
Mixed fundamentals are likely to keep gas prices under pressure
Silver to remain positive while above \$25.50

MIXED FUNDAMENTALS ARE LIKELY TO KEEP GAS PRICES UNDER PRESSURE

- ▲ Natural gas prices are currently trading at \$3.693 which is marginally lower from the recent high of \$3.822 registered on July 6th. The mixed weather forecast for the remaining weeks of July is keeping prices under pressure. The Weather Company said that above-average temperatures will be seen in the US northern tier, but below-normal temperatures will be seen for the South from July 18-22. Also, above-average temperatures are expected for the northern tier, while below-normal temperatures are expected for the South from July 23-27.
- ▲ Weakness in domestic and foreign demand and increasing US gas production is likely to keep pressure on natural gas prices. According to Bloomberg data, US natural gas consumption on Tuesday is down -5.1% y/y at 67.7 bcf and Gas flows to U.S LNG export terminals on Tuesday were 10.4 bcf, down -6.4% w/. Additionally, US gas production on Tuesday was at 90.207 bcf, up +1.7% y/y
- ▲ However, US electricity output data is supportive of gas prices. As per the Edison Electric Institute report, total US electricity output in the week ended July 3 rose +1.9% y/y to 89,212 GWh (gigawatt hours).
- ▲ On the inventory front, US natural gas inventories rose +16 bcf to 2,574 bcf in the week ended July 2, below the consensus of +31 bcf. Current inventories are down -17.8% y/y and -6.9% below their 5-year average.
- ▲ As per Baker Hughes report, the number of active US natural gas drilling rigs in the week ended July 9 rose by +2 rigs to 101 rigs, well above the record low of 68 rigs posted in July 2020.
- ▲ According to the CFTC Commitments of Traders report for the week ended July 6. the net short for natural gas futures increased by 7207 contracts to 108054 for the week. Speculative long position declined by 2718 contracts, while shorts added 4489 contracts.

Outlook

- ▲ Natural gas prices are likely to trade firm while above the key support level of 20 days EMA at \$3.569 and 50 days EMA of \$3.318 however, it is likely to find stiff resistance around \$3.809-\$3.849

SILVER TO REMAIN POSITIVE WHILE ABOVE \$25.50

- ▲ Silver prices are trading in the range of \$25.76-\$26.63, strength in the dollar index is keeping the silver price under pressure, however positive economic are likely to be supportive industrial metals and silver prices.
- ▲ A larger-than-expected increase in US June consumer prices pushed US bond yield higher and supported gains in the dollar. Also, weakness in US equities on Tuesday helped some liquidity demand for the dollar.

- ▲ Inflation expectations are keeping precious metals supported. As per the latest economic data, UK inflation jumped further above the Bank of England's target in June when it hit 2.5%, its highest since August 2018 and up from 2.1% in May. The US June CPI rose +0.9% m/m and +5.4% y/y, stronger than expectations of +0.5% m/m and +4.9% y/y. The +5.4% y/y gain was the largest in nearly 13 years. Also, the June core CPI rose +0.9% m/m and +4.5% y/y, stronger than expectations of +0.4% m/m and +4.0% y/y. The +4.5% y/y gain was the largest in nearly 30 years.
- ▲ However, Hawkish Fed comments are likely to keep precious metals under pressure. St. Louis Fed President Bullard said there is "no good reason" for the Fed to keep aiding the housing market, and the time is right to pull back on Fed stimulus. Also, San Francisco Fed President Daly said she is "bullish" about the US economy going into the fall and "it's appropriate to start talking about tapering our asset purchases."
- ▲ Positive economic data from China is supportive of industrial metals demand and silver. China Jun exports rose +32.2% y/y, stronger than expectations of +23.0% y/y. Also, China Jun imports rose +36.7% y/y, stronger than expectations of +29.5% y/y.
- ▲ According to the CFTC Commitments of Traders report for the week ended July 6. Net long for silver futures increased by 3011 contracts to 44488 for the week. Speculative long position increased by 4935 contracts, while shorts added by 1924 contracts.

Outlook

- ▲ Silver prices are likely to trade firm while above the key support level of \$25.50-\$24.642 meanwhile immediate resistance level is seen around \$26.63-\$27.20

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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

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