
Winter heating demand and export numbers are expected to keep natural gas prices bullish

WINTER HEATING DEMAND AND EXPORT NUMBERS ARE EXPECTED TO KEEP NATURAL GAS PRICES BULLISH

- On the back of rising US exports and a rally in European gas prices, natural gas prices rallied to \$6.231 in the early session today, continuing a bullish trend from the previous five trading sessions. Natural gas futures were bought by funds on Monday as forecasts for below-normal US temperatures in the first week of November sparked speculation. When the temperature drops below normal, natural gas is used to heat the house.
- According to Bloomberg data, gas flows to US LNG export terminals reached 11.3 billion cubic feet on Monday, up more than 10% from Friday and the highest in five months.
- On Monday, European gas prices rose after European natural gas supplies fell to their lowest level in over ten years.
- Increased electricity output in the United States is good news for natural gas demand. Last Wednesday, the Edison Electric Institute reported that total U.S. electricity output increased by 4.6 percent year over year to 73,017 GWh in the week ending October 16. (gigawatt hours).
- Domestic natural gas demand in the United States, on the other hand, has slowed. Natural gas consumption on Friday was 63.8 billion cubic feet, down 1.6 percent year over year, according to Bloomberg data.
- According to Bloomberg data, US natural gas production was 92.116 bcf on Monday, up +2.7 percent year over year, likely putting a stop to the price rally.
- On the inventory front, the latest Weekly EIA report showed that natural gas inventories in the United States increased by +92 billion cubic feet to 3,461 billion cubic feet in the week ended October 15, beating expectations of +87 billion cubic feet and exceeding the 5-year average of +69 billion cubic feet. Inventories, on the other hand, are still down -11.8 percent year over year and -4.2 percent below their 5-year average.
- Last Friday, Baker Hughes reported that the number of active U.S. natural gas drilling rigs increased by one rig to 99 rigs in the week ending October 22. This is just below the 1-1/4 year high of 104 rigs set on July 23. A rise in gas drilling rig is an early indication of increase in future production.
- The net short for natural gas increased by 168 contracts to 131070 contracts, according to the CFTC Commitments of Traders report for the week ended October 19. Long speculative positions fell by 4075 contracts, while short speculative positions fell by 3907 contracts.

Outlook

- After six consecutive daily pullbacks, open interest in natural gas futures markets rose for the first time on Monday, this time by around 15.2K contracts. Following suit, volume increased by around 150.5K contracts after five days of declines. The sharp rise in natural gas prices on Monday was accompanied by increased open interest and volume, indicating that more gains are likely in the near term. While prices remain above key support level of \$5.789-\$5.5570, we may see further positive movement towards \$6.33 and \$6.662 in the near term.

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