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Above normal temperature forecast to keep gas prices under pressure

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## ABOVE NORMAL TEMPERATURE FORECAST TO KEEP GAS PRICES UNDER PRESSURE

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- ▲ After a rise to \$3.924 yesterday, natural gas prices are now trading at \$3.730. A change in the weather prediction is predicted to keep the bearish trend going for the time being. Gas prices jumped on Monday after forecasts for colder temperatures in the United States by the end of the month. According to Maxar, strong below-normal temperatures are forecast in the Northeast from December 25-29, while below-normal temperatures are expected in the Midwest and West from December 30-January 3, keeping prices in a narrow range. Data agency Maxar projects that December would likely be the third warmest going back to 1950 based on natural gas consumption.
- ▲ The net short of natural gas futures fell 2217 contracts to 130226 contracts, according to the CFTC Commitments of Traders report for the week ended December 14. Speculative longs were down 8297 contracts, while shorts were down 10514.
- ▲ Last Friday, Baker Hughes announced that the number of active US natural gas drilling rigs fell by 1 rigs in the week ending December 17 to a 1-1/2-year high of 105 rigs. The number of natural gas rigs is far higher than the record low of 68 rigs set in July 2020.
- ▲ On the US inventory front, according to the EIA, natural gas inventories fell -88 bcf to 3,4175 bcf in the week ended Dec 10, as per market expectations. Natural gas supplies are still limited, with stockpiles down 8.3% year on year and 1.8% below their five-year average.
- ▲ Natural gas prices are likely to remain under pressure as ramped-up US output is bearish for prices. As per Bloomberg data production on Monday at 95.7 bcf, up +5.0% y/y.
- ▲ Gas prices, on the other hand, are likely to be supported by domestic demand, export demand, and increasing electricity output. According to Bloomberg, gas domestic demand was 97.6 bcf on Monday, up +8.5 percent year over year. On Monday, gas flows to US LNG export terminals totaled 13 billion cubic feet, up 10% year over year.
- ▲ Furthermore, the Edison Electric Institute announced last Wednesday that overall U.S. power output increased by 0.9 percent year over year to 76,144 GWh in the week ending December 11. (gigawatt hours).

### Outlook

- ▲ Natural gas prices are likely to trade lower while below the \$3.91-\$3.984 barrier line. Immediate support may be seen in the range of \$3.676-\$3.522.

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Prepared by:

Mr. Kamlesh Jogi | Market Research Analyst

email: [kamlesh.jogi@abans.co.in](mailto: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](mailto:info@abans.co.in) | Website: [www.abans.co.in](http://www.abans.co.in)

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