
Forecasts for a colder winter in the United States are expected to keep NG prices stable

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- Natural gas prices in December month expiry contract are trading near \$5.091, up from a low of \$4.648 on Monday, owing to a shift in the US temperature forecast. A colder winter in the United States is expected to increase natural gas demand for heating. On Tuesday, the forecasting service Maxar predicted that temperatures in the Eastern US would be below normal from November 28 to December 2. In addition, above-normal temperatures are projected across most of the United States from December 3 to 7, but slightly colder than earlier estimates.
- Weather.com, on the other hand, predicted that above-average U.S. temperatures would last until the second week of December, with nearly the whole country lasting +10-30 degrees (Fahrenheit) over normal. Gas prices are likely to remain capped.
- The fundamentals are split, which keeps prices in a narrow range. Increasing production and a smaller-than-expected decline in US inventory are keeping gas prices under pressure, but large export and domestic demand, as well as an increase in electricity generation, are helping to stabilise prices.
- According to Bloomberg data, US gas production on Wednesday was 97.8 billion cubic feet, up 5.4 percent year over year.
- According to the EIA, US natural gas inventories declined -21 billion cubic feet to 3,623 billion cubic feet in the week ending November 19, which was less than the -24 billion cubic feet expected. Inventories are still low, down -8.0 percent year over year and -1.6 percent below their 5-year average.
- According to Bloomberg data, US natural gas demand was 82.9 bcf on Wednesday, up +3.8 percent y/y, and gas flows to US LNG export terminals were 11.5 bcf, up +2.9 percent w/w and slightly lower than last Friday's record 12.03 bcf. In addition, the Edison Electric Institute stated on Wednesday that overall U.S. power output increased by 3.3 percent year over year to 71,643 GWh in the week ending November 20. (gigawatt hours).
- The net short of natural gas futures increased by 2 429 contracts to 144 620 contracts during the week, according to the CFTC Commitments of Traders report for the week ended November 16. The number of speculative longs fell by 2087 contracts, while the number of speculative shorts grew by 342 contracts.
- Baker Hughes announced on Wednesday that the number of active US natural gas drilling rigs remained steady in the week ending November 26 at 102, barely below the 1-1/2-year high of 104 rigs set on July 23 and much above the record low of 68 rigs set in July 2020.

Outlook

- While trading below major resistance levels of \$5.303 and \$5.456, natural gas prices are likely to continue their downward trajectory. It will most likely find immediate support near the 100-day EMA of 4.763 and the 200-day EMA of \$4.150.

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