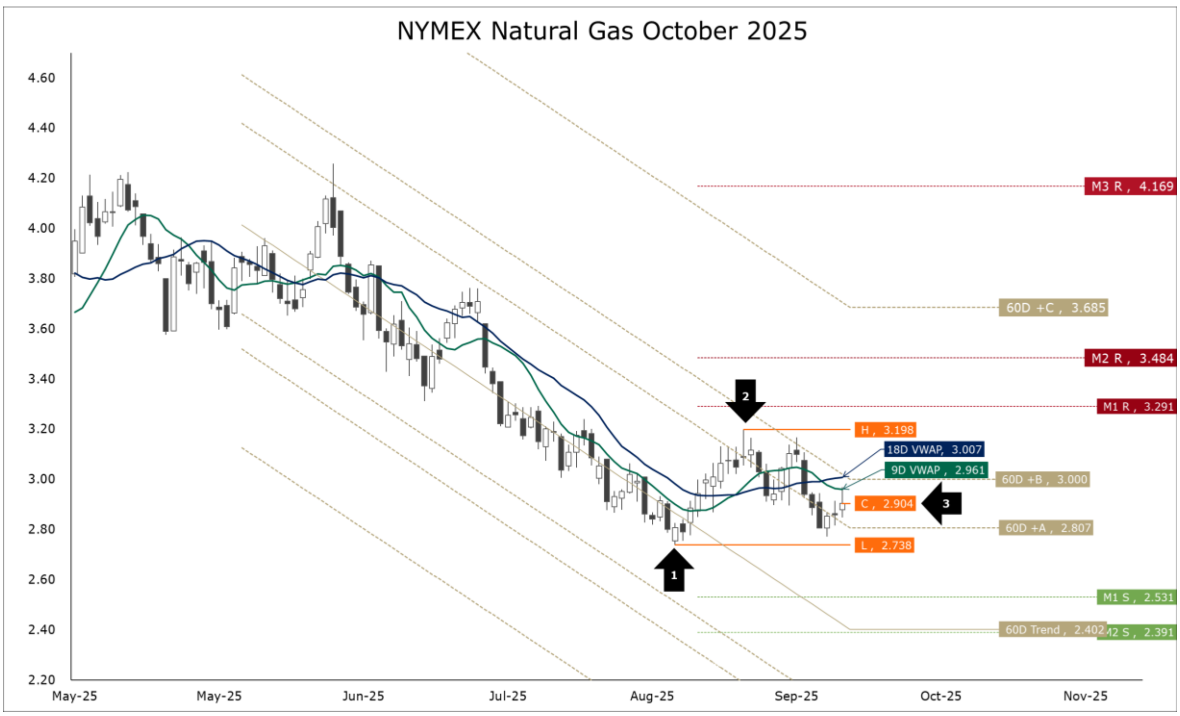
Gas Market Whipsaws as Technicals Diverge

After a brief post Labor Day rally, bullish momentum stalled with the market for October delivery peaking two weeks ago at $3.168 and bottoming earlier this week at $2.772. The contract finished today's penultimate session at $2.904 (arrow 3).

Key market technicals have been whipsawing for the past month. Our preferred indicators—Parabolic SAR, CMF, and the volume-weighted average price VWAP (9-day, 18-day) crossover are bearish. The Slow Stochastic just flipped bullish, and the MACD is neutral.

For the week ahead, we rolled the outlook to the November contract. We will update the graph and have the final model output in next Thursday's note. Until then, the preliminary range (based on today's $3.195 settle is initial support of $2.938 and resistance of $3.871.



EIA storage build keeps EOS outlook steady.

Today, the EIA reported a solid injection of natural gas into L48 underground storage of 72 Bcf. The typical injection for this point in the season is 71 ± 8 Bcf. Market surveys were clustered around 75 Bcf, with high guesses in the upper 80s Bcf and low guesses in the high 60s Bcf. As of September 19th, total L48 storage stood at 3.508 Tcf. After the latest update, our end-of-season projection is virtually unchanged at 3.926 Tcf. Should heating demand arrive early, our lower case is 3.875 Tcf, while a late start points to 3.979 Tcf. Because of time decay, the chance of topping 4.0 Tcf this year is statistically nil (less than 0.01%).