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A positive demand outlook is supporting natural gas prices  
Silver likely to continue its negative trend

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## **A POSITIVE DEMAND OUTLOOK IS SUPPORTING NATURAL GAS PRICES**

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- ▲ Natural Gas prices are currently trading near \$3.580 with support from a positive domestic demand outlook, increasing exports and increasing electricity output to meet air cooling demand in the US. Weather data agency Maxar said that above-normal temperatures are expected in the Northwest from July 3-7, and above-normal temperatures are expected across the northern half of the US from July 8-12.
- ▲ Natural Gas prices are likely to find support from increasing domestic and export demand along with increasing electricity output in the US. As per Bloomberg data, US Natural gas demand on Monday was 67.8 bcf, up +2.1% y/y. Meanwhile Gas flows to US export terminals on Monday were 11 bcf, up +8.2% w/w. Additionally, US electricity output in the 52 weeks ending June 19 rose +0.9% y/y to 3,998,735 GWh.
- ▲ However, increasing in domestic gas production is likely to keep a lid on prices. As per Bloomberg data, US gas production on Monday was up +4.8% y/y at 91.921 bcf/d.
- ▲ On the inventory front, US natural gas inventories in the week ended June 18 rose +55 bcf to 2,482 bcf, against expectations of +64 bcf. Current natural gas inventories are down -17.6% y/y and -5.8% below their 5-year average.
- ▲ According to the CFTC Commitments of Traders report for the week ended June 22 net short for natural gas futures dropped by 2,598 contracts to 105,098 for the week. Speculative long position increased by 4,371 contracts, while shorts added 1,773 contracts.
- ▲ Baker Hughes reported on Friday that the US natural gas drilling rigs in the week ended June 25 rose by +1 rig to 98 rigs. US gas rigs are well above the record low of 68 rigs posted in July 2020.

### **Outlook**

- ▲ Natural Gas prices are likely to trade firm while above key support level of 20 days EMA of \$3.316 and 50 days EMA of \$3.129. Meanwhile, immediate support level could be seen around \$3.671-\$3.724

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## **SILVER LIKELY TO CONTINUE ITS NEGATIVE TREND**

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- ▲ Silver prices are trading in the \$25.75-\$26.40 range from the last five trading sessions. However precious metals found some support from weakness in the US dollar index and lower bond yields. The gain in silver and gold were limited after hawkish Fed comments.
- ▲ On the economic data front, the U.S. Jun Dallas Fed manufacturing activity index fell -3.8 to 31.1, weaker than expectations of 32.5. Meanwhile, the German May import price index rose +1.7% m/m and +11.8% y/y, against expectations of +1.3% m/m and +11.4% y/y. The 11.8% y/y gain was the largest in 39 years.

- ▲ ECB Governing Council member Holzmann said, "There is no room to raise interest rates given weak inflation." Also, ECB Executive Board member Panetta said the ECB must use "unconventional flexibility" to keep borrowing costs low until government spending helps push up inflation.
- ▲ Hawkish Fed comments are keeping precious metals prices under pressure. Boston Fed President Rosengren said the Fed might consider an interest rate hike as early as 2022 end, as the labour market reaches full employment and inflation is at the Fed's target.
- ▲ According to the CFTC Commitments of Traders report for the week ended June 22 net long for silver futures dropped by 12,193 contracts to 39,871 for the week. Speculative long position dropped by 14,750 contracts, while shorts also dropped 2,557 contracts.

## Outlook

- ▲ Silver prices are likely to continue with a negative trend while below the key resistance level of 20 days EMA at \$26.678 and 50 days EMA at \$26.902 meanwhile it may find support near \$25.490 and \$25.216.
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