
Air conditioning demand in the US is keeping Natural Gas prices higher
A sharp recovery in the dollar index pushed Silver prices down

AIR CONDITIONING DEMAND IN THE US IS KEEPING NATURAL GAS PRICES HIGHER

- ▲ The above-normal temperatures forecast is the US is keeping Natural Gas prices higher. July month expiry contract is currently trading at \$3.085, registered high of 3.149 yesterday which is the highest level in last 3-1/2 months. Weather data agency Maxar is expecting above-normal temperatures in the northern half of the US from June 1-15, with well-above-normal temperatures in the Upper Midwest and Northeast from June 6-10. Above normal temperature increases Air cooling demand which indirectly helps NG prices. Power producing companies use natural gas to produce electricity.
- ▲ Natural gas prices are also finding support export demand and increasing domestic electricity production. As per Bloomberg data, Gas flows to US LNG export terminals on Tuesday was 11.1 bcf, about triple y/y. On Apr 18, gas flows to US LNG export terminals climbed to a record 11.921 bcf (data from 2014). US electricity output in the week ended May 22 rose +5.4% y/y to 72,050 GWh (gigawatt hours).
- ▲ However, Natural Gas prices are likely to find some resistance due to weak domestic demand. NG demand in the lower in the US on Tuesday fell -10% y/y to 54.9 bcf. The US gas production is also increasing which is negative for prices. As per Bloomberg data showed US gas production on Tuesday was up +3.4% y/y at 89.774 bcf/d.
- ▲ As per the last EIA weekly inventory report, US gas inventories in the week ended May 21 rose +115 bcf to 2,215 bcf, against expectations of a +105 bcf increase. Current natural gas inventories are down -15.2% y/y and -2.8% below their 5-year average. The gas rig count is an early indication of production. Baker Hughes reported last Friday that the number of active US natural gas drilling rigs in the week ended May 28 fell by -1 rig to 98 rigs, well above the record low of 68 rigs posted in July 2020 (data since 1987)

Outlook

- ▲ Natural Gas July month contract expiry prices are likely to remain firm while above the key support level of 20 days EMA at \$2.971 and 50 days EMA at \$2.884. Meanwhile, it is likely to face stiff resistance of around \$3.247

A SHARP RECOVERY IN THE DOLLAR INDEX PUSHED SILVER PRICES DOWN

- ▲ The dollar index bounced from yesterday's low of 89.65 and currently trading near 90.14, sharp recovery in the dollar index against other currencies has pushed precious metals prices down. Silver is currently trading near \$27.815 which is sharply lower than yesterday's high of \$28.698.
- ▲ However, an increase in global manufacturing activity is bullish for industrial metals and supportive of silver prices.

- ▲ On the economic data front, The U.S. May ISM manufacturing index rose +0.5 to 61.2, stronger than expectations of 61.0. Also, the China May Caixin manufacturing PMI rose +0.1 to a 5-month high of 52.0. In addition, the Eurozone May Markit manufacturing PMI was revised upward to 63.1 from the previously reported 62.8, the strongest pace of expansion since the data series began in 2018. Finally, the Japan May Jibun Bank manufacturing PMI was revised upward to 53.0 from the previously reported 52.5.
- ▲ Inflation expectation is likely to keep precious metals under pressure as global central banks may pause some covid-19 relief funds to control the inflation. Eurozone May CPI rose +2.0% y/y, slightly stronger than expectations of +1.9% y/y and the fastest pace of increase in 2-1/2 years.
- ▲ However, comments from St. Louis Fed President Bullard are likely to keep precious metals under pressure. He said the U.S. jobs market is "tighter than it looks" and the Fed is close to launching a discussion about tapering its \$120 billion-a-month asset purchase program. According to the CFTC Commitments of Traders report for the week ended May 25, net long for silver futures dropped by 499 contracts to 50482 for the week. Speculative long position dropped by 621 contracts, while shorts dropped by 128 contracts.

Outlook

- ▲ Silver prices are likely to find immediate support levels near 20 days EMA at 27.709 and 50 days EMA at 27.188 while immediate resistance levels are seen near \$28.454 and \$28.966

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