
Moderate temperatures forecast to keep Natural gas prices under pressure
Silver consolidating near \$25.80- \$26.80

MODERATE TEMPERATURES FORECAST TO KEEP NATURAL GAS PRICES UNDER PRESSURE

- ▲ Natural Gas August expiry contract on CME is currently trading at 3.593 after a sharp drop from the recent high of 3.822 registered on July 6th.
- ▲ A forecast for more moderate temperatures across the US is keeping natural gas prices under pressure. Natural gas is used in producing electricity and air conditioning demand grows when temperature increases. The Commodity Weather Group on Wednesday forecast hotter-than-normal temperatures for the US West through at least July 15 however they expect that the Midwest, East, and South should see more moderate temperatures which are negative for natural gas prices.
- ▲ EIA in its short term energy outlook raises its US 2021 natural gas production estimate to 92.55 bcf/day from last month's forecast of 92.18 bcf/day. An increase in production is likely to keep a lid on natural gas prices.
- ▲ A rise in US gas production and drop in domestic demand is negative for gas prices however export demand is providing support to the prices. As per Bloomberg data, natural gas production on Wednesday was at 90.823 bcf, up +3.1% y/y. Also, US natural gas consumption on Wednesday is down -6.8% y/y at 66.9 bcf. However, Gas flows to US LNG export terminals on Wednesday were 11 bcf, up +1.2% w/w .
- ▲ An increase in US electricity output is positive for natural gas demand from utility providers after the Edison Electric Institute reported last Wednesday that total US electricity output in the week ended June 26 rose +2.1% y/y to 85,364 GWh (gigawatt hours), and cumulative US electricity output in the 52-week period ending June 26 rose +1.0% y/y to 4,000,527 GWh.
- ▲ Natural Gas prices are likely to get fresh direction from weekly inventory data later today. The consensus is for a rise in inventories by +31 bcf. As per the last report, gas inventories are down -16.9% y/y and -5.3% below their 5-year average.
- ▲ Meanwhile, Baker Hughes reported last Friday that the number of active US natural gas drilling rigs in the week ended July 2 rose by +1 rig to 99 rigs.
- ▲ According to the CFTC Commitments of Traders report for the week ended June 29 net short for natural gas futures fell by 4251 contracts to 100847 for the week. Speculative long position increased by 18131 contracts, while shorts increased by 13880 contracts.

Outlook

- ▲ Natural gas prices are likely to face stiff resistance near \$3.795-\$3.883 meanwhile immediate support level is seen near 20 days EMA at \$3.492 and 50 days EMA at \$3.252

SILVER CONSOLIDATING NEAR \$25.80- \$26.80

- Silver is trading near \$26.093 and holding in the range of 25.80-26.80 from the last several trading session. Strength in the dollar index is keeping precious metals under pressure. US dollar index has recovered from a recent low and sustaining near 92.66. However, a slump in global bond yields is likely to support precious metals prices.
- Meanwhile, industrial metals and silver prices found support after the European Commission raised its Eurozone 2021 GDP forecast. Eurozone 2021 GDP estimates to be at 4.8% from a previous estimate of 4.3%. However, European Commission raised its Eurozone 2021 inflation estimate to 1.9% from 1.7%.
- Fed minutes show that Federal Reserve officials talked tapering at their most recent meeting, but few seemed in a rush to get the process going. Some members indicated that the economic recovery was proceeding faster than expected and was being accompanied by an outsized rise in inflation, both making the case for taking the Fed's foot off the policy pedal. Fed officials talked about reducing asset purchases but also expressed the need for patience. The meeting summary also reiterated the Fed's view that while inflation has been rising faster than they expect, they see the current trend as transitory.
- According to the CFTC Commitments of Traders report for the week ended June 29 net long for silver futures build up by 1606 contracts to 41477 for the week. Speculative long position decreased by 1986 contracts, while shorts decreased by 3592 contracts.

Outlook

- Silver prices are consolidating near \$25.80-\$26.80 on mixed fundamentals, it is likely to find a strong support base near \$25.80-\$25.46 while immediate resistance is seen near \$26.80-\$27.40

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