DAILY ANALYSIS REPORT

Wednesday, June 15, 2022

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US Natural Gas under pressure from addition for domestic supply

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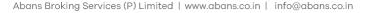
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- The Nymex US Natural Gas futures contract is now trading near \$7.258, down from last week's high of \$9.664 on June 8, 2022. Natural gas prices fell yesterday after Freeport LNG said its facility, which caught fire last week, is unlikely to reopen anytime soon. Freeport terminal is set a target of 90 days for a partial restart, but a return to full operations isn't expected until later this year. Freeport's operation accounts for approximately 17% of the United States' LNG processing capacity. As a result, the US natural gas market will be temporarily oversupplied, as 2 bcf/d, or slightly more than 2% of demand for US natural gas.
- Natural Gas prices are likely to find support from increasing air conditioning demand in US after Atmospheric G2 said Monday that above or much-above temperatures are expected across a large portion of the central and southern U.S. from June 18-22. Natural gas is used to produce electricity in US.
- ▲ Gas prices are likely to remain firm due to increasing domestic demand, higher electricity production and export demand. As per Bloomberg data, US nat-gas demand Tuesday was 70.166 bcf, up +3.4% y/y & LNG net flows to U.S. LNG export terminals on Tuesday was 11.11 bcf, up +24.1% y/y. Additionally, the Edison Electric Institute reported last Wednesday that total U.S. electricity output in the week ended June 4 rose +8.2% y/y to 80,794 GWh (gigawatt hours).
- Natural Gas prices are likely to get fresh direction from weekly inventory data later on Thursday. Last Thursday's weekly EIA reported that, natural gas inventories rose +97 bcf to 1,999 bcf in the week ended June 3, below expectations of +98 bcf. Inventories remain tight and are down -17.1% y/y and -14.5% below their 5-year average which is positive for the prices.
- ▲ US Active gas rigs have more than doubled from the record low of 68 rigs posted in July 2020. Baker Hughes reported last Friday that the number of active U.S. natural gas drilling rigs in the week ended June 10 was unchanged at a 2-1/2 year high of 151 rigs.
- According to the CFTC Commitments of Traders report for the week ended 7 June, net short of natural gas futures increased by 3974 contracts to 114342. Speculative longs increased by 6586 contracts while shorts increased by 10560 contracts.

Outlook

NYMEX Natural gas prices are likely to remain under pressure while below \$7.65 meanwhile immediate support level could be seen around \$6.97-\$6.80





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