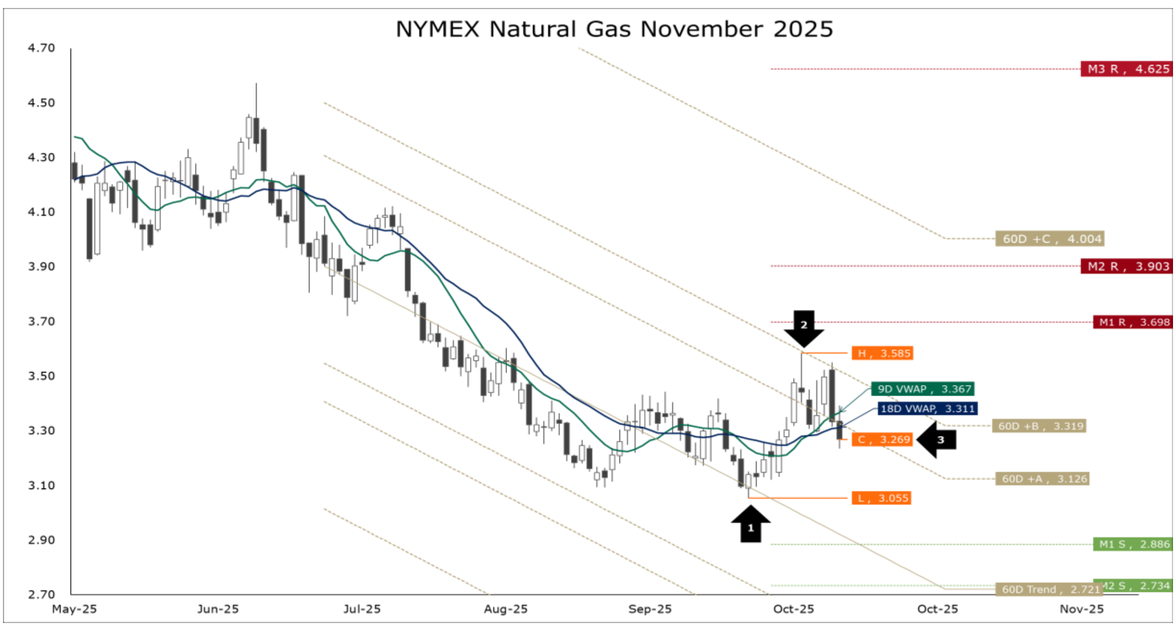
Rally Breaks—November Gas Bears Eye $3

After a post Labor Day correction, NYMEX gas for November delivery rallied from a September 23rd low of $3.055 (arrow 1) to an October 2nd high $3.585 (arrow 2)—a 17.4% trough-to-peak rally. Yesterday, the contract spiked to an intraday high of $3.550 but finished significantly below this peak at $3.330. Today, gas moved even lower to a $3.269 close (arrow 3).

Key market technicals are skewing bearish. The MACD remains bullish, while the 9-18 Day VWAP is neutral. The other indicators we prefer (Parabolic SAR, Slow Stochastic, and the CMF) are now bearish.

For the week ahead, the initial resistance targets are the higher of the 9-18 Day VWAPs ($3.367 as of today) and the inner envelope of the 60-day trend (60D +B) at $3.448. We do not see any market support between here and this quarter's hitherto low of $3.055. Below here, the next juicy target for bears is the $3 threshold.

Stay sharp and hedge with confidence.



Storage rises to 3.641 Tcf. EOS nudges up to 3.891 Tcf.

Today, the EIA reported a reasonable 80 Bcf injection of natural gas into L48 underground storage. The typical injection for the late September to early October period is between 85 and 95 Bcf. Market surveys ranged from the low to high 70s Bcf. As of October 3rd, total L48 storage stood at 3.641 Tcf. Our end-of-season projection moved from 3.878 to 3.891 Tcf. Should heating demand arrive early, our lower case is 3.848 Tcf, while a late start points to 3.921 Tcf. Today's report tends to be the largest of the fall. From here, injections will begin to dwindle as the heating season approaches.