
Natural gas prices are expected to trade steady
The strength of the dollar index is likely to keep silver prices in check

NATURAL GAS PRICES ARE EXPECTED TO TRADE STEADY

- ▲ Natural gas prices for the August contract are hovering at 4.015, slightly higher than the previous day's close. Natural gas prices in August recovered on Thursday, owing to expectations that hot summer weather in the United States may increase gas demand from electricity providers. The use of an air conditioner consumes a lot of energy due to the hot weather. The data agency Maxar predicted warmer-than-average temperatures for most of the United States on Thursday, with the North-Central region being the warmest from July 27 to July 31, according to Maxar. From August 1 to 5, temperatures in the West and the Central United States are forecast to be above normal.
- ▲ The EIA weekly inventory data, on the other hand, was bearish for gas prices. Natural gas stocks in the United States increased by +49 billion cubic feet last week, exceeding the consensus estimate of +42 billion cubic feet. Furthermore, a decrease in domestic gas consumption hurts prices. According to Bloomberg data, On Thursday, US natural gas consumption was down -8.3% y/y to 67.1 bcf. According to Bloomberg statistics, gas flows to US LNG export facilities were 10.9 billion cubic feet on Thursday, down -1.5 percent from the previous week.
- ▲ Electricity output in the United States has a negative impact on natural gas demand. Total US power output declined -2.4 percent y/y to 89,603 GWh (gigawatt hours) in the week ending July 17, according to the Edison Electric Institute, while cumulative US electricity output in the 52-week period ending July 17 grew +0.9 percent y/y to 3,995,676 GWh.
- ▲ According to Bloomberg data, US lower-48 gas production was 91.252 bcf on Thursday, increasing +2.4 percent year over year.
- ▲ Last Friday, Baker Hughes reported that the number of active U.S. natural gas drilling rigs increased by 3 rigs in the week ending July 16, reaching a 1-1/4-year high of 104 rigs, significantly above the record low of 68 rigs set in July 2020.
- ▲ According to the CFTC Commitments of Traders report, the net short position in natural gas futures increased by 11350 contracts to 119404 contracts for the week ending July 16th. The speculative long position was reduced by 4640 contracts, while the short position was increased by 6710 contracts.

Outlook

- ▲ Natural gas prices are expected to trade steady while remaining above a critical support level of \$3.832-\$3788, while modest resistance is expected near \$4.178-\$4.295.

THE STRENGTH OF THE DOLLAR INDEX IS LIKELY TO KEEP SILVER PRICES IN CHECK

- ▲ Silver prices are currently hovering at \$25.40, up slightly from their previous low of \$24.79. Commodity prices are being held in check by the strength of the US dollar index. The dollar index futures are presently trading near 92.915, a significant increase from the recent low of 89.515 set in May of this year. The price of the US 10-year bond yield has likewise rebounded from its recent low of 1.128, sitting at 1.268.
- ▲ Precious metals have gained support from global central banks' easy monetary policy, which is anticipated to keep significant liquidity in the system. The European Central Bank (ECB) indicated that it will keep its loose monetary policies in place for a little longer. In the short term, the large slack in the economy is holding back inflationary pressures, and the medium-term inflation outlook is well below the ECB's aim, according to ECB President Lagarde.
- ▲ On the economic front, US weekly initial jobless claims unexpectedly increased by 51,000 to a 2-month high of 419,000, indicating a weaker labour market than predicted. In addition, the June Chicago Fed national activity index unexpectedly dropped -0.17 to 0.09, missing forecasts of a 0.30 increase. In addition, existing-home sales increased by 1.4 percent month over month to 5.86 million, falling short of estimates of 5.90 million.
- ▲ According to the CFTC Commitments of Traders report, the net long position in silver futures fell by 799 contracts to 43689 contracts for the week ending July 16th. 1744 contracts were removed from the short position and 2543 contracts were placed to the speculative long position.

Outlook

- ▲ Silver prices are expected to find strong support between \$24.86-24.66, while resistance is expected near the 50-day EMA at \$26.28 and the 100-day EMA at \$26.49.

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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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