
Natural gas prices are likely to find support

THE US EXPORT, PRODUCTION, AND ELECTRICAL OUTPUT NUMBERS ARE LIKELY TO STRENGTHEN NATURAL GAS PRICES

- ▲ Natural gas prices are under pressure due to a mixed weather prediction and low demand in the United States, although US export, production, and electricity output figures are expected to give support.
- ▲ According to the Commodity Weather Group, temperatures in the Midwest and East will be generally normal through September 11, reducing natural gas demand for air conditioning. Maxar also noted on Tuesday that the midday forecast in the West and Northeast shifted cooler from September 12 to 16.
- ▲ Gas export, production, and electricity output data from the United States are all bullish for gas prices. According to Bloomberg data, gas flows to US LNG export terminals were 10.9 bcf on Tuesday, up 7.4% w/w, and US gas output was 89.905 bcf, down -1.0 percent y/y and the lowest in two months. Additionally, the Edison Electric Institute stated last Wednesday that overall U.S. power output increased by 3.1% year over year to 93,467 GWh (gigawatt hours) in the week ending August 28.
- ▲ A decline in domestic demand, on the other hand, is expected to keep gas prices in control. According to Bloomberg, US natural gas consumption fell -0.5 percent y/y on Tuesday, to 60.8 billion cubic feet.
- ▲ According to the CFTC Commitments of Traders report for the week ended August 31, net short for natural gas futures sank 21882 contracts to 144695 for the week. Speculative long position increased by 18305 contracts, while shorts dropped by 3577 contracts. It is possible to see an increase in net short this week as natural gas prices weakened due to demand concern.
- ▲ Last Friday, Baker Hughes stated that the number of active US natural gas drilling rigs increased by 5 rigs in the week ending September 3, bringing the total to 102 rigs, significantly above the record low of 68 rigs set in July 2020. An increase in gas rigs indicates increased production in the United States, which is bearish for gas prices.
- ▲ On the inventory front, the EIA report was positive for prices because it showed that natural gas stocks in the United States increased less than expected. Natural gas inventories increased by 20 billion cubic feet to 2,871 billion cubic feet in the week ended August 27, against predictions of +25 billion cubic feet and the 5-year average of +53 billion cubic feet. In addition, supplies are limited, with inventories down -16.9% year over year and -7.2 percent below their 5-year average.

Outlook

- ▲ Natural Gas prices are likely to find support near 10 days EMA at \$4.509 and 20 days EMA at 4.359 while immediate resistance level is seen near \$4.850-\$4.926

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