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NATURAL GAS'S DOWNWARD TREND IS EXPECTED TO CONTINUE

- US natural gas futures extended losses and continued to hold near \$4.245 on the backdrop of change in weather forecast and reducing concerns of winter supply shortages. US natural gas prices are in negative trend from last three months after registering recent high of \$6.466 in October 2021. Weather forecasting agency NOAA said that US temperatures expected to remain above-normal in most of the country for Dec. 7-11. On Wednesday, the Commodity Weather Group also said that above-normal temperatures are expected for most of the U.S. through Dec 5, and the Northeast will see above-normal temperatures through Dec 10.
- Foreign demand and electricity production are supporting natural gas prices. On Wednesday, US LNG export ports reached 11.5 billion cubic feet, up 6.3 percent year on year. Gas flows to LNG terminals reached a new high of 12.34 billion cubic feet on Friday. The Edison Electric Institute stated on Wednesday that overall U.S. energy output increased by 6.3 percent year over year to 72,312 GWh in the week ending November 27. (gigawatt hours).
- However, the United States' gas output levels and domestic demand are likely to keep prices under pressure. According to Bloomberg, US lower-48 natural gas output was 94.7 bcf on Wednesday, increasing +3.9 percent year over year. Domestic nat-gas demand has weakened as Bloomberg data US natural gas demand on Wednesday was 79.3 bcf, down -16% y/y.
- Today's weekly EIA inventory data is expected to provide natural gas prices a boost, with inventories expected to fall by 58 billion cubic feet. Gas inventories were down -8.0 percent year over year and -1.6 percent below their 5-year average as of the week ended November 19.
- Last Wednesday, Baker Hughes announced that the number of active U.S. natural gas drilling rigs in the week ended November 26 remained stable at 102, just below the one-and-a-half-year high of 104 rigs set on July 23 and well above the record low of 68 rigs set in July 2020.
- The net short of natural gas futures fell -7 365 contracts to 137 255 contracts during the week, according to the CFTC Commitments of Traders data for the week ended November 23. Long speculative positions lost 4442 contracts, while short positions lost 11807 contracts.

Outlook

- Natural gas prices are expected to continue their downward trend, with significant resistance levels of \$4.825-\$4.986, and immediate support levels of \$4.381-\$4.098.

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