
Natural Gas – down trend is likely to continue

NATURAL GAS – DOWN TREND IS LIKELY TO CONTINUE

- Natural gas prices corrected from recent high of \$5.184 registered on Monday and now trading near \$4.603 marginally up from yesterday's low of \$4.451
- US temperatures are likely to decrease heating demand for natural gas. As per weather agency Atmospheric G2, above-normal temperatures are expected across most of the US from March 14-18, and spring-like warmth will continue across most of the central and eastern parts of the U.S. from March 19-23. It is negative for natural gas prices.
- According to the CFTC Commitments of Traders report for the week ended March 1, net short of natural gas futures dropped by 4220 contracts to 126409. Speculative longs increased by 3589 contracts while shorts fell 631 contracts.
- According to Baker Hughes report last Friday, the number of active U.S. natural gas drilling rigs in the week ended March 4 rose by +3 rigs to a 2-1/4 year high of 130 rigs.
- Natural gas prices are likely to get fresh direction from today's weekly inventory report. The consensus is for inventories to fall by 121 bcf. Last EIA report showed that US natural gas inventories fell by 139 bcf to 1,643 bcf in the week ended Feb 25 against expectations of drop by 141 bcf. Natural gas inventories in US remain tight and are down -10.9% y/y and -13.4% below their 5-year average.
- Natural gas prices are positively affected due to higher domestic demand, export demand and increasing electricity production in US. As per Bloomberg data US domestic demand Wednesday was 88.1 bcf, up +35.4% y/y and Gas flows to U.S. export terminals Wednesday rose +26.5% y/y to 12.5 bcf. Additionally, Edison Electric Institute reported Wednesday that total U.S. electricity output in the week ended March 5 rose +1.7% y/y to 74,439 GWh which is supportive for natural gas consumption as gas is used in producing electricity.
- However, prices are negatively affected due to rise in US gas production. As per Bloomberg report, US production Wednesday at 93.3 bcf, up +2.4% y/y.

Outlook

- CME Natural gas prices are likely to remain negative on change in weather forecast. It may find immediate resistance around \$4.793-\$5.26 meanwhile immediate support level could be seen around \$4.55-\$4.329

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