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Natural gas prices may trade firm while above \$3.30

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## NATURAL GAS PRICES MAY TRADE FIRM WHILE ABOVE \$3.30

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- On the strength of a change in weather prediction, natural gas prices are trading marginally up from Monday's low of \$3.630 and consolidating near \$3.77. The National Oceanic and Atmospheric Administration (NOAA) is forecasting colder weather on the West Coast, but warmer-than-normal conditions are expected across the majority of the United States from December 13 to 17. The Commodity Weather Group also stated that temperatures in the Western United States will be cooler than expected through December 21, while the remainder of the country will remain exceptionally mild. Meanwhile, based on natural gas use, Maxar predicts that December will be the third warmest since 1950.
- On negative side, US domestic increasing gas production is likely to keep a cap on gas prices in near term. As per Bloomberg data, US natural gas production on Tuesday was at 96.2 bcf, up +5.9% y/y.
- On positive side, gas prices have support from domestic demand, increasing electricity consumption and export demand. As per Bloomberg data US domestic demand on Tuesday was at 95.8 bcf, the highest since Feb. 20. US electricity output in the week ended Nov 27 rose +6.3% y/y to 72,312 GWh. Gas flow to LNG export terminals on Tuesday was at 11.2 bcf, up +2.4% y/y. On Nov 26, gas flows to LNG terminals rose to a record 12.34 bcf.
- On the inventory front, a weekly report released last Thursday revealed that US natural gas stockpiles declined -59 bcf to 3,564 bcf in the week ended November 26, a larger drop than the -58 bcf expected. Gas supplies in the United States are still scarce, with inventories down -9.5 percent year over year and -2.4 percent below their 5-year average.
- Baker Hughes stated last Friday that the number of active U.S. natural gas drilling rigs remained constant at 102 in the week ending December 3, significantly above the record low of 68 rigs established in July 2020.
- The net short of natural gas futures fell by 4577 contracts to 132 678 contracts during the week, according to the CFTC Commitments of Traders report for the week ended November 30. Speculative longs were down 500 contracts, while shorts were down 5077 contracts.

### Outlook

- Natural gas prices, which have a strong support base between \$3.71-\$3.30, are expected to remain stable as long as they remain above these levels. Around \$3.90-\$3.977, it may face significant opposition.

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