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- ▲ Natural gas prices are currently trading at \$4.726, somewhat down than yesterday's high of \$4.879, but the shift in weather conditions brought on by the winter storm is helping to maintain gas prices, which have risen from a recent low of \$3.536 in the last week of December. Natural gas prices have risen as a large winter storm is forecast to blow across the southern United States this weekend and then move up the East Coast on Monday.
- ▲ In the United States, below-normal temperatures are likely to boost heating demand. Beginning January 22, below-normal temperatures are forecast in the eastern United States, according to Atmospheric G2.
- ▲ Natural Gas prices are negatively affected due to weak domestic demand increasing gas production in USA. Bloomberg data shows that US demand for natural gas Wednesday was 97 bcf, down -2.3% y/y and gas production on Wednesday at 94.3 bcf, up +4.7% y/y.
- ▲ However, robust export demand and increasing electricity production in US is supportive for gas prices. Bloomberg data showed that gas flows to US export terminals Wednesday were up +5.4% w/w at 12.9 bcf, just below the Dec 19 record of 13.1 bcf. The Edison Electric Institute reported Wednesday that total US electricity output in the week ended Jan 8 rose +5.7% y/y to 82,453 GWh (gigawatt hours).
- ▲ Last Friday, Baker Hughes stated that the number of active US natural gas drilling rigs increased by +1 rig to a 1-3/4-year high of 107 rigs in the week ending January 7. Active rigs have rebounded strongly from a low of 68 rigs in July 2020, which is good for gas output in the US but bad for pricing.
- ▲ According to the CFTC Commitments of Traders report for the week ended January 4th, net short of natural gas futures dropped by 4310 contracts to 141907 during the week. Speculative longs increased by 4872 contracts while shorts gained by 562 contracts.
- ▲ Later today, the weekly inventory data is expected to provide natural gas prices new direction. According to the consensus, weekly US inventories will drop by -177 billion cubic feet. Last Thursday's weekly EIA revealed that inventories declined -31 billion cubic feet to 3,195 billion cubic feet in the week ended December 31, a lower drop than expected at -55 billion cubic feet and below the 5-year average of -108 billion cubic feet for this time of year. Inventories are down -4.1 percent year over year, but are 3.1% higher than the 5-year average.

Outlook

- ▲ Natural Gas prices are likely to trade firm while above key support level of \$4.40-\$3.948 meanwhile immediate resistance level is seen around \$5.096-5.334

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