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Positive trend to continue in Natural Gas

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## POSITIVE TREND TO CONTINUE IN NATURAL GAS

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- On Thursday, CME natural gas future contract prices soared to a six-month high of \$6.44, and are presently hovering around \$6.37. Prices have been supported by a change in the weather outlook for the United States and a decline in weekly inventories, as well as the Russia-Ukraine crisis.
- The weather is expected to be much colder than normal on the West Coast and colder than normal throughout the United States for the next two weeks. Colder weather increases natural gas heating demand.
- Meanwhile, according to the Energy Information Administration (EIA), natural gas in storage as of April 1, 2022 was 1,382 Bcf, down 33 Bcf from the previous week. Stockpiles were expected to climb by 8 Bcf, according to market expectations. At this time, natural gas inventory is 399 Bcf lower than last year and 285 Bcf lower than the five-year average of 1,667 Bcf. Inventories are still low, down -22.5 percent year over year and -17.1 percent below their five-year average.
- Gas prices rose after Russian President Vladimir Putin declared that "unfriendly" countries must pay in rubles for natural gas, heightening the possibility of a disruption in Russian gas supply to Europe. Russia declared that international gas clients will need to open separate ruble and foreign currency accounts by the end of this month in order to purchase Russian gas.
- Gas prices are also supported by expanding domestic and export demand in the United States, as well as increased electricity output. As per Bloomberg data, gas flows to US export terminals Thursday rose by +11.2% y/y to 12,607 bcf and domestic gas demand Thursday was 72.8 bcf, up +24% y/y. U.S. electricity output in the week ended April 2 rose +5.0% y/y to 71,560 GWh (gigawatt hours). Also, cumulative U.S. electricity output in the 52-week period ending April 2 rose +2.7% y/y to 4,063,718 GWh.
- However, increased output and gas rigs are putting downward pressure on pricing. As per Bloomberg data, US natural gas production Thursday at 94.6 bcf, up +2.3% y/y. Baker Hughes reported last Friday that the number of active U.S. nat-gas drilling rigs in the week ended April 1 rose by 1 rig to a 2-1/2 year high of 138 rigs.

### Outlook

- CME Natural gas future contract likely to trade firm while above key support level of \$6.092-\$5826 while immediate resistance level could be seen around \$6.532-\$6.706

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