
Gas prices are expected to remain under pressure

GAS PRICES ARE EXPECTED TO REMAIN UNDER PRESSURE AS US OUTPUT RISES AND TEMPERATURES RISE

- After a significant decrease in the previous five trading sessions and a recent low of \$4.725 yesterday, the US Natural Gas future contract is trading moderately higher near \$4.951. Gas prices have been falling for many days after reaching a recent high of \$6.466 in October, owing to increased production in the United States and forecasted warmer temperatures, which will lower heating demand during the winter season. Meanwhile, gas prices in Europe have fallen on hints that Russia will begin to deliver additional supply gradually, as President Vladimir Putin pledged.
- According to Bloomberg, gas production in the United States averaged 95.5 billion cubic feet per day in November, up more than 2 billion from October. Meanwhile, gas production on Tuesday was 94.7 billion cubic feet, up 6.8% year over year. Increase in production is likely to keep gas prices under pressure.
- On the inventory front, US natural gas inventories increased by 7 billion cubic feet to 3,618 billion cubic feet in the week ended November 5, against expectations of a 10-billion cubic feet. Supplies, on the other hand, remain extremely scarce, with stockpiles down -7.9 percent year over year and -3.2 percent below their five-year average.
- On the weather front, Atmospheric G2 forecasted above-normal temperatures for most of the United States this week, lowering nat-gas demand.
- According to Bloomberg data, US exports were 11.2 billion cubic feet, down -0.8 percent w/w on Tuesday, which is also negative for gas demand.
- US domestic demand and electricity production data, on the other hand, are likely to bolster prices. On Tuesday, domestic natural gas demand in the United States was 68.5 billion cubic feet, up 7.3 percent year over year. The Edison Electric Institute reported that total U.S. electricity output in the week ended Nov 6 rose +2.0% y/y to 70,190 GWh (gigawatt hours).
- Drilling rigs for natural gas are an early indicator of future gas production, and the number is pointing to a promising future for gas supply. Last Friday, Baker Hughes stated that the number of active US natural gas drilling rigs remained steady at 100 in the week ended November 5, remaining well above the record low of 68 rigs set in July 2020.
- The net short of natural gas futures fell -475 contracts to 137 713 contracts during the week, according to the CFTC Commitments of Traders data for the week ended November 2. Speculative longs lost 7541 contracts, while speculative shorts lost 8016 contracts.

Outlook

- Gas prices are anticipated to remain in a downward trend as long as they remain below important resistance levels of \$5.20-\$5.36; however, immediate support levels can be seen around \$4.563 and \$4.401.

DISCLOSURE & DISCLAIMER: ABANS BROKING SERVICES PVT. LTD. (ABSPL)

Prepared by:

Mr. Kamlesh Jogi | Market Research Analyst

email: kamlesh.jogi@abans.co.in

Phone: +91 22 68354176 (Direct)

Abans Broking Services (P) Limited

36, 37, 38A, 3rd Floor, 227 Nariman Bhavan, Backbay Reclamation, Nariman Point, Mumbai-400 021

Phone +91 22 61790000 | Fax +91 22 61790000

Email: info@abans.co.in | Website: www.abans.co.in

Membership Details:

MCX Member ID: 40385 / SEBI Reg. No. INZ000032733;

NCDEX: Member ID F00681 / SEBI Reg. No. INZ000032733

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations). ABans Broking Services Pvt. Ltd. (ABSPL) is a SEBI Registered Research Analyst having registration no. INH000006369. ABSPL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock Broking services. ABSPL is a subsidiary company of ABans Finance Pvt. Ltd. (AFPL). AFPL is an NBFC, registered with the RBI, in the category of non-acceptance of public deposits.

One of the group companies of ABSPL is ABans Securities Pvt. Ltd. (ASPL) which is a SEBI registered member with NSE, BSE and MSE stock exchanges. ASPL is also a Depository Participant of CDSL. ABans Commodities Pvt. Ltd. (ACIPL) is another group entity which is also a registered member with MCX in the Commodity segment. Further details are available on the group website www.abans.co.in Mandatory Disclosures as per the Regulations:

- Ownership & Material conflicts of interest –
 - Whether the Research Analyst or ABSPL, or his associate or his relative has any financial interest in the subject company and the nature of such financial interest – No
 - Whether the Research Analyst or ABSPL, or its associates or relatives, have actual/beneficial ownership of 1% or more securities of the subject company, at the end of the month immediately preceding the date of publication of this research report or date of the public appearance – No
 - Whether the Research Analyst or ABSPL, or his associate or his relative, has any other material conflict of interest at the time of publication of this research report or at the time of public appearance – No
- Receipt of Compensation –
 - Whether ABSPL, or its associates have received any compensation from the subject company in the past twelve months – No
 - Whether ABSPL, or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months – No
 - Whether ABSPL, or its associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months – No
 - Whether ABSPL, or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months – No
 - Whether ABSPL, or its associates have received any compensation or other benefits from the subject company or third party in connection with the research report – No
- Whether the Research Analyst has served as an officer, director or employee of the subject company – No
- Whether the Research Analyst or ABSPL has been engaged in market making activity for the subject company – No
- Other material disclosures, if any

Disclaimer:

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Neither ABans Broking Pvt. Ltd. (ABSPL), nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information. The document is not, and should not be construed as an offer to sell or solicitation to buy any securities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from "ABans Broking Services Private Limited". Your feedback is appreciated on compliance@abans.co.in