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Hot US Temperature to keep NG prices firm

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- ▲ Strong US economic data is encouraging positive movement in industrial metals prices, with September silver up from the previous day's low of \$25.27. The economic data from the United States was better than predicted, which bodes well for stocks. Factory orders in the United States increased +1.5 percent m/m in June, exceeding expectations of +1.0 percent m/m. Following strong economic news, the dollar index rose, although gains were limited due to decrease in global bond yields.
- ▲ Silver prices were also bolstered by solid global PMI data. The Caixin services PMI in China rose to 54.9 in July, up from a 14-month low. The sharper upturn in Chinese services activity in July coincided with the successful containment of the recent comeback in Covid-19 infections, according to the data.
- ▲ Industrial metals, on the other hand, are likely to face some resistance due to the global spread of the delta Covid strain, which has prompted additional lockdowns in parts of Asia and Australia and raised concerns about a global slowdown. On Wednesday morning, the overall number of cases had reached 199.499 million, with the death toll from the virus standing at 4.245 million, according to the Johns Hopkins University (JHU) in the United States.
- ▲ According to the CFTC Commitments of Traders data for the week ended July 27, the net long of silver futures declined by 6258 contracts to 31217. Long speculative holdings lost 3553 contracts, while short speculative positions gained 2740 contracts.

Outlook

- ▲ Silver prices are expected to remain solid while trading above a critical support level of \$25.0-\$24.63, with immediate resistance at the 100-day EMA at \$26.32-\$26.88.

Hot US Temperature to keep NG prices firm

- ▲ Natural gas prices for the September month are staying around \$4, with a favourable trend due to the expected hot weather in the United States, which will increase gas demand for electricity production. If the temperature in the United States remains above normal, air-conditioning will result in increased electricity use.
- ▲ The National Oceanic and Atmospheric Administration (NOAA) of the United States forecast above-normal temperatures for the East Coast and Midwest from August 8 to 12. Maxar also predicted on Tuesday that record temperatures could return to the Northwest from August 13 to 17.

- ▲ However, NG prices are projected to remain under pressure due to a reduction in export demand and US power supply. According to Bloomberg gas flows to US LNG export facilities were 10.4 bcf on Tuesday, down -4.2 percent w/w. According to the Edison Electric Institute, overall U.S. electricity output declined -3.4 percent y/y to 89,7813 GWh in the week ending July 24. (gigawatt hours).
- ▲ The domestic demand number in the United States likewise points to a downward trend in gas prices. According to Bloomberg data, consumption on Tuesday was 65.9 bcf, down -7.7% year over year.
- ▲ The weekly EIA report revealed that natural gas stocks in the United States increased by 36 billion cubic feet to 2,7148 billion cubic feet in the week ending July 23, falling short of the consensus of +42 billion cubic feet. Supplies are still scarce, with inventories down -16.3 percent year over year and -5.8percent below their five-year average.
- ▲ Baker Hughes stated that the number of active U.S. natural gas drilling rigs declined by one rig to 103 in the week ending July 30. This is down from the previous week's 1-1/4 year high of 104 rigs, but still considerably above the record low of 68 rigs set in July 2020.
- ▲ The net short of natural gas futures increased by 10 216 contracts to 137 758 contracts during the week, according to the CFTC Commitments of Traders report for the week ended July 27. The speculative long position lost 6532 contracts, while the short position gained 3684 contracts.

Outlook

- ▲ Natural gas prices are expected to find support between the 20-day and 50-day exponential moving averages of \$3.88 and \$3.60, respectively, while immediate resistance is projected near \$4.16-\$4.25.

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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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