
Natural Gas prices are likely to trade firm
Silver may continue to trade in the range of \$28.10-\$27.40

NATURAL GAS PRICES ARE LIKELY TO TRADE FIRM

- ▲ Natural Gas July month expiry contract is holding near \$3.014 with minor losses from the previous day, however above average US temperature expectation from June 5 to 9 is providing support to the prices. Natural Gas is used to produce centrality and its consumption increases once cooling demand increase in the US which supports gas prices.
- ▲ The Weather Company expects below-average cooling demand from May 31-June 4, but warmer-than-normal conditions from June 5-9.
- ▲ Natural Gas prices are also finding support from strong domestic demand in the US, domestic demand increased on Wednesday by 0.4% y/y to 60.4 bcf
- ▲ Stronger domestic natural gas demand and export demand is bullish for prices as nat-gas demand in the lower 48 U.S. states on Wednesday rose +0.4% y/y to 60.4 bcf. Also Gas flows to U.S LNG export terminals on Wednesday rose +55% y/y to 10.0 bcf(according to Bloomberg data).
- ▲ Additionally, electricity output continues to grow in the US, as per the report from Edison Electric Institute, the total U.S. electricity output in the week ended May 22 rose +5.4% y/y to 72,050 GWh (gigawatt hours),
- ▲ However, gas production number in the US is likely to keep prices under pressure. As per the Bloomberg report, US gas production on Wednesday was up +3.3% y/y at 90.972 bcf/d.
- ▲ Natural Gas is likely to get fresh direction from weekly EIA inventory data later today. The consensus is for weekly EIA gas inventories to climb 105 bcf for the week ended May 21. As per the last report, U.S. nat-gas inventories in the week ended May 14 rose +71 bcf to 2,100 bcf, however, it is still down by 16.1% y/y and below 4% of their 5-year average.
- ▲ The gas rig count is an early indication of production. Baker Hughes reported last Friday that the number of active U.S. nat-gas drilling rigs in the week ended May 21 fell by -1 rig to 99 rigs, well above the record low of 68 rigs posted in July 2020.

Outlook

- ▲ Natural Gas prices are likely to remain firm while above the key support level of 20 days EMA at \$2.92 and 50 days EMA at \$2.84. Meanwhile, it is likely to face stiff resistance around \$3.08 and \$3.24.

SILVER MAY CONTINUE TO TRADE IN THE RANGE OF \$28.10-\$27.40

- Silver prices are trading with minor losses from the previous day but still trading in the range of \$28.10-\$27.40 from the last five trading sessions. Weakness in the Dollar index and global bond yields is likely to support precious metals. On Wednesday, the 10-year German bund yield fell to a 2-week low of -0.212%, the 10-year UK gilt yield dropped to a 2-1/2 week low of 0.747%, and the 10-year Japan JGB bond yield slid to a 1-month low of 0.070%. US 10 year bond yield is currently trading near 1.587 which is marginally up from the previous day's closing but sharply lower from the recent high of 1.776 registered on March 30th.
- Precious metals prices are likely to find support from Dovish global central banks comments. ECB Executive Board member Panetta said, "the risk of providing too little policy stimulus is still high and only a sustained increase in inflationary pressures, reflected in an upward trend in underlying inflation and bringing inflation and inflation expectations in line with our aim, could justify a reduction in ECB bond purchases."
- Silver prices and other industrial metals are likely to find support from improving the pandemic situation in the US. The 7-day average of new U.S. Covid infections fell to a new 11-month low of 24,070 on Tuesday. Also, Germany on Monday reported that there only 62.5 new Covid infections per 100,000 people over the past week, the lowest rate since late February.

Outlook

- Silver prices are likely to trade in the range of \$28.10-\$27.40. It may find a strong support base near 20 days EMA of \$27.53 and 50 days EMA of \$26.98 while it may find stiff resistance near \$28.24-\$28.90

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