
The forecast for above-normal temperatures is likely to keep gas prices under pressure

THE FORECAST FOR ABOVE-NORMAL TEMPERATURES IS LIKELY TO KEEP GAS PRICES UNDER PRESSURE

- Natural gas prices are now trading at \$4.002, slightly higher than yesterday's low of \$3.883 but significantly lower than the recent high of \$5.572 set on February 2nd. Forecasted mild temperatures in the United States will likely reduce heating demand for natural gas, which will be negative for prices. On Thursday, the weather agency Atmospheric G2 forecasted above-normal temperatures across the eastern and central United States from February 15 to 24.
- Natural gas prices are falling as a result of weak domestic demand and rising production. According to Bloomberg data, US demand for Wednesday was 89.8 bcf, down -15 percent year on year, and US gas production on Thursday was 95.4 bcf, up +9.2 percent year on year.
- However, rising electricity production and strong export demand are supporting gas prices. According to Bloomberg data, gas flow to US export terminals rose +19 percent year on year on Thursday to 11.95 billion cubic feet (bcf), slightly lower than the record of 13.22 billion cubic feet set in January. The Edison Electric Institute reported on Wednesday that total U.S. electricity output increased 5.9 percent year on year to 84,301 GWh in the week ended February 5. (gigawatt hours).
- According to the EIA's weekly report, US natural gas inventories fell -222 bcf to 2,101 bcf in the week ended February 4. Inventories in the United States are down -16.6 percent year on year and -9.3 percent below their five-year average.
- Baker Hughes reported last Friday that the number of active natural gas drilling rigs in the United States increased by one rig in the week ending February 4 to a two-year high of 116 rigs. Rising gas rig counts are a leading indicator of abundant future supplies. Active rigs have rebounded sharply from a low of 68 rigs in July 2020.
- According to the CFTC Commitments of Traders report for the week ended February 1, net short of natural gas futures dropped by 425 contracts to 120010 during the week. Speculative longs increased by 8829 contracts while shorts increased by 4304 contracts.

Outlook

- Natural Gas prices are likely to trade negative while below key resistance level of \$4.049-\$4.149. Immediate support level could be seen around \$3.78-3.68

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